

TOWN OF OCEAN ISLE BEACH
Ocean Isle Beach, North Carolina

FINANCIAL STATEMENTS
Year Ended June 30, 2019

TOWN OF OCEAN ISLE BEACH
Ocean Isle Beach, North Carolina

BOARD OF COMMISSIONERS

Betty Williamson

Carolyn Blythe

Dean Walters

David Green

Wayne Rowell

ADMINISTRATIVE OFFICERS

Debbie Smith
Mayor

Dean Walters
Mayor Pro-Tem

Daisy Ivey
Finance Officer & Town Administrator

Town of Ocean Isle Beach, North Carolina
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June 30, 2019

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FINANCIAL SECTION



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Ocean Isle Beach, 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 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 Ocean Isle Beach ABC Board were not audited in accordance with *Governmental 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 financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Ocean Isle Beach, North Carolina, as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund, and Tourist Accommodation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2019 on our consideration of the Town of Ocean Isle Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ocean Isle Beach's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

October 26, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Ocean Isle Beach

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ZIP CODE 28469

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Management's Discussion and Analysis

As management of the Town of Ocean Isle Beach, we offer readers of the Town of Ocean Isle Beach's financial statements this narrative overview and analysis of the financial activities of the Town of Ocean Isle Beach 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.

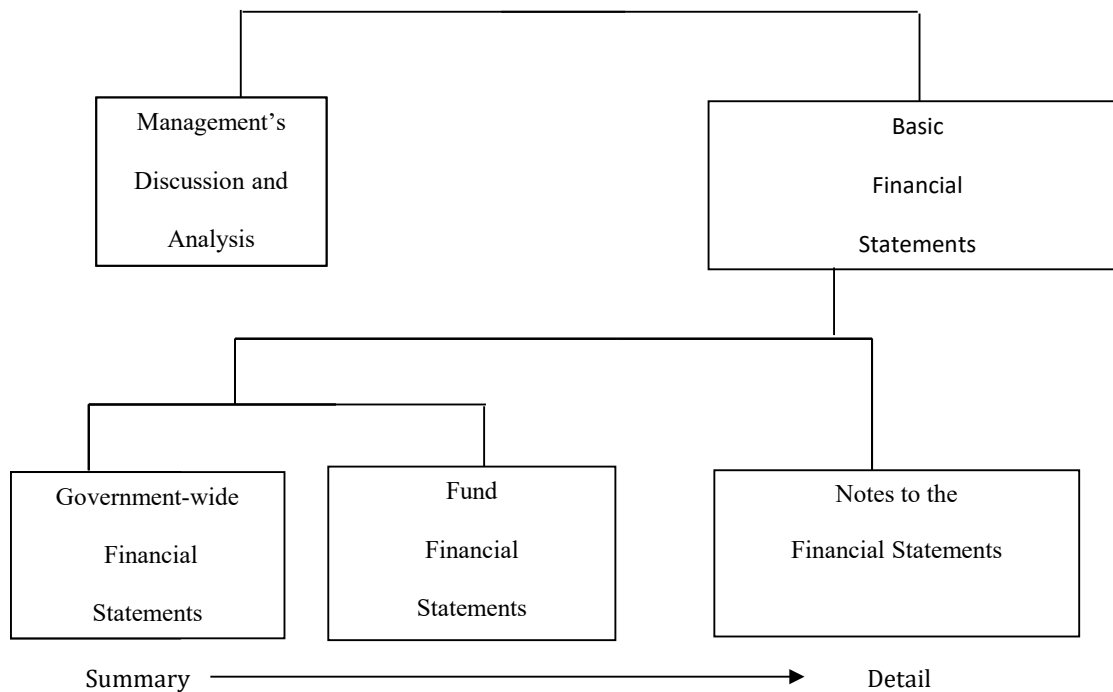
Financial Highlights

- The assets and deferred outflows of resources of the Town of Ocean Isle Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$37,200,413 (*net position*).
- The Town's total net position increased by \$4,810,505, primarily due to increases in the governmental activities.
- As of the close of the current fiscal year, the Town of Ocean Isle Beach's governmental funds reported combined ending fund balances of \$24,978,738, an increase of \$9,677,042 in comparison with the prior year. Approximately 71 percent of this total amount, or \$17,621,448 is available for spending at the government's discretion
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$17,621,448 or 269% of total general fund expenditures for the fiscal year.
- The Town of Ocean Isle Beach's total debt increased by \$6,332,891 during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales tax and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Ocean Isle Beach. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. 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 1 and 2 of this report.

Fund Financial Statements

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

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

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

Proprietary Funds – Town of Ocean Isle Beach has two proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Ocean Isle Beach uses enterprise funds to account for its water and sewer activities. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The 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 follow Exhibit 8 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Ocean Isle Beach's progress in funding its obligation to provide pension benefits to its employees.

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 Ocean Isle Beach's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 25,239,845	\$ 15,636,025	\$ 6,034,319	\$ 5,599,490	\$ 31,274,164	\$ 21,235,515
Restricted Cash	179,465	121,680	176,024	108,835	355,489	230,515
Capital assets	11,303,339	10,213,303	4,660,655	4,746,701	15,963,994	14,960,004
Total assets	36,722,649	25,971,008	10,870,998	10,455,026	47,593,647	36,426,034
Deferred outflows of resources	622,092	435,351	124,073	87,348	746,165	522,699
Long-term liabilities outstanding	9,509,646	3,476,981	340,235	223,181	9,849,881	3,700,162
Other liabilities	1,220,447	649,557	31,916	161,569	1,252,363	811,126
Total liabilities	10,730,093	4,126,538	372,151	384,750	11,102,244	4,511,288
Deferred inflows of resources	30,013	39,338	7,142	8,199	37,155	47,537
Net position:						
Net investment in capital assets	1,949,044	7,191,899	4,660,655	4,746,701	6,609,699	11,938,600
Restricted	325,779	315,123	-	-	325,779	315,123
Unrestricted	24,309,812	14,733,461	5,955,123	5,402,724	30,264,935	20,136,185
Total net position	\$ 26,584,635	\$ 22,240,483	\$ 10,615,778	\$ 10,149,425	\$ 37,200,413	\$ 32,389,908

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 Ocean Isle Beach exceeded liabilities and deferred inflows by \$37,200,413 as of June 30, 2019. The Town's net position increased by \$4,810,505 for the fiscal year ended June 30, 2019. However, a portion \$6,609,699 (18%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Ocean Isle Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Ocean Isle Beach's net investment in 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 Ocean Isle Beach's net position, \$325,779 (1%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$30,264,935 (81%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.06%.
- Increase in revenues within the Governmental and Business Activities.

**Town of Ocean Isle Beach
Changes in Net Assets
Figure 3**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues						
Charges for Services	\$ 4,933,420	\$ 1,558,949	\$ 2,856,626	\$ 2,700,479	\$ 7,790,046	\$ 4,259,428
Operating grants & contributions	663,025	1,597,855	-	-	663,025	1,597,855
Capital grants & contributions	-	-	-	-	-	-
General revenues:						
Property taxes	3,198,026	3,205,034	-	-	3,198,026	3,205,034
Other taxes	3,175,995	3,301,646	-	-	3,175,995	3,301,646
Investment earnings	175,887	73,540	41,661	21,989	217,548	95,529
Other	31,221	5,379	83,130	80,739	114,351	86,118
Total revenues	12,177,574	9,742,403	2,981,417	2,803,207	15,158,991	12,545,610
Expenses:						
General government	1,082,118	1,220,638	-	-	1,082,118	1,220,638
Public safety	2,296,478	2,316,440	-	-	2,296,478	2,316,440
Transportation	440,990	581,846	-	-	440,990	581,846
Environmental protection	91,080	36,500	-	-	91,080	36,500
Mosquito control	7,703	4,239	-	-	7,703	4,239
Economic development	2,731,942	1,218,611	-	-	2,731,942	1,218,611
Interest on long-term debt	73,634	41,892	-	-	73,634	41,892
Special projects	1,109,477	3,046,846	-	-	1,109,477	3,046,846
Water and Sewer	-	-	2,515,064	2,317,099	2,515,064	2,317,099
Total expenses	7,833,422	8,467,012	2,515,064	2,317,099	10,348,486	10,784,111
Increase (decrease) in net position before transfers	4,344,152	1,275,391	466,353	486,108	4,810,505	1,761,499
Increase (decrease) in net position	4,344,152	1,275,391	466,353	486,108	4,810,505	1,761,499
Restatement	-	-	-	-	-	-
Net position, beginning restated	22,240,483	20,965,092	10,149,425	9,663,317	32,389,908	30,628,409
Net position, June 30, ending	\$ 26,584,635	\$ 22,240,483	\$ 10,615,778	\$ 10,149,425	\$ 37,200,413	\$ 32,389,908

Governmental activities. Governmental activities increased the Town's net position by \$4,344,152, thereby accounting for 90% of the total increase in the net position of the Town of Ocean Isle Beach. Key elements of this increase are as follows:

- Increased revenues and decrease in expenses.

Business-type activities. Business-type activities increased the Town of Ocean Isle Beach's net position by \$466,353, accounting for 10% of the total growth in the government's net position. Key elements of this increase are as follows:

- Increased revenues.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Ocean Isle Beach's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Ocean Isle Beach's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Ocean Isle Beach. At the end of the current fiscal year, Town of Ocean Isle Beach's unassigned fund balance in the General Fund was \$17,621,448, while total fund balance reached \$17,868,832. The Governing Body of Town of Ocean Isle Beach has determined that the Town should maintain an available fund balance of 8% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 269% of general fund expenditures, while total fund balance represents 272% of the same amount.

At June 30, 2019 the governmental funds of Town of Ocean Isle Beach reported a combined fund balance of \$24,978,738, with a net increase in fund balance of \$9,677,042. Included in this change in fund balance is a increase in the fund balance in the Tourist Accommodation fund and loan proceeds received in the new town hall capital project fund.

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

Proprietary Funds. The Town of Ocean Isle Beach's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$5,955,123. The total change in net position funds was \$466,353. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Ocean Isle Beach's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Ocean Isle Beach's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$15,963,994 (net of accumulated depreciation). These assets include buildings, land, infrastructure, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Fire Ladder Truck
- Dump Truck

Town of Ocean Isle Beach's Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 9,096,008	\$ 7,677,219	\$ 1,346,936	\$ 1,346,936	\$ 10,442,944	\$ 9,024,155
Buildings and system	911,168	874,960	3,217,984	3,292,431	4,129,152	4,167,391
Machinery and equipment	-	-	66,079	70,266	66,079	70,266
Infrastructure	317,069	355,572	-	-	317,069	355,572
Vehicles and motor equipment	979,094	1,233,587	29,656	37,070	1,008,750	1,270,657
Other Improvements	-	71,965	-	-	-	71,965
Total	\$ 11,303,339	\$ 10,213,303	\$ 4,660,655	\$ 4,746,703	\$ 15,963,994	\$ 14,960,006

Additional information on the Town's capital assets can be found in the notes to the Basic Financial Statements.

Long-term Debt. As of June 30, 2019 the Town of Ocean Isle Beach had total bonded debt outstanding of \$9,354,295.

	Balance			Balance	
	1-Jul-18	Increases	Decreases	30-Jun-19	
Governmental activities:					
Direct placement installment purchases	\$ 3,021,404	\$ 6,700,000	\$ (367,109)	\$ 9,354,295	
Compensated absences	157,599	125,231	(131,017)	151,813	
Governmental activity long-term liabilities	<u>\$ 3,179,003</u>	<u>\$ 6,825,231</u>	<u>\$ (498,126)</u>	<u>\$ 9,506,108</u>	
Business-type activities:					
Compensated absences	\$ 18,735	\$ 19,812	\$ (16,387)	\$ 22,160	
Business-type activity long-term liabilities	<u>\$ 18,735</u>	<u>\$ 19,812</u>	<u>\$ (16,387)</u>	<u>\$ 22,160</u>	

Town of Ocean Isle Beach's Outstanding Debt

The Town of Ocean Isle Beach's total debt increased by \$6,332,891 during the past fiscal year, primarily due to new debt issued.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Ocean Isle Beach is \$128,624,884.

Additional information regarding the Town of Ocean Isle Beach's long-term debt can be found in the notes to the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- Unemployment remained steady.
- Commercial and Residential real estate development remains strong

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities. Property taxes collected are expected to remain approximately the same. The Town will use increases in revenues to finance programs currently in place. No new revenues are anticipated and other current sources remain constant. Management continually seeks grants and funding from outside sources to supplement the Town's revenue streams.

Business-type Activities. The water and sewer rates in the Town were left unchanged for the coming year

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Ocean Isle Beach, 3 West Third Street, Ocean Isle Beach, NC 28469. You can also call (910) 579-2166.

BASIC FINANCIAL STATEMENTS

Town of Ocean Isle Beach, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government			Ocean Isle Beach ABC Board
	Governmental Activities	Business- type	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 19,195,816	\$ 5,456,373	\$ 24,652,189	\$ 296,371
Restricted cash	5,896,942	176,024	6,072,966	-
Receivables (net)	259,518	612,293	871,811	-
Prepaid items	-	-	-	3,000
Inventories	-	32,687	32,687	342,934
Due from other funds	67,034	(67,034)	-	-
Non Current Assets:				
Capital assets:				
Land, improvements, and construction in progress	9,096,008	1,346,936	10,442,944	-
Other capital assets, net of depreciation	2,207,331	3,313,719	5,521,050	54,293
Total capital assets	11,303,339	4,660,655	15,963,994	54,293
Total assets	36,722,649	10,870,998	47,593,647	696,598
DEFERRED OUTFLOWS OF RESOURCES	\$ 622,092	\$ 124,073	\$ 746,165	\$ 35,312
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 336,433	\$ 17,805	\$ 354,238	\$ 305,281
Due to other funds	-	-	-	-
Due within one year	754,014	-	754,014	-
Compensated absences payable	130,000	14,111	144,111	-
Long-term liabilities:				
Liabilities payable from restricted assets:				
Deposits	-	176,024	176,024	-
Compensated absences payable	21,813	8,049	29,862	-
Net pension liability	711,403	156,162	867,565	40,093
Total pension liability	176,149	-	176,149	-
Due in more than one year	8,600,281	-	8,600,281	-
Total liabilities	10,730,093	372,151	11,102,244	345,374
DEFERRED INFLOWS OF RESOURCES	30,013	7,142	37,155	513
NET POSITION				
Net investment in capital assets	1,949,044	4,660,655	6,609,699	54,293
Restricted for:				
Streets	47,411	-	47,411	-
Unspent Loan Proceeds	-	-	-	-
State Stabilization	278,368	-	278,368	-
Working Capital	-	-	-	73,222
Unrestricted	24,309,812	5,955,123	30,264,935	258,508
Total net position	\$ 26,584,635	\$ 10,615,778	\$ 37,200,413	\$ 386,023

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

Town of Ocean Isle Beach, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 1,082,118	\$ 47,065	\$ -	\$ -
Public safety	2,296,478	1,636,094	30,712	-
Mosquito control	7,703	-	-	-
Transportation	440,990	-	33,500	-
Environmental protection	91,080	3,245,361	597,363	-
Economic development	2,731,942	4,900	1,450	-
Special projects	1,109,477	-	-	-
Interest on long-term debt	73,634	-	-	-
Total governmental activities	<u>7,833,422</u>	<u>4,933,420</u>	<u>663,025</u>	<u>-</u>
Business-type activities:				
Water	1,315,038	1,526,090	-	-
Sewer	1,200,026	1,330,536	-	-
Total business-type activities	<u>2,515,064</u>	<u>2,856,626</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 10,348,486</u>	<u>\$ 7,790,046</u>	<u>\$ 663,025</u>	<u>\$ -</u>
Component unit:				
ABC Board	2,544,127	2,574,403	-	-
Total component unit	<u>\$ 2,544,127</u>	<u>\$ 2,574,403</u>	<u>\$ -</u>	<u>\$ -</u>

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

Town of Ocean Isle Beach, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position				
	Primary Government			
Functions/Programs	Governmental Activities	Business-type Activities	Total	Ocean Isle Beach ABC Board
Primary government:				
Governmental Activities:				
General government	\$ (1,035,053)	\$ -	\$ (1,035,053)	\$ -
Public safety	(629,672)	-	(629,672)	-
Mosquito control	(7,703)	-	(7,703)	-
Transportation	(407,490)	-	(407,490)	-
Environmental protection	3,751,644	-	3,751,644	-
Economic development	(2,725,592)	-	(2,725,592)	-
Special projects	(1,109,477)	-	(1,109,477)	-
Interest on long-term debt	(73,634)	-	(73,634)	-
Total governmental activities	<u>(2,236,977)</u>	<u>-</u>	<u>(2,236,977)</u>	<u>-</u>
Business-type activities:				
Water	-	211,052	211,052	-
Sewer	-	130,510	130,510	-
Total business-type activities	<u>-</u>	<u>341,562</u>	<u>341,562</u>	<u>-</u>
Total Primary Government	<u>(2,236,977)</u>	<u>341,562</u>	<u>(1,895,415)</u>	<u>-</u>
Component unit:				
ABC Board	-	-	-	30,276
Total component unit	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,276</u>
 General revenues:				
Taxes:				
Property taxes, levied for general purpose	3,198,026	-	3,198,026	-
Local option sales tax	185,216	-	185,216	-
Other taxes and licenses	2,990,779	-	2,990,779	-
Investment earnings, unrestricted	175,887	41,661	217,548	1,195
Miscellaneous	31,221	83,130	114,351	7,636
Total general revenues	<u>6,581,129</u>	<u>124,791</u>	<u>6,705,920</u>	<u>8,831</u>
Change in net position	<u>4,344,152</u>	<u>466,353</u>	<u>4,810,505</u>	<u>39,107</u>
Net position, beginning	22,240,483	10,149,425	32,389,908	346,916
Net position, ending	<u>\$ 26,584,635</u>	<u>\$ 10,615,778</u>	<u>\$ 37,200,413</u>	<u>\$ 386,023</u>

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

Town of Ocean Isle Beach, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds				
	General Fund	New Town Hall Capital Projects Fund	Tourist Accommodation Fund	Total Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 17,807,798	\$ -	\$ 1,058,291	\$ 329,727	\$ 19,195,816
Restricted cash	179,465	5,717,477	-	-	5,896,942
Taxes receivables, net	98,033	-	-	-	98,033
Due from other funds	122,989	-	-	-	122,989
Account receivables, net	76,984	-	78,395	-	155,379
Total assets	<u>\$ 18,285,269</u>	<u>\$ 5,717,477</u>	<u>\$ 1,136,686</u>	<u>\$ 329,727</u>	<u>\$ 25,469,159</u>
LIABILITIES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 181,787	\$ -	\$ 22,592	\$ -	\$ 204,379
Liabilities payable from restricted assets:					
Surety bond/Escrow payable	132,054	-	-	-	132,054
Due to other funds	4,563	-	51,376	16	55,955
Total liabilities	<u>318,404</u>	<u>-</u>	<u>73,968</u>	<u>16</u>	<u>392,388</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	98,033	-	-	-	98,033
Total deferred inflows of resources	<u>98,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,033</u>
FUND BALANCES					
Restricted					
Stabilization by State Statute	199,973	-	78,395	-	278,368
Streets - Powell Bill	47,411	-	-	-	47,411
Unspent Loan Proceeds	-	5,717,477	-	-	5,717,477
Committed					
Economic development	-	-	984,323	329,711	1,314,034
Unassigned	17,621,448	-	-	-	17,621,448
Total fund balances	<u>17,868,832</u>	<u>5,717,477</u>	<u>1,062,718</u>	<u>329,711</u>	<u>24,978,738</u>
Total Liabilities, deferred inflows of resources and fund balances	<u>\$ 18,285,269</u>	<u>\$ 5,717,477</u>	<u>\$ 1,136,686</u>	<u>\$ 329,727</u>	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.					11,303,339
Liabilities for Earned revenues but considered deferred inflows in fund statements.					98,033
Deferred outflows of resources related to pensions are not reported in the funds.					622,092
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are inflows of resources in the funds.					6,106
Deferred inflows of resources related to pensions are not reported in the funds					(30,013)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.					(9,506,108)
Total pension liability.					(176,149)
Net pension liability.					(711,403)
Net position of governmental activities					<u>\$ 26,584,635</u>

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

Town of Ocean Isle Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	Major Funds				
	General Fund	New Town Hall Capital Projects Fund	Tourist Accommodation Fund	Total Non-Major Fund	Total Governmental Funds
REVENUES					
Ad valorem taxes	\$ 3,285,566	\$ -	\$ -	\$ -	\$ 3,285,566
Other taxes and licenses	6,833	-	2,305,909	-	2,312,742
Unrestricted intergovernmental	863,253	-	-	-	863,253
Restricted intergovernmental	70,697	-	38,981	553,347	663,025
Permits and fees	1,652,059	-	-	-	1,652,059
Sales and services	3,282,921	-	-	-	3,282,921
Investment earnings	149,830	17,477	8,409	171	175,887
Miscellaneous	-	-	14,340	10,806	25,146
Total revenues	<u>9,311,159</u>	<u>17,477</u>	<u>2,367,639</u>	<u>564,324</u>	<u>12,260,599</u>
EXPENDITURES					
Current:					
General government	1,452,594	-	-	-	1,452,594
Public safety	2,032,930	-	-	-	2,032,930
Transportation	440,808	-	-	-	440,808
Mosquito control	7,703	-	-	-	7,703
Special projects	2,109,477	-	-	-	2,109,477
Environmental protection	75,000	-	-	-	75,000
Economic development	-	-	2,201,007	523,295	2,724,302
Debt principal	367,109	-	-	-	367,109
Debt interest	73,634	-	-	-	73,634
Total expenditures	<u>6,559,255</u>	<u>-</u>	<u>2,201,007</u>	<u>523,295</u>	<u>9,283,557</u>
Excess (deficiency) of revenues over expenditures	<u>2,751,904</u>	<u>17,477</u>	<u>166,632</u>	<u>41,029</u>	<u>2,977,042</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	-	-	-	-
Proceeds from installment purchase	1,000,000	5,700,000	-	-	6,700,000
Transfers to other funds	-	-	-	-	-
Total other financing sources and uses	<u>1,000,000</u>	<u>5,700,000</u>	<u>-</u>	<u>-</u>	<u>6,700,000</u>
Net change in fund balance	3,751,904	5,717,477	166,632	41,029	9,677,042
Fund balances-beginning	14,116,928	-	896,086	288,682	15,301,696
Fund balances-ending	<u>\$ 17,868,832</u>	<u>\$ 5,717,477</u>	<u>\$ 1,062,718</u>	<u>\$ 329,711</u>	<u>\$ 24,978,738</u>

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

Town of Ocean Isle Beach, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
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	\$ 9,677,042
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	1,481,709	
Depreciation expense for governmental assets	<u>(391,673)</u>	
		1,090,036

Cost of asset disposed of during the year	-
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	157,983
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	11,540
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Change in unavailable revenue for tax revenues	(87,453)
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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	5,786
Pension expense	(177,891)

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

	<u>(6,332,891)</u>
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Total changes in net position of governmental activities	<u>\$ 4,344,152</u>
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Town of Ocean Isle Beach, North Carolina
General Fund and Annually Budgeted Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2019

	General Fund				Tourist Accommodation Fund			
	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues:								
Ad valorem taxes	\$ 3,156,522	\$ 3,162,589	\$ 3,285,566	\$ 122,977	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	6,500	6,835	6,833	(2)	2,505,664	2,872,964	2,305,909	(567,055)
Unrestricted intergovernmental	834,350	842,870	863,253	20,383	-	-	-	-
Restricted intergovernmental	72,013	57,013	70,697	13,684	498,900	498,900	38,981	(459,919)
Permits and fees	1,620,355	1,656,782	1,652,059	(4,723)	-	-	-	-
Sales and services	7,323,287	7,804,148	3,282,921	(4,521,227)	-	-	-	-
Investment earnings	11,000	146,075	149,830	3,755	5,000	5,000	8,409	3,409
Miscellaneous	12,650	-	-	-	12,000	12,000	14,340	2,340
Total revenues	<u>13,036,677</u>	<u>13,676,312</u>	<u>9,311,159</u>	<u>(4,365,153)</u>	<u>3,021,564</u>	<u>3,388,864</u>	<u>2,367,639</u>	<u>(1,021,225)</u>
Expenditures								
Current:								
General government	1,689,523	1,987,534	1,452,594	534,940	-	-	-	-
Public safety	2,312,467	2,317,507	2,032,930	284,577	-	-	-	-
Transportation	478,502	478,502	440,808	37,694	-	-	-	-
Mosquito control	8,750	8,750	7,703	1,047	-	-	-	-
Special projects	7,979,340	8,368,276	2,109,477	6,258,799	-	-	-	-
Environmental protection	75,000	75,000	75,000	-	-	-	-	-
Economic development	-	-	-	-	3,368,914	3,388,864	2,201,007	1,187,857
Debt principal	433,095	367,109	367,109	-	-	-	-	-
Debt interest	60,000	73,634	73,634	-	-	-	-	-
Total expenditures	<u>13,036,677</u>	<u>13,676,312</u>	<u>6,559,255</u>	<u>7,117,057</u>	<u>3,368,914</u>	<u>3,388,864</u>	<u>2,201,007</u>	<u>1,187,857</u>
Revenues over (under) expenditures	-	-	2,751,904	2,751,904	(347,350)	-	166,632	166,632
Other financing sources (uses):								
Proceeds from installment purchase	-	-	1,000,000	-	-	-	-	-
Transfers (to)/from	-	-	-	-	-	-	-	-
Fund Balance Appropriated	-	-	-	-	347,350	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>347,350</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,751,904</u>	<u>\$ 3,751,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>166,632</u>	<u>\$ 166,632</u>
Fund balances:								
Beginning of year, July 1			14,116,928				896,086	
End of year, June 30			<u>\$ 17,868,832</u>				<u>\$ 1,062,718</u>	

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

Town of Ocean Isle Beach, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2019

	Major Enterprise Funds		Totals
	Water Fund	Sewer Fund	June 30, 2019
Assets			
Current assets:			
Cash and cash equivalents	\$ 3,709,110	\$ 1,747,263	\$ 5,456,373
Accounts Receivable (net)	233,087	379,206	612,293
Due from other funds	12,949	25,141	38,090
Inventories	14,092	18,595	32,687
Total current assets	<u>3,969,238</u>	<u>2,170,205</u>	<u>6,139,443</u>
Noncurrent assets:			
Restricted cash and cash equivalents	176,024	-	176,024
Capital assets (net)	<u>3,390,706</u>	<u>1,269,949</u>	<u>4,660,655</u>
Total assets	<u>7,535,968</u>	<u>3,440,154</u>	<u>10,976,122</u>
Deferred Outflows of Resources	<u>\$ 96,501</u>	<u>\$ 27,572</u>	<u>\$ 124,073</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 11,745	\$ 6,060	\$ 17,805
Due to other funds	72,134	32,990	105,124
Compensated absences payable	<u>13,000</u>	<u>1,111</u>	<u>14,111</u>
Total	<u>96,879</u>	<u>40,161</u>	<u>137,040</u>
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Deposits	176,024	-	176,024
Net pension liability	121,459	34,703	156,162
Compensated absences payable	<u>8,049</u>	<u>-</u>	<u>8,049</u>
Total	<u>305,532</u>	<u>34,703</u>	<u>340,235</u>
Total liabilities	<u>402,411</u>	<u>74,864</u>	<u>477,275</u>
Deferred Inflows of Resources	<u>5,555</u>	<u>1,587</u>	<u>7,142</u>
Net Position			
Net investment in capital assets	3,390,706	1,269,949	4,660,655
Unrestricted	<u>3,833,797</u>	<u>2,121,326</u>	<u>5,955,123</u>
Total net position	<u>\$ 7,224,503</u>	<u>\$ 3,391,275</u>	<u>\$ 10,615,778</u>

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

Town of Ocean Isle Beach, North Carolina
Statement of Revenues, Expenses, and
Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Major Enterprise Funds		Totals
	Water Fund	Sewer Fund	June 30, 2019
Operating revenues:			
Charges for services	\$ 1,334,029	\$ 1,233,170	\$ 2,567,199
Water & Sewer taps	55,950	15,300	71,250
Other operating revenues	136,111	82,066	218,177
Total operating revenues	<u>1,526,090</u>	<u>1,330,536</u>	<u>2,856,626</u>
Operating expenses:			
Administration	115,191	18,339	133,530
Operations	1,122,751	1,136,527	2,259,278
Depreciation	77,096	45,160	122,256
Total operating expenses	<u>1,315,038</u>	<u>1,200,026</u>	<u>2,515,064</u>
Operating income	<u>211,052</u>	<u>130,510</u>	<u>341,562</u>
Nonoperating revenues (expenses):			
Investment earnings	29,978	11,683	41,661
Lease	83,130	-	83,130
Total nonoperating revenues (expenses)	<u>113,108</u>	<u>11,683</u>	<u>124,791</u>
Net Income before transfers and capital contributions	<u>324,160</u>	<u>142,193</u>	<u>466,353</u>
Capital contributions	-	-	-
Transfer in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	324,160	142,193	466,353
Net Position - Beginning	<u>6,900,343</u>	<u>3,249,082</u>	<u>10,149,425</u>
Total net position, Ending	<u>\$ 7,224,503</u>	<u>\$ 3,391,275</u>	<u>\$ 10,615,778</u>

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

Town of Ocean Isle Beach, North Carolina
Proprietary Funds
Statement of Cash Flows
For The Year Ended June 30, 2019

	Major Enterprise Funds		Totals
	Water Fund	Sewer Fund	June 30, 2019
Cash flows from operating activities:			
Cash received from customers	\$ 1,527,776	\$ 1,293,285	\$ 2,821,061
Cash paid for goods and services	(955,535)	(1,103,420)	(2,058,955)
Cash paid to employees for services	(274,141)	(176,027)	(450,168)
Customer deposits net	67,189	-	67,189
Net cash provided/(used) by operating activities	<u>365,289</u>	<u>13,838</u>	<u>379,127</u>
Cash flows from noncapital financing activities:			
Lease/rental proceeds	<u>83,130</u>	<u>-</u>	<u>83,130</u>
Net cash provided/(used) by noncapital financing activities	<u>83,130</u>	<u>-</u>	<u>83,130</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(18,104)	(18,104)	(36,208)
Net cash provided/(used) by capital and related financing activities	<u>(18,104)</u>	<u>(18,104)</u>	<u>(36,208)</u>
Cash flows from investing activities:			
Interest on investments	<u>29,978</u>	<u>11,683</u>	<u>41,661</u>
Net increase(decrease) in cash and cash equivalents	460,293	7,417	467,710
Cash and cash equivalents:			
Beginning of year, July 1	3,424,841	1,739,846	5,164,687
End of year, June 30	<u>\$ 3,885,134</u>	<u>\$ 1,747,263</u>	<u>\$ 5,632,397</u>

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

Town of Ocean Isle Beach, North Carolina
Proprietary Fund
Statement of Cash Flows
For The Year Ended June 30, 2019

	Water Fund	Sewer Fund	Totals June 30, 2019
Reconciliation of operating income to net cash provided by operating activities			
Operating income/(loss)	\$ 211,052	\$ 130,510	\$ 341,562
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	77,096	45,160	122,256
Changes in assets, deferred outflows of resources and liabilities:			
(Increase) decrease in accounts receivable	1,686	(37,251)	(35,565)
(Increase) decrease in inventory	598	659	1,257
Increase (decrease) in accounts payable and accrued liabilities	3,372	(126,468)	(123,096)
Increase (decrease) in net pension liability	33,682	9,624	43,306
(Increase) decrease in deferred outflows of resources for pensions	(28,564)	(8,161)	(36,725)
Increase (decrease) in deferred inflows of resources for pensions	(822)	(235)	(1,057)
Increase(decrease) in deposits	67,189	-	67,189
Total adjustments	<u>154,237</u>	<u>(116,672)</u>	<u>37,565</u>
Net cash provided/(used) by operating activities	<u>\$ 365,289</u>	<u>\$ 13,838</u>	<u>\$ 379,127</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Town of Ocean Isle Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Ocean Isle Beach, NC and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Ocean Isle Beach is a municipal corporation, which is governed by an elected mayor and a six-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 Ocean Isle Beach 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. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Ocean Isle Beach ABC Board, 1505 Ocean Isle Beach Road, Ocean Isle Beach, North Carolina 28469.

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 distinguish between the *governmental* and *business-type* activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

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 grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

New Town Hall Capital Project Fund. This fund is used to account for construction of the new town hall.

Tourist Accommodation Tax Fund. This fund is used to account for accommodation tax monies.

Airport Grant Fund. This fund is used to account for development of the airport with grant monies.

The town reports the following non-major governmental fund:

Airport Local Fund. This fund is used to account for development of the airport.

The Town reports the following major enterprise funds:

Water Fund and Sewer Fund. These two separate funds are used to account for the Town's water and sewer operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Ocean Isle Beach 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.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Tourist Accommodations Fund, Airport Grant Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. A project ordinance was adopted for the New Town Hall Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Finance Officer is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$10,000; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$10,000 must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town 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 (NCCMT). The Town and the ABC Board's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

In accordance with State law, the Town has invested in securities which are callable and which provide periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

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

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 169-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

4. 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.

5. Inventory

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

The inventories of the Town's enterprise funds and the Town of Ocean Isle Beach ABC Board consist of product which is sold at a profit. The cost of these inventories are expensed when consumed rather than purchased.

6. 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 cost for the Town's assets is \$5,000. All other 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 estimate historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Other assets of the Town are depreciated on a class life basis at the following rates:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Infrastructure	2%
Buildings	2%
Furniture and office equipment	20%
Maintenance and construction equipment	20%
Medium and heavy motor vehicles	20%
Automobiles and light trucks	20%

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Furniture & Equipment	10 years
Leasehold Improvements	10-20 years
Computers, etc.	3 years

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town does have one item that meet this criterion, pension deferrals for the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only two items that meet the criterion for this category - property taxes receivable and pension deferrals for the 2019 fiscal year.

8. Long-Term Obligations

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

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

9. Compensated Absences

Vacation leave is accumulated at the rate of up to thirty (30) days per year with each leave being fully vested when earned. For the Town's government wide and proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded with the funds 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 is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Both the Town and the ABC Board's sick leave policies provide 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 purposes. Since neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Also, customer deposits and monies held in escrow.

Town Restricted Cash

Enterprise Fund

Customer Deposits	\$ 176,024
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General Fund

Escrow Deposits	132,054
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Unspent Loan Proceeds	5,717,477
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Powell Bill Funds	47,411
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Total Restricted Cash	<u>\$ 6,072,966</u>
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11. Net Position/Fund BalancesNet Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for Unspent Loan Proceeds - a portion of fund balance that is restricted by for construction of the new town hall.

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Ocean Isle Beach’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. 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.

Assigned Fund Balance – portion of fund balance that the Town of Ocean Isle Beach intends to use for specific purposes.

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

The Town of Ocean Isle Beach 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-city funds, city funds. For purposes of fund balance classification, expenditures are to be spent from restricted 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.

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’s employer contributions are recognized when due and the Town 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.

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

III. Detail Notes on All FundsA. Assets1. 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 or ABC board'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 or ABC Board, these deposits are considered to be held by the Town's or ABC Boards agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town 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 \$30,725,155 and a bank balance of \$31,106,701. \$2,000,000 of which was covered by federal depository insurance. The rest of which was covered under the pooling method. The ABC Board's deposits had a carrying amount of \$296,371 and a bank balance of \$384,967. All of the bank balance was covered by federal depository insurance.

2. Investments

All investments of the Town are in local banks, as Smart Money Market interest bearing accounts and certificates of deposit.

3. Receivables

	Accounts	Taxes and Related Accrued Interest	Due From Other Governments	Other	Total
Governmental Activities:					
General	\$ 14,367	\$ 104,139	\$ 62,617	\$ -	\$ 181,123
Special Revenue	78,395	-	-	-	78,395
Total Governmental Activities	<u>\$ 92,762</u>	<u>\$ 104,139</u>	<u>\$ 62,617</u>	<u>\$ -</u>	<u>\$ 259,518</u>
Business-Type Activities:					
Water	\$ 601,989	\$ -	\$ 10,304	\$ -	\$ 612,293
Total Business-Type Activities	<u>\$ 601,989</u>	<u>\$ -</u>	<u>\$ 10,304</u>	<u>\$ -</u>	<u>\$ 612,293</u>

Receivables - Allowances for Doubtful Accounts

No allowance for doubtful accounts was considered necessary.

4. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,677,219	\$ 1,418,789	\$ -	\$ 9,096,008
Total capital assets not being depreciated	7,677,219	1,418,789	-	9,096,008
Capital assets being depreciated:				
Buildings	1,492,021	-	-	1,492,021
Other improvements	397,804	-	-	397,804
Equipment and Vehicles	3,485,627	62,920	-	3,548,547
Infrastructure	789,842	-	-	789,842
Total capital assets being depreciated	6,165,294	62,920	-	6,228,214
Less accumulated depreciation for:				
Buildings	617,061	32,869	-	649,930
Other improvements	325,839	2,888	-	328,727
Equipment and Vehicles	2,252,040	317,413	-	2,569,453
Infrastructure	434,270	38,503	-	472,773
Total accumulated depreciation	3,629,210	\$ 391,673	\$ -	4,020,883
Total capital assets being depreciated, net	2,536,084			2,207,331
Governmental activity capital assets, net	\$ 10,213,303			\$ 11,303,339

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

General Government	\$ 47,394
Public Safety	280,185
Economic Development	2,709
Public Works	61,385
Total Depreciation Expense	<u>\$ 391,673</u>

Business-Type Activities:

	Beginning Balances	Increases	Decreases	Ending Balances
Water Fund				
Capital assets not being depreciated:				
Land	\$ 486,374	\$ -	\$ -	\$ 486,374
Total capital assets not being depreciated	486,374	-	-	486,374
Capital assets being depreciated:				
Building	88,859	18,104	-	106,963
Plant and Distribution Systems	4,122,787	-	-	4,122,787
Furniture, Equipment & Maintenance	385,679	-	-	385,679
Vehicles	205,151	-	-	205,151
Total capital assets being depreciated	4,802,476	18,104	-	4,820,580
Less accumulated depreciation for:				
Building	1,777	55,946	-	57,723
Plant and Distribution Systems	1,325,480	1,742	-	1,327,222
Furniture, Equipment & Maintenance	343,814	11,994	-	355,808
Vehicles	168,081	7,414	-	175,495
Total accumulated depreciation	1,839,153	\$ 77,096	\$ -	1,916,248
Total capital assets being depreciated, net	2,963,323			2,904,332
Water Fund capital assets, net	\$ 3,449,697			\$ 3,390,706

	Beginning Balances	Increases	Decreases	Ending Balances
Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 860,562	\$ -	\$ -	\$ 860,562
Total Capital assets not being depreciated	860,562	-	-	860,562
Capital assets being depreciated:				
Building	74,930	-	-	74,930
Plant and Distribution Systems	763,020	-	-	763,020
Furniture, Equipment & Maintenance	453,012	18,104	-	471,116
Vehicles	57,374	-	-	57,374
Total capital assets being depreciated	1,348,336	18,104	-	1,366,440
Less accumulated depreciation for:				
Building	156	1,499	-	1,655
Plant and Distribution Systems	429,752	15,260	-	445,012
Furniture, Equipment & Maintenance	424,612	28,401	-	453,013
Vehicles	57,373	-	-	57,373
Total accumulated depreciation	911,893	\$ 45,160	\$ -	957,053
Total capital assets being depreciated, net	436,443			409,387
Sewer Fund capital assets, net	\$ 1,297,005			\$ 1,269,949
	Beginning Balances	Increases	Decreases	Ending Balances
Total Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,346,936	\$ -	\$ -	\$ 1,346,936
Total capital assets not being depreciated	1,346,936	-	-	1,346,936
Capital assets being depreciated:				
Building	163,789	18,104	-	181,893
Plant and Distribution Systems	4,885,807	-	-	4,885,807
Furniture, Equipment & Maintenance	838,691	18,104	-	856,795
Vehicles	262,525	-	-	262,525
Total capital assets being depreciated	6,150,812	36,208	-	6,187,020
Less accumulated depreciation for:				
Building	1,933	57,445	-	59,378
Plant and Distribution Systems	1,755,232	17,002	-	1,772,234
Furniture, Equipment & Maintenance	768,426	40,395	-	808,821
Vehicles	225,454	7,414	-	232,868
Total accumulated depreciation	2,751,045	\$ 122,256	\$ -	2,873,301
Total capital assets being depreciated, net	3,399,767			3,313,719
Total business-type activities, net	\$ 4,746,703			\$ 4,660,655

Discretely Presented Component Unit:

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

	Cost	Accumulated Depreciation	Net Amount
Furniture & Equipment	\$ 85,788	\$ (31,495)	\$ 54,293
Total	\$ 85,788	\$ (31,495)	\$ 54,293

B. Liabilities**1. Pension Plan and Postemployment Obligations****a. Local Governmental Employees' Retirement System**

Plan Description. The Town 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.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town 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's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.82% for general employees, 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 were \$192,662 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.

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 \$867,565 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 asset 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 asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.0366%, which was an decrease of 0.00443% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$223,356. 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	\$ 133,845	\$ 1,967
Changes of assumptions	230,218	-
Net difference between projected and actual earnings on pension plan investments	119,091	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	13,475	35,188
Town's contributions subsequent to the measurement date	192,662	-
Total	<u>\$ 689,291</u>	<u>\$ 37,155</u>

\$192,622 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2020	\$ 221,681
2021	149,487
2022	23,258
2023	65,048
2024	-
Thereafter	-
	<u>\$ 459,474</u>

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

Inflation	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of position 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.

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:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1 % Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of	\$2,083,967	\$867,565	(\$148,879)

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.

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	192,662
Benefit payments made and administrative expenses for LEOSSA	22,567
Differences between expected and actual experience	153,477
Changes of assumptions	244,893
Net difference between projected and actual earnings on pension plan investments	119,091
Changes in proportion and differences between Town's contributions and proportionate share of contributions	13,475
Total	<u>\$ 746,165</u>

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

Pension deferrals	\$ 37,155
Taxes Receivable	\$ 98,033

b. Law Enforcement Officers Special Separation Allowance

Plan Description

The Town of Ocean Isle Beach administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Town has made no contributions to this plan.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>13</u>
Total	<u><u>14</u></u>

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. 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	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

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

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

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The Town paid \$22,567 as benefits came due for the reporting period.

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 total pension liability of \$176,149. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$22,617.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 19,632	\$ -
Changes of assumptions and other inputs	14,675	-
Benefit payments and administrative expenses subsequent to the measurement date.	22,567	-
Total	<u>\$ 56,874</u>	<u>\$ -</u>

\$22,567 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
2020	4,286
2021	4,286
2022	4,437
2023	3,373
2024	1,870
Thereafter	16,055
	<u>\$ 34,307</u>

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1 % Decrease (2.64 %)	Discount Rate (3.64 %)	1% Increase (4.64 %)
Town's proportionate share of the net pension liability (asset)	\$191,645	\$176,149	\$161,892

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

	2019
Beginning balance	\$ 169,081
Service Cost	13,315
Interest on the total pension liability	4,986
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	18,617
Changes of assumptions or other inputs	(7,283)
Benefit payments	(22,567)
Other changes	-
Ending balance of the total	<u>\$ 176,149</u>

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

d. Other Employment Benefits

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

4. Risk Management

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

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

The Town is eligible to and had purchased commercial flood insurance for a total of \$500,000 for three structures.

Town of Ocean Isle Beach ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage's. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years.

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2019, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long Term Obligationsa. Installment Purchases

On March 13, 2015 the Town entered into a direct placement installment/purchase contract for the purchase of land for a park area. The property is pledged as collateral for the debt while the debt is outstanding. The contract will be paid in annual installments of \$160,000 plus interest at 2.46% per annum for 10 years. The balance at June 30, 2019 was \$800,000.

On July 31, 2017 the Town entered into a direct placement installment/purchase contract for the purchase of land. The property is pledged as collateral for the debt while the debt is outstanding. The contract will be paid in annual installments of \$125,000 plus interest at 2.54% per annum for 10 years. The balance at June 30, 2019 was \$1,125,000.

On October 10, 2017 the Town entered into a direct placement installment/purchase contract for the purchase of a fire truck. The property is pledged as collateral for the debt while the debt is outstanding. The contract will be paid in annual installments plus interest at 2.275% per annum for 10 years. The balance at June 30, 2019 was \$729,295.

On December 14, 2018 the Town entered into a direct placement installment/purchase contract for the purchase of a piece of land. The property is pledged as collateral for the debt while the debt is outstanding. The contract will be paid in annual installments of \$100,000 plus interest at 3.39% per annum for 10 years. The first payment will be on December 14, 2019. The balance at June 30, 2019 was \$1,000,000.

On December 14, 2018 the Town entered into a direct placement installment/purchase contract for the Town Hall building. The property is pledged as collateral for the debt while the debt is outstanding. The contract will be paid in annual installments of \$285,000 plus interest at 3.25%% per annum for 20 years. The first payment will be on March 25, 2020. The balance at June 30, 2019 was \$5,700,000.

The future minimum payments of the direct placement installment purchases as of June 30, 2019 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 754,014	\$ 287,188
2021	755,963	265,256
2022	757,958	243,277
2023	759,998	221,254
2024	762,086	195,246
Next Five Years	2,714,275	705,965
Next Five Years	1,425,000	375,646
Next Five Years	1,425,000	140,867
	<u>\$ 9,354,295</u>	<u>\$ 2,434,699</u>

General Obligation Indebtedness

None.

e. Changes in Long-Term Liabilities

	Balance 1-Jul-18	Increases	Decreases	Balance 30-Jun-19	Current Portion
Governmental activities:					
Direct Placement Installment Purchases	\$ 3,021,404	\$ 6,700,000	\$ (367,109)	\$ 9,354,295	\$ 754,014
Net pension liability (LGERS)	514,124	197,279	-	711,403	-
Total pension liability (LEO)	169,081	18,301	(11,233)	176,149	-
Compensated absences	157,599	125,231	(131,017)	151,813	130,000
Governmental activity long-term liabilities	<u>\$ 3,862,208</u>	<u>\$ 7,040,811</u>	<u>\$ (509,359)</u>	<u>\$ 10,393,660</u>	<u>\$ 884,014</u>
Business-type activities:					
Compensated absences	\$ 18,735	\$ 19,812	\$ (16,387)	\$ 22,160	\$ 14,111
Net pension liability (LGERS)	112,856	43,306	-	156,162	-
Business-type activity long-term liabilities	<u>\$ 131,591</u>	<u>\$ 63,118</u>	<u>\$ (16,387)</u>	<u>\$ 178,322</u>	<u>\$ 14,111</u>

At June 30, 2019, the Town of Ocean Isle Beach had a legal debt margin of \$128,624,884.

C. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2019 is as follows (shown net):

Interfund Balances (Net)

Due to/From Other Funds on June 30, 2019, consist of the following:

Due to Water Fund

Due to Water Fund from the General Fund for expenditures	\$ 12,949
	<u>\$ 12,949</u>

Due to Sewer Fund

Due to Sewer Fund from the General Fund for expenditures	\$ 6,607
Due to Sewer Fund from the Water Fund for expenditures	18,534
	<u>\$ 25,141</u>

Due to General Fund

Due to General Fund from the Accommodation Fund for expenditures	\$ 51,376
Due to General Fund from the Sewer Fund for expenditures	26,384
Due to General Fund from the Water Fund for expenditures	45,214
Due to General Fund from the Airport - Local Fund for expenditures	16
Total	<u>\$ 122,990</u>

Due from Water Fund

Due to Water Fund from the Sewer Fund for expenditures	\$ 18,534
Due to General Fund from Water Fund for expenditures	53,600
	<u>\$ 72,134</u>

Due from Sewer Fund

Due to General Fund from Sewer Fund for expenditures	\$ 32,991
	<u>\$ 32,991</u>

Due from General Fund

Due to Water Fund from the General Fund for expenditures	4,563
Total	<u>\$ 4,563</u>

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

Fund Balance

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

D.	Total fund balance - General Fund	\$ 17,868,832
	Less:	
	Stabilization by State Statute	199,973
	Streets - Powell Bill	47,411
	Remaining Fund Balance	\$ 17,621,448

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys 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 moneys.

V. Significant Effects of Subsequent Events

There are no subsequent events that would have a material affect on the financial statements. Subsequent events have been analyzed through the date that the financial statements were available to be issued.

REQUIRED
SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted
accounting principals.

Schedule of the Proportionate Share of the Net Pension
Liability – Local Government Employees’ Retirement
System

Schedule of Contributions – Local Government
Employees’ Retirement System

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

Schedule of Total Pension Liability as a Percentage of
Covered Payroll - Law Enforcement Officers' Special
Separation Allowance

Town of Ocean Isle Beach, North Carolina
Town of Ocean Isle Beach's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Board's proportion of the net pension liability (asset) (%)	0.0366%	0.0410%	0.0377%	0.0332%	0.3930%	4.1800%
Board's proportion of the net pension liability (asset) (\$)	\$ 867,565	\$ 626,978	\$ 800,759	\$ 149,962	\$ (231,770)	\$ 503,851
Board's covered-employee payroll	\$ 2,429,461	\$ 2,335,338	\$ 2,092,376	\$ 1,934,271	\$ 2,000,311	\$ 2,091,981
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.71%	26.85%	38.27%	7.75%	(11.59%)	24.08%
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 ending June 30.

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

Town of Ocean Isle Beach, North Carolina
Town of Ocean Isle Beach's Contributions
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>
Contractually required contribution	\$ 192,662	\$ 188,106	\$ 175,298	\$ 143,408	\$ 138,383	\$ 142,569
Contributions in relation to the contractually required contribution	192,662	188,106	175,298	143,408	138,383	142,569
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Town's covered-employee payroll	\$ 2,409,784	\$ 2,429,461	\$ 2,335,338	\$ 2,092,376	\$ 1,934,271	\$ 2,000,311
Contributions as a percentage of covered-employee payroll	7.99%	7.74%	7.51%	6.85%	7.15%	7.13%

Town of Ocean Isle Beach, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 169,081	\$ 165,152	\$ 183,637
Service Cost	13,315	10,479	9,917
Interest on the total pension liability	4,986	5,822	5,996
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	18,617	6,417	-
Changes of assumptions or other inputs	(7,283)	9,851	(3,059)
Benefit payments	(22,567)	(28,640)	(31,339)
Other changes	-	-	-
Ending balance of the total pension liability	<u><u>\$ 176,149</u></u>	<u><u>\$ 169,081</u></u>	<u><u>\$ 165,152</u></u>

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

Town of Ocean Isle Beach, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 176,149	\$ 169,081	\$ 165,152
Covered payroll	620,116	621,162	561,605
Total pension liability as a percentage of covered payroll	28.41%	27.22%	29.41%

Notes to the schedules:

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

GENERAL FUND

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

Town of Ocean Isle Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 3,263,789	\$
Penalties and interest		21,777	
Total	<u>3,162,589</u>	<u>3,285,566</u>	<u>122,977</u>
Other taxes and licenses:			
Licenses & Fees		6,833	
Total	<u>6,835</u>	<u>6,833</u>	<u>(2)</u>
Unrestricted intergovernmental:			
ABC profit distribution		221,040	
Utility sales tax		325,966	
Local option sales taxes		185,216	
Telecommunications tax		9,023	
Video programming		87,119	
Beer and wine tax		2,791	
Tax/ Other Refunds		32,098	
Total	<u>842,870</u>	<u>863,253</u>	<u>20,383</u>
Restricted intergovernmental:			
Federal and State grants		24,752	
ABC police distribution		5,960	
Mosquito control grant		1,450	
CAMA grant		5,035	
Powell Bill allocation		33,500	
Total	<u>57,013</u>	<u>70,697</u>	<u>13,684</u>
Permits and fees:			
CAMA local fees		4,900	
Contractor/Development fees		406,448	
Business registration fee		1,940	
Miscellaneous		9,125	
Fire fees		1,227,600	
Public safety fees/donations		2,046	
Total	<u>1,656,782</u>	<u>1,652,059</u>	<u>(4,723)</u>

Town of Ocean Isle Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Sales and services:			
Canal dredge project		132,030	
Beach erosion		3,088,185	
Sale of promotional items/assets		26,706	
Rent		36,000	
Total	<u>7,804,148</u>	<u>3,282,921</u>	<u>(4,521,227)</u>
Investment earnings	<u>146,075</u>	<u>149,830</u>	<u>3,755</u>
Total Revenues	<u>13,676,312</u>	<u>9,311,159</u>	<u>(4,365,153)</u>
General government:			
Administration:			
Salaries & benefits		482,974	
Operating expense		181,826	
Capital Outlay		-	
Total	<u>738,269</u>	<u>664,800</u>	<u>73,469</u>
Building Inspector/Planning:			
Salaries & benefits		358,110	
Operating expense		88,801	
Capital Outlay		-	
Total	<u>465,990</u>	<u>446,911</u>	<u>19,079</u>
Governing board:			
Salaries & benefits		28,089	
Operating expense		4,425	
Capital Outlay		-	
Total	<u>35,264</u>	<u>32,514</u>	<u>2,750</u>
Public Buildings/Property:			
Salaries & benefits		62,627	
Operating expense		245,742	
Capital Outlay		-	
Total	<u>748,011</u>	<u>308,369</u>	<u>439,642</u>
Total General Government	<u>1,987,534</u>	<u>1,452,594</u>	<u>534,940</u>
Environmental:			
Contracted Services		75,000	
Total	<u>75,000</u>	<u>75,000</u>	<u>-</u>

Town of Ocean Isle Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Streets:			
Salaries & benefits		272,547	
Operating expense		168,261	
Capital Outlay		-	
Total	478,502	440,808	37,694
Public Safety:			
Police:			
Salaries & benefits		945,920	
Operating expense		119,594	
Capital Outlay		-	
Total	1,196,194	1,065,514	130,680
Fire:			
Salaries & benefits		858,402	
Operating expense		109,014	
Capital Outlay		-	
Total	1,121,313	967,416	153,897
Total Public Safety	2,317,507	2,032,930	284,577
Mosquito control:			
Salaries & benefits		-	
Operating expense		7,703	
Capital Outlay		-	
Total	8,750	7,703	1,047

Town of Ocean Isle Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Special projects:			
Dredging		43,290	
Land acquisition		1,000,000	
Erosion control		1,066,187	
Total	<u>8,368,276</u>	<u>2,109,477</u>	<u>6,258,799</u>
Debt principal		367,109	
Debt interest		73,634	
Total	<u>440,743</u>	<u>440,743</u>	<u>-</u>
Total Expenditures	<u>13,676,312</u>	<u>6,559,255</u>	<u>7,117,057</u>
Revenues over (under) expenditures	-	2,751,904	2,751,904
Other financing sources (uses):			
Proceeds from installment purchase	-	1,000,000	
Transfers (to)/from other funds	-	-	
Transfers (to)/from other funds	-	-	
Fund Balance Appropriated	-	-	
Total	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
Net change in fund balance	\$ <u>-</u>	3,751,904	\$ <u>3,751,904</u>
Fund balances:			
Beginning of year, July 1		<u>14,116,928</u>	
End of year, June 30		\$ <u><u>17,868,832</u></u>	

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Town of Ocean Isle Beach, North Carolina
Special Revenue Fund - Tourist Accommodation Tax Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Accommodation Tax	\$	\$ 2,305,909	\$
Investment Income		8,409	
Restricted Revenue		38,981	
Miscellaneous		14,340	
Total revenues	<u>3,388,864</u>	<u>2,367,639</u>	<u>(1,021,225)</u>
Expenditures:			
Current:			
Economic and Physical			
Development:			
Public Property & Other		2,201,007	
Total expenditures	<u>3,388,864</u>	<u>2,201,007</u>	<u>1,187,857</u>
Revenues over expenditures	-	166,632	166,632
Other financing sources (uses)			
Transfers in (out)	-	-	-
Fund Balance Appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	-	-	-
Revenues over expenditures and other sources	\$ <u>-</u>	166,632	\$ <u>166,632</u>
Fund balances:			
Beginning of year, July 1		896,086	
End of year, June 30		\$ <u>1,062,718</u>	

Town of Ocean Isle Beach, North Carolina
New Town Hall Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted:					
Interest earnings	\$ 20,000	\$	\$ 17,477	\$ 17,477	\$
Local revenues	28,850		-	-	
Total Revenues	<u>48,850</u>	<u>-</u>	<u>17,477</u>	<u>17,477</u>	<u>(31,373)</u>
Expenditures:					
Current:					
Economic and physical development:	<u>5,748,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,748,850</u>
Revenues over expenditures	<u>(5,700,000)</u>	<u>-</u>	<u>17,477</u>	<u>17,477</u>	<u>5,717,477</u>
Other Financing Sources (Uses):					
Transfers in (out)	-	-	-	-	-
Installment purchase proceeds	<u>5,700,000</u>	<u>-</u>	<u>5,700,000</u>	<u>5,700,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>5,700,000</u>	<u>-</u>	<u>5,700,000</u>	<u>5,700,000</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ 5,717,477	\$ <u>5,717,477</u>	\$ <u>5,717,477</u>
Fund Balance:					
Beginning of Year, July 1			<u>-</u>		
End of Year, June 30			\$ <u>5,717,477</u>		

Town of Ocean Isle Beach, North Carolina
Combining Balance Sheet
Non Major Governmental Funds
For the Fiscal Year Ended June 30, 2019

	Airport Local	Airport Grant	2019 Totals
Assets			
Cash and Investments	\$ 300,024	\$ 29,703	\$ 329,727
Accounts Receivable	-	-	-
Total Assets	<u>\$ 300,024</u>	<u>\$ 29,703</u>	<u>\$ 329,727</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Due to other funds	<u>16</u>	<u>-</u>	<u>16</u>
	<u>16</u>	<u>-</u>	<u>16</u>
Fund Balances:			
Restricted			
Committed Stabilization by State Statute	-	-	-
Economic development	<u>300,008</u>	<u>29,703</u>	<u>329,711</u>
Total Fund Balance	<u>300,008</u>	<u>29,703</u>	<u>329,711</u>
Total Liabilities and Fund Equity	<u>\$ 300,024</u>	<u>\$ 29,703</u>	<u>\$ 329,727</u>

Town of Ocean Isle Beach, North Carolina
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non Major Governmental Funds
For the Fiscal Year Ended June 30, 2019

	Airport Local	Airport Grant	2019 Totals
Revenues:			
Local Revenues	\$ 10,758	\$ -	\$ 10,758
Investment Income	171	-	171
Restricted Revenue	27,500	525,847	553,347
Miscellaneous	48	-	48
Total Revenues	<u>38,477</u>	<u>525,847</u>	<u>564,324</u>
Expenditures:			
Current:			
Economic Development	<u>8,346</u>	<u>514,949</u>	<u>523,295</u>
Revenues over expenditures	30,131	10,898	41,029
Other Financing Sources (Uses):			
Transfers In (Out)	-	-	-
Fund balances:			
Beginning of year, July 1	<u>269,877</u>	<u>18,805</u>	<u>288,682</u>
End of year, June 30	<u>\$ 300,008</u>	<u>\$ 29,703</u>	<u>\$ 329,711</u>

Town of Ocean Isle Beach, North Carolina
Special Revenue Fund - Airport Local Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Investment Income	\$	\$ 171	\$
Local revenues		38,258	
Miscellaneous		48	
Total	<u>79,615</u>	<u>38,477</u>	<u>(41,138)</u>
Expenditures:			
Current:			
Economic and physical development:			
Clear zone project		-	
Other improvements		8,346	
Total expenditures	<u>79,615</u>	<u>8,346</u>	<u>71,269</u>
Revenues over expenditures	-	30,131	30,131
Fund Balance Appropriated	-	-	-
Other Financing Sources (Uses):			
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	30,131	<u>\$ 30,131</u>
Fund balances:			
Beginning of year, July 1		<u>269,877</u>	
End of year, June 30		<u>\$ 300,008</u>	

Town of Ocean Isle Beach, North Carolina
Special Revenue Fund - Airport Grant Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Interest income	\$	\$ -	\$
Grants		525,847	
Total	<u>1,996,010</u>	<u>525,847</u>	<u>(1,470,163)</u>
Expenditures:			
Current:			
Economic and physical development:			
Approach clear zone project		514,949	
Total expenditures	<u>1,996,010</u>	<u>514,949</u>	<u>1,481,061</u>
Revenues over expenditures	-	10,898	10,898
Fund Balance Appropriated	-	-	-
Other Financing Sources (Uses):			
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	10,898	<u>\$ 10,898</u>
Fund balances:			
Beginning of year, July 1		18,805	
End of year, June 30		<u>\$ 29,703</u>	

ENTERPRISE FUNDS

Town of Ocean Isle Beach, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services:			
Water sales:			
Residential &			
Commercial	\$	\$ 1,334,029	\$
Miscellaneous		-	
Total	<u>1,498,241</u>	<u>1,334,029</u>	<u>(164,212)</u>
Water taps	<u>55,950</u>	<u>55,950</u>	<u>-</u>
Other operating revenues	<u>139,142</u>	<u>136,111</u>	<u>(3,031)</u>
Total Operating Revenues	<u>1,693,333</u>	<u>1,526,090</u>	<u>(167,243)</u>
Nonoperating revenues:			
Lease	83,059	83,130	71
Miscellaneous	-	-	-
Interest earnings	<u>26,474</u>	<u>29,978</u>	<u>3,504</u>
Total Revenues	<u>1,802,866</u>	<u>1,639,198</u>	<u>(163,668)</u>
Expenditures:			
Water Administration:			
Salaries and benefits		97,666	
Repairs and maintenance		5,614	
Telephone		663	
Office supplies		1,821	
Operating expenses		9,427	
Capital outlay		-	
Total water			
administration	<u>130,215</u>	<u>115,191</u>	<u>15,024</u>
Water Operations:			
Salaries and benefits		176,475	
Repairs and maintenance		2,690	
Water purchase		673,510	
Supplies		86,422	
Engineering contract		71,290	
Operating expenditures		103,756	
Capital outlay		-	
Total	<u>1,810,206</u>	<u>1,114,143</u>	<u>696,063</u>

Town of Ocean Isle Beach, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019

Debt service:			
Interest and fees		-	
Principal retirement		-	
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay:			
Land acquisition		-	
Vehicle/Equipment		18,104	
System improvements		-	
Total capital outlay	<u>18,104</u>	<u>18,104</u>	<u>-</u>
Total expenditures	<u>1,958,525</u>	<u>1,247,438</u>	<u>711,087</u>
Other financing sources (uses):			
Transfers in (out)	-	-	-
Fund balance appropriated	<u>155,659</u>	<u>-</u>	<u>(155,659)</u>
Total other financing sources (uses):	<u>155,659</u>	<u>-</u>	<u>(155,659)</u>
Revenues and other sources over (under) expenditures and other uses	\$ <u>-</u>	\$ <u>391,760</u>	\$ <u>391,760</u>

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

Revenues over expenditures	\$ <u>391,760</u>
Reconciling items:	
Capital outlay	18,104
Depreciation	(77,096)
Change in compensated absences	(3,714)
(Increase) decrease in net pension liability	(33,682)
Increase (decrease) in deferred outflows of resources for pensions	28,564
(Increase) decrease in deferred inflows of resources for pensions	822
Increase (decrease) in Inventory	<u>(598)</u>
Total reconciling items	<u>(67,600)</u>
Change in net position	\$ <u>324,160</u>

Town of Ocean Isle Beach, North Carolina
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services:			
Sewer charges:			
Residential &			
Commercial	\$	\$ 1,233,170	\$
Miscellaneous		82,066	
Total	<u>1,262,085</u>	<u>1,315,236</u>	<u>53,151</u>
Sewer Taps	<u>15,000</u>	<u>15,300</u>	<u>300</u>
Impact fees and other	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Revenues	<u>1,277,085</u>	<u>1,330,536</u>	<u>53,451</u>
Nonoperating revenues:			
Other	<u>-</u>	<u>-</u>	<u>-</u>
Interest earnings	<u>6,000</u>	<u>11,683</u>	<u>5,683</u>
Total Revenues	<u>1,283,085</u>	<u>1,342,219</u>	<u>59,134</u>
Expenditures:			
Sewer Administration:			
Salaries and benefits		-	
Operating expenses		18,339	
Capital outlay		<u>-</u>	
Total sewer			
administration	<u>21,200</u>	<u>18,339</u>	<u>2,861</u>
Sewer Operations:			
Salaries and benefits		176,027	
Repairs and maintenance		89,493	
Supplies		46,482	
Utilities		52,000	
Contracted services		9,417	
Brunswick County capital & flow charge		708,986	
Operating expenditures		52,524	
Capital outlay		<u>-</u>	
Total	<u>1,284,421</u>	<u>1,134,929</u>	<u>149,492</u>

Town of Ocean Isle Beach, North Carolina
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019

Debt service:			
Interest and fees		-	
Principal retirement		-	
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay:			
Improvements		-	
Equipment		18,104	
Total capital outlay	<u>18,104</u>	<u>18,104</u>	<u>-</u>
Total expenditures	<u>1,323,725</u>	<u>1,171,372</u>	<u>152,353</u>
Other financing sources (uses):			
Fund balance appropriated	<u>40,640</u>	<u>-</u>	<u>(40,640)</u>
Total other financing sources (uses)	<u>40,640</u>	<u>-</u>	<u>(40,640)</u>
Revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>170,847</u>	\$ <u>170,847</u>

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

Revenues over expenditures	\$ <u>170,847</u>
Reconciling items:	
Capital outlay	18,104
Depreciation	(45,160)
(Increase) decrease in net pension liability	(9,624)
Change in compensated absences	289
Increase (decrease) in deferred outflows of resources for pensions	8,161
(Increase) decrease in deferred inflows of resources for pensions	235
Increase (decrease) in Inventory	<u>(659)</u>
Total reconciling items	<u>(28,654)</u>
Change in net position	\$ <u>142,193</u>

OTHER SCHEDULES

This section includes additional information on property taxes, transfers, and cash and investments.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Town of Ocean Isle Beach, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$	\$ 3,233,887	\$ (3,138,951)	\$ 94,936
2017-2018	104,404	-	(102,664)	1,740
2016-2017	68,718	-	(68,117)	601
2015-2016	1,207	-	(451)	756
2014-2015	429	-	(429)	-
2013-2014	235	-	(235)	-
	<u>\$ 174,993</u>	<u>\$ 3,233,887</u>	<u>\$ (3,310,847)</u>	<u>\$ 98,033</u>
	Ad valorem taxes receivable - net			<u>\$ 98,033</u>
<u>Reconcilement with revenues:</u>				
	Ad valorem taxes - General Fund			\$ 3,285,566
	Reconciling items:			
	Discounts, Releases, Refunds			47,058
	Interest collected			<u>(21,777)</u>
	Total collections and credits			<u>\$ 3,310,847</u>

Town of Ocean Isle Beach, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Year Ended June 30, 2019

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,724,739,733	\$ 0.1875	\$ 3,233,887	\$ 3,191,092	\$ 42,795
Penalties				-	-
Total	<u>1,724,739,733</u>		<u>3,233,887</u>	<u>3,191,092</u>	<u>42,795</u>
 Total property valuation	 \$ <u><u>1,724,739,733</u></u>				
 Net levy			3,233,887	3,191,092	42,795
Uncollected taxes at June 30, 2019			<u>(94,936)</u>	<u>(94,936)</u>	<u>-</u>
Current year's taxes collected			\$ <u><u>3,138,951</u></u>	\$ <u><u>3,096,156</u></u>	\$ <u><u>42,795</u></u>
Current levy collection percentage			<u><u>97.06%</u></u>	<u><u>97.02%</u></u>	<u><u>100.00%</u></u>

COMPLIANCE SECTION



Thompson, Price, Scott, Adams & Co., P.A.
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**Report On Internal Control Over Financial Reporting And On Compliance and Other
Matters Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Ocean Isle Beach, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Ocean Isle Beach's basic financial statements, and have issued our report thereon dated October 26, 2019. The financial statements of Town of Ocean Isle Beach 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 Ocean Isle Beach's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ocean Isle Beach's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

October 26, 2019

Town of Ocean Isle Beach, North Carolina
Schedule of Findings and Responses
For the Year Ended June 30, 2019

Section I.	Summary of Auditor's Results
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Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant Deficiency(s) identified? ☐ yes ☒ none reported

Noncompliance material to financial
statements noted? ☐ yes ☒ no

Town of Ocean Isle Beach, North Carolina
Schedule of Findings and Responses
For the Year Ended June 30, 2019

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings

None reported.

Section IV – State Award Findings

None reported.

Town of Ocean Isle Beach, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2019

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings

None reported.

Section IV – State Award Findings

None reported.