

***TOWN OF INDIAN BEACH,  
NORTH CAROLINA***

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

***TOWN OF INDIAN BEACH,  
NORTH CAROLINA***

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2019**

***Mayor***

Stewart M. Pickett

***Commissioners***

Joel S. Fortune, Jr.

Allen Smith

Elizabeth Dale Williford

Pete Wylie

***Town Manager***

Tim White

**TOWN OF INDIAN BEACH,  
NORTH CAROLINA**

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## ***FINANCIAL SECTION***

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to Financial Statements

## **G. Lee Carroll, Jr., CPA**

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### **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and  
Board of Commissioners  
Town of Indian Beach  
Indian Beach, North Carolina

I have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Indian Beach as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise 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*

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### *Opinions*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position the governmental activities and each major fund of the Town of Indian Beach as of June 30, 2019, and the changes in financial position, and respective budgetary comparison for the General Funds and Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Other Matters - Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis beginning on page 3, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 37 through 40, respectively, 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. I 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 information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Indian Beach. The budgetary statement, individual fund statement, tax schedules as well as the accompanying schedule of expenditures of federal and state awards required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and the State Single Audit Implementation Act* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary statement, individual fund statement, tax schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budgetary statement, individual fund statement, tax schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 27, 2019, on my consideration of the Town of Indian Beach's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering to town's internal control over financial reporting and compliance.

*F. Lee Carroll, Jr., CPA*

December 27, 2019

## Town of Indian Beach, North Carolina

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019

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

Highlights of the Town's fiscal year ended June 30, 2019, include:

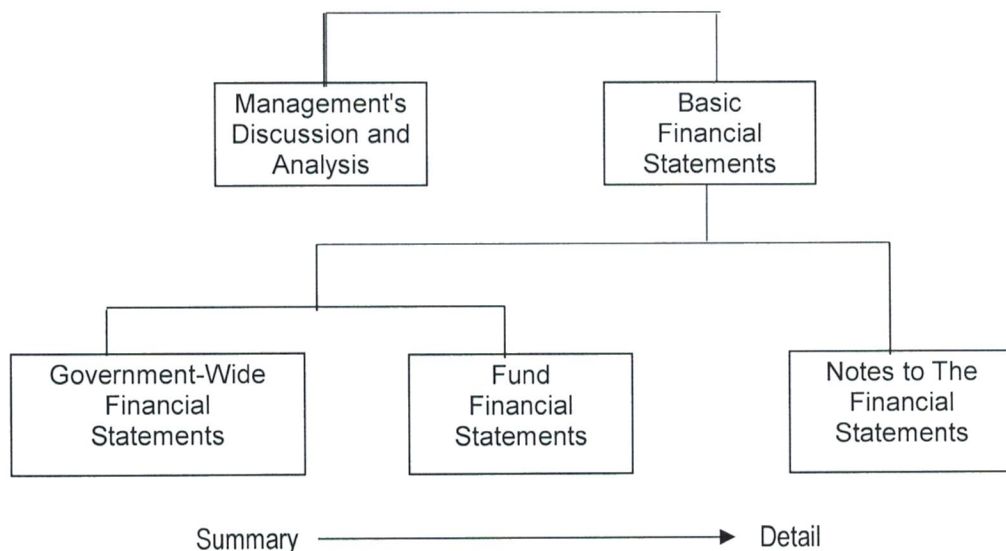
- The assets and deferred outflows of resources of the Town of Indian Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,500,259 (net position).
- The government's total net position decreased by \$1,229,377. This decrease is primarily the result of special revenue fund beach nourishment expenses that exceeded related intergovernmental capital grants by \$1,089,622 which was offset by diligent cost-saving measures throughout the rest of the budget.
- As of the close of the current fiscal year, the Town of Indian Beach's governmental funds reported combined ending fund balances of \$944,715 with a net decrease of \$1,034,407 in fund balance. Approximately 88.7 percent of this total amount, or \$838,017, is non-spendable, restricted, committed, or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$106,698 or 5.12 percent of total general fund expenditures for the fiscal year.
- During the year, the Town liquidated its restricted beach nourishment special revenue fund investments in various US Treasuries and NC Municipal Bonds which had a Standard & Poor's rating of AAA and AA respectively and reinvested the entire investment in the NC Capital Management Trust of which its AAAm rating remained unchanged.
- The Town's total debt increased by \$168,393 during the current fiscal year. Increase primarily represents increase in Local Government Employees' Retirement System net pension liability and financing of one police department vehicle, offset by principal repayments.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Town of Indian 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 Indian Beach.



Required Components of Annual Financial Report  
Figure 1



### Basic Financial Statements

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

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

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is the **Required Supplemental Information**. This section contains funding information about the Town's pension plan.

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

## Town of Indian Beach, North Carolina

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019

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#### 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 Town only has the first of these three categories, governmental activities, which includes the Town's basic services, such as general administration and public safety. Property and other taxes, charges for services and state and federal grant funds finance most of these activities. The government-wide financial statements are on Statements A and B of this report.

#### Fund Financial Statements

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

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. 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 Indian Beach adopts an annual budget for its General and Special Revenue Funds, 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 Town 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.

## Town of Indian Beach, North Carolina

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019

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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 Town Board; 2) the final budget as amended by the Town Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund and Special Revenue Funds; and 4) the difference or variance between the final budget and the actual resources and charges. The fund financial statements are on Statements E and F of this report.

**Notes to 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 begin on page 21 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found in Schedules 1, 2, 3 and 4. Additional supplementary information can be found on Schedules 5, 6 and 7.

### Government-Wide Financial Analysis

#### Town of Indian Beach's Net Position Figure 2

	Governmental Activities	
	2019	2018
Current and other assets	\$ 1,042,441	\$ 2,066,514
Capital assets	1,978,937	2,147,839
Deferred outflows of resources	322,328	187,845
<b>Total assets and deferred outflows of resources</b>	<b>3,343,706</b>	<b>4,402,198</b>
Long-term liabilities outstanding	693,312	524,919
Other liabilities	91,300	79,711
Deferred inflows of resources	58,835	67,932
<b>Total liabilities and deferred inflows of resources</b>	<b>843,447</b>	<b>672,562</b>
Net position:		
Net investment in capital assets	1,813,672	1,965,847
Restricted	257,816	175,445
Unrestricted	428,771	1,588,344
<b>Total net position</b>	<b>\$ 2,500,259</b>	<b>\$ 3,729,636</b>

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 Indian Beach exceeded liabilities and deferred inflows by \$2,500,259 as of June 30, 2019. The Town's net position decreased by \$1,229,377 for the fiscal year ended June 30, 2019.

## Town of Indian Beach, North Carolina

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.53%, which is comparable to the fiscal year 2019 statewide average of 99.55%. The Town's base tax rate of \$.225 per \$100 valuation levied increased \$.03 over the prior year rate of \$.195.
- Increased sales tax revenues of approximately \$35,000
- The Town incurred damages from Hurricane Florence in September of 2018. Related expenses including overtime wages, damages and debris cleanup exceeded FEMA and insurance reimbursements by approximately \$34,000.
- Police and fire department capital outlay for equipment was approximately \$22,000 and \$11,000 respectively.

Town of Indian Beach, North Carolina

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019

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

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 42,673	\$ 51,385
Operating grants	141,869	43,840
Capital grants	6,220,372	-
General revenues:		
Property taxes	1,060,828	995,828
Other taxes	771,347	582,065
Investment earnings	40,534	(7,631)
Miscellaneous	69,006	35,471
<b>Total revenues</b>	<b>8,346,629</b>	<b>1,700,958</b>
Expenses:		
Government Activities:		
Governing Board	17,600	17,600
Administration	582,876	325,950
Public Safety	1,660,665	1,538,068
Economic & Physical Development	7,309,994	-
Interest on long-term debt	4,871	5,306
<b>Total expenses</b>	<b>9,576,006</b>	<b>1,886,924</b>
<b>Decrease in net position</b>	<b>(1,229,377)</b>	<b>(185,966)</b>
Net Position, Beginning of Year	3,729,636	3,915,602
Net position, End of Year	<b>\$ 2,500,259</b>	<b>\$ 3,729,636</b>

**Governmental Activities:** Governmental activities decreased the Town's net position by \$1,229,377, thereby accounting for 100% of the total decline in the net position of the Town of Indian Beach. Key elements of this change are as follows:

- Charges for services decreased approximately \$8,000 primarily due to decreased collections of EMS billings and golf cart permits.
- The Town was awarded approximately \$142,000 in Staffing for Adequate Fire & Emergency Response (SAFR) operating grant revenue, which is awarded to fire departments that represent the interest of volunteer firefighters. These grants fund additional fire department staffing.

## Town of Indian Beach, North Carolina

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019

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- The Town's property tax revenues for the town increased approximately \$69,000 over prior year.
- The Town's Municipal Service Tax District consisting of an Oceanfront tax rate of \$.030 and a Non-Oceanfront tax rate of \$.010 per \$100 both decreased by \$.010 from the prior year rates of \$.040 and \$.020 respectively. This tax is levied on all respective properties to be held as committed for beach nourishment in a special revenue fund. This decrease resulted in a decrease in Municipal Service Tax District Ad valorem tax revenue of approximately \$48,000.
- Other tax revenues increased approximately \$38,000 from the prior year primarily from additional sales tax revenue of approximately \$34,000.
- Special Revenue Fund interest and realized investment earnings increased approximately \$48,000 from the prior year.
- Restricted Intergovernmental revenue increased approximately \$129,000 and \$98,000 from FEMA storm reimbursements and SAFR fire grants respectively.
- Miscellaneous income decreased from the prior year approximately \$20,000 primarily due to non-recurring private donations and a decrease in Fire Auxiliary income.
- Expenditures for administration increased slightly over prior year primarily resulting from net effect of increases in Hurricane Florence damages and clean up and salary and related benefit increases offset by decreases in capital outlay and liability and property insurance expense.
- Expenditures for public safety increased modestly over prior year primarily resulting from: salary and related benefit increases for fire department funded by SAFR operating grants, repairs and maintenance for the fire department building, as well as the purchase of a new police department vehicle and thermal imager and 5-ton heat pump for the fire department.

### Financial Analysis of the Town's Funds

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

**Governmental Funds:** The focus of the Town of Indian 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 Indian 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 Indian Beach. At the end of the current fiscal year, the Town of Indian Beach's fund balance available in the General Fund was \$106,698 while total fund balance reached \$398,068. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total

## Town of Indian Beach, North Carolina

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019

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fund expenditures. The Town currently has an available fund balance of 5.12 percent of total general fund expenditures, while total fund balance represents 19.12 percent of that same amount.

At June 30, 2019, the governmental funds of the Town of Indian Beach reported a combined fund balance of \$944,715, a decrease of 52.27 percent from prior year.

**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.

Sales tax revenues and permits and fees exceeded budgeted amounts, Ad Valorem tax revenues and FEMA storm reimbursements were less than budgeted amounts and remaining other revenues were comparable with expectations.

#### Capital Asset and Debt Administration

**Capital Assets:** The Town of Indian Beach's investment in capital assets for its governmental activities as of June 30, 2019, totals \$1,978,937 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

The capital asset transactions during the year consisted of the following: the purchase of a 2018 police vehicle at a total cost of \$22,545, the purchase of a 5-ton heat pump for the fire department building at a cost of \$5,790 and the purchase of a thermal imager for the fire department at a cost of \$ 5,750 for total fixed asset additions of \$34,085. There were two fire department surplus vehicles and two police department surplus vehicles sold and various disposals of scrapped fire department equipment.

#### The Town of Indian Beach's Capital Assets (Net of Depreciation)

Figure 4

	Governmental Activities	
	2019	2018
Land and land improvements	\$ 781,861	\$ 781,861
Buildings and improvements	835,794	853,134
Infrastructure	23,113	25,962
Equipment	26,823	39,871
Vehicles	311,346	447,011
<b>Total</b>	<b>\$ 1,978,937</b>	<b>\$ 2,147,839</b>

Additional information on the Town's capital assets can be found in Note 5 of this report.

## Town of Indian Beach, North Carolina

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019

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**Long-Term Debt:** As of June 30, 2019, the Town of Indian Beach had total outstanding debt of \$165,265 (excluding compensated absences and net pension liabilities) which consists of installment debt only.

#### Town of Indian Beach's Outstanding Debt Figure 5

	Governmental Activities	
	2019	2018
Installment loan	165,265	181,992
<b>Total long-term debt</b>	<b>\$ 165,265</b>	<b>\$ 181,992</b>

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Indian Beach as of June 30, 2019 is \$34,702,148.

Additional information regarding the Town of Indian Beach's long-term debt can be found in Note 10 of this report.

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

The following key economic factors will affect the revenues during the next fiscal year.

- The town received a reimbursement from FEMA for costs of the 2019 beach renourishment project. Excess reimbursement funds will be spent for specified and approved capital expenditures.

#### Budget Highlights for the Fiscal Year Ending June 30, 2020

**Governmental Activities:** The Town adopted a base tax rate of \$.255 per \$100 valuation for fiscal year 2019/20, which is a \$.03 increase from fiscal year 2018/19. Budgeted revenues and expenditures for the General Fund for 2019/20 are about \$290,000 more than the current year.

The Beach Nourishment Capital Reserve Fund tax base has remained the same respective to the general fund, and the Town adopted Special Tax District rates with an Oceanfront rate of \$.030 tax per \$100 valuation and Non-Oceanfront rate of \$.010 tax per \$100 valuation, which is the same as the prior year.



**Town of Indian Beach, North Carolina**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019**

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**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 Town Administrator, Town of Indian Beach, 1400 Salter Path Road, Indian Beach, NC 28512.

**TOWN OF INDIAN BEACH, NC**  
**STATEMENT OF NET POSITION**  
**June 30, 2019**

Statement A

	<u>Governmental Activities</u>
<b>Assets:</b>	
Current Assets:	
Cash and investments	\$ 235,624
Ad valorem taxes receivable (net)	8,938
Accounts receivable	420,970
Inventory	19,537
Restricted cash and investments	<u>357,372</u>
Total Current Assets	<u>1,042,441</u>
Non-Current Assets:	
Capital assets:	
Land	781,861
Other capital assets, net of accumulated depreciation	<u>1,197,076</u>
Total Capital Assets	<u>1,978,937</u>
Total Assets	<u>3,021,378</u>
<b>Deferred Outflows of Resources:</b>	
Pension deferrals	<u>322,328</u>
<b>Liabilities:</b>	
Current Liabilities:	
Accounts payable and accrued expenses	88,788
Accrued interest payable	2,512
Current portion of accrued vacation	43,945
Current portion of note payable	<u>28,069</u>
Total Current Liabilities	<u>163,314</u>
Long-term Liabilities:	
Net pension liability - LGERS	433,190
Net pension liability - LEOSSA	43,049
Long-term portion of accrued vacation	7,863
Long-term portion of note payable	<u>137,196</u>
Total Long-term Liabilities	<u>621,298</u>
Total Liabilities	<u>784,612</u>
<b>Deferred Inflows of Resources:</b>	
Pension deferrals	<u>58,835</u>
<b>Net Position:</b>	
Net investment in capital assets	1,813,672
Restricted - Stabilization by State Statute	257,816
Unrestricted	<u>428,771</u>
Total Net Position	<u>\$ 2,500,259</u>

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

**TOWN OF INDIAN BEACH, NC**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2019**

Statement B

		Program Revenues			
	Expenses	Charges for Services	Operating Grants	Capital Grants	Net Expenses and Change in Net Position
Functions:					
Government Activities:					
General Government	\$ 600,476	\$ -	\$ -	\$ -	\$ (600,476)
Public Safety	1,660,665	42,673	141,869	-	(1,476,123)
Economic and Physical Development	7,309,994	-	-	6,220,372	(1,089,622)
Interest on long-term debt	4,871	-	-	-	(4,871)
Total Governmental Activities	\$ 9,576,006	\$ 42,673	\$ 141,869	\$ 6,220,372	(3,171,092)

General Revenues:

    Taxes:

Ad valorem taxes	1,060,828
Other taxes	771,347
Investment earnings	40,534
Miscellaneous	69,006
Total General Revenues	1,941,715
Change in Net Position	(1,229,377)
Net Position - Beginning of Year	3,729,636
Net Position - End of Year	\$ 2,500,259

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

**TOWN OF INDIAN BEACH, NC**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2019**

Statement C  
Page 1 of 2

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Assets:</b>			
Cash and investments	\$ 235,624	\$ -	\$ 235,624
Restricted cash and investments	-	357,372	357,372
Due from special revenue fund	20,777	-	20,777
Ad valorem taxes receivable (net)	7,349	1,589	8,938
Accounts receivable	192,123	228,847	420,970
Inventory	19,537	-	19,537
Total Assets	\$ 475,410	\$ 587,808	\$ 1,063,218
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 69,993	\$ 18,795	\$ 88,788
Due to general fund	-	20,777	20,777
Total Liabilities	69,993	39,572	109,565
<b>Deferred Inflows of Resources</b>			
Property taxes receivable	7,349	1,589	8,938
Total Deferred Inflows of Resources	7,349	1,589	8,938
<b>Fund Balances:</b>			
Non-Spendable:			
Inventory	19,537	-	19,537
Restricted:			
Stabilization by State Statute	257,816	-	257,816
Committed:			
Beach Nourishment	-	546,647	546,647
Assigned:			
Fire Auxiliary	14,017	-	14,017
Unassigned	106,698	-	106,698
Total Fund Balances	398,068	546,647	944,715
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 475,410	\$ 587,808	\$ 1,063,218

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

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

Total fund balances for governmental funds		\$ 944,715
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Gross capital assets at historical cost	3,737,331	
Accumulated depreciation	(1,758,394)	
		1,978,937
Deferred outflows of resources related to pensions are not reported in the funds		322,328
Earned revenues considered deferred inflows of resources in fund statements		8,938
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:		
Accrued vacation		(51,808)
Installment note payable and accrued interest		(167,777)
Pension related deferrals		(476,239)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(58,835)</u>
Net Position of Governmental Activities		<u>\$ 2,500,259</u>

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

**TOWN OF INDIAN BEACH, NC**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2019**

Statement D  
Page 1 of 2

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues:</b>			
Ad valorem taxes	\$ 970,316	\$ 91,901	\$ 1,062,217
Unrestricted intergovernmental	544,802	-	544,802
Restricted intergovernmental	368,414	6,220,372	6,588,786
Permits and fees	42,673	-	42,673
Other	15,153	-	15,153
Interest/investment earnings	4,939	35,595	40,534
Total Revenues	1,946,297	6,347,868	8,294,165
<b>Expenditures:</b>			
<b>Current:</b>			
Governing Board	17,600	-	17,600
Administration	534,521	1,390	535,911
Economic and Physical Development	-	7,309,994	7,309,994
Police	451,576	-	451,576
Fire/EMS	1,045,612	-	1,045,612
<b>Debt Service:</b>			
Principal	27,930	-	27,930
Interest	5,005	-	5,005
Total Expenditures	2,082,244	7,311,384	9,393,628
Expenditures Over Revenues	(135,947)	(963,516)	(1,099,463)
<b>Other Financing Sources:</b>			
Sale of surplus assets	24,025		24,025
Insurance claim proceeds	29,828		29,828
Installment purchase obligation issued	11,203	-	11,203
Total Other Financing Sources	65,056	-	65,056
Net Change in Fund Balance	(70,891)	(963,516)	(1,034,407)
Fund Balances - Beginning of Year	468,959	1,510,163	1,979,122
Fund Balances - End of Year	\$ 398,068	\$ 546,647	\$ 944,715

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

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

Net changes in fund balances - total governmental funds \$ (1,034,407)

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay and loss on disposal of fixed assets in the current period:

Capital outlay expenditures which were capitalized	\$	34,085	
Loss on disposal of fixed assets		(15,573)	
Depreciation expense for governmental assets		<u>(187,414)</u>	(168,902)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund statements:

Change in unavailable revenues for tax revenues (1,389)

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

Installment debt issued		(11,203)	
Principal payments on note payable		27,930	
Decrease in accrued interest payable		<u>134</u>	16,861

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 the governmental funds:

Change in compensated absences		(15,168)	
Pension expense		(27,519)	
Net pension obligation (LEO)		<u>1,147</u>	<u>(41,540)</u>

Total changes in net position of governmental activities \$ (1,229,377)

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

**TOWN OF INDIAN BEACH, NC**

Statement E

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND**

**Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>Revenues:</b>				
Ad valorem taxes	\$ 987,067	\$ 987,067	\$ 970,316	\$ (16,751)
Unrestricted intergovernment	489,500	514,500	544,802	30,302
Restricted intergovernmental	253,689	428,180	368,414	(59,766)
Permits and fees	38,700	38,700	42,673	3,973
Other	3,180	14,795	15,153	358
Interest	5,000	5,000	4,939	(61)
Total Revenues	1,777,136	1,988,242	1,946,297	(41,945)
<b>Expenditures:</b>				
<b>Current:</b>				
Governing Board	17,600	17,600	17,600	-
Administration	318,411	517,600	534,521	(16,921)
Police	459,284	478,034	451,576	26,458
Fire/EMS	955,341	1,007,977	1,045,612	(37,635)
<b>Debt Service:</b>				
Principal retirement	25,000	25,000	27,930	(2,930)
Interest	4,000	4,000	5,005	(1,005)
Total Expenditures	1,779,636	2,050,211	2,082,244	(32,033)
Excess of Expenditures Over Revenues	(2,500)	(61,969)	(135,947)	(73,978)
<b>Other Financing Sources:</b>				
Sale of surplus assets	2,500	2,500	24,025	21,525
Insurance claim proceeds	-	47,469	29,828	(17,641)
Installment purchase obligation issued	-	-	11,203	11,203
Total Other Fin. Sources	2,500	49,969	65,056	15,087
Fund balance appropriated	-	12,000	-	(12,000)
Net change in fund balance	\$ -	\$ -	(70,891)	\$ (70,891)
<b>Fund Balance:</b>				
Beginning of Year			468,959	
End of Year			\$ 398,068	

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



**TOWN OF INDIAN BEACH, NC**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**Year Ended June 30, 2019**

Statement F

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:				
Ad valorem taxes	\$ 85,979	\$ 85,979	\$ 91,901	\$ 5,922
Restricted intergovernmental	-	5,795,364	6,220,372	425,008
Investment income	<u>28,500</u>	<u>28,500</u>	<u>35,595</u>	<u>7,095</u>
Total Revenues	<u>114,479</u>	<u>5,909,843</u>	<u>6,347,868</u>	<u>438,025</u>
Expenditures:				
Operating expenses	<u>114,479</u>	<u>7,025,850</u>	<u>7,311,384</u>	<u>(285,534)</u>
Total Expenditures	<u>114,479</u>	<u>7,025,850</u>	<u>7,311,384</u>	<u>(285,534)</u>
Expenditures Over Revenues	-	(1,116,007)	(963,516)	152,491
Fund balance appropriated	<u>-</u>	<u>1,116,007</u>	<u>-</u>	<u>(1,116,007)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(963,516)	<u>\$ (963,516)</u>
Fund Balance:				
Beginning of Year			<u>1,510,163</u>	
End of Year			<u>\$ 546,647</u>	

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

**TOWN OF INDIAN BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Indian Beach conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Indian Beach is a municipal corporation that is governed by a five-member board of commissioners. The Mayor is elected every two years by the Board of Commissioners. The town is not a component unit of a separate entity, nor does it have any component units.

B. Basis of Presentation

*Government-wide Statements:* The statement of net position and the statement of activities display information about the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The Town of Indian Beach does not have any business-type activities.

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

*Fund Financial Statements:* The fund financial statements provide information about the town's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Town reports the following major governmental funds:

*General Fund:* The General Fund which is the general operating fund of the town. It is used to account for all financial resources except those 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 and administrative services.

*Special Revenue Fund:* This fund is used to accumulate the Beach Nourishment Tax that is assessed on an ad valorem basis to provide resources for future beach renourishment projects.

### 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 Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On the 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 services or privileges provided, 2) operating grants and contributions, and 3) capital contributions. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, pension, 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 are reported as other financing sources.

The town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. 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 and utilities franchise tax, collected and held by the state at year-end on behalf of the town are recognized as revenue. Sales taxes are considered shared revenue for the Town because the tax is levied by Carteret County and then remitted to and distributed by the State of North Carolina.

#### D. Budgetary Data

The town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the general fund and special revenue fund. All annual appropriations lapse at fiscal year end. The budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level. The board of commissioners must approve any revisions to the budgets. During the year ended June 30, 2019, the board approved several budget amendments.

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

##### *Deposits and Investments*

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

State law G.S. 159-30c authorizes the town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The town's investments are reported at fair value. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair market value, which is the NCCMT's share price.

##### *Restricted Assets*

Ad valorem taxes collected for beach nourishment are reported as restricted assets since their use is limited to that purpose. The tax rate applicable to Municipal Service District 1 (Oceanfront) was \$0.03 tax per one-hundred dollars of valuation, and the rate applicable to Municipal Service District 2 (Non-oceanfront) was \$0.01 tax per one-hundred dollars of valuation. At June 30, 2019 restricted cash and investments of \$357,372 was held in the Special Revenue Fund for beach nourishment, and the General Fund owed \$20,777 to the Special Revenue Fund for funds received but not yet transferred at year end.

##### *Ad Valorem Taxes Receivable*

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. Effective for the 2017 and subsequent tax years the town's ad valorem taxes are billed, collected and forwarded to the town by the Town of Pine Knoll Shores. The Carteret County Tax Office will continue to collect prior year ad valorem taxes.

##### *Allowance for Doubtful Accounts*

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

*Inventory and Prepaid Items*

Inventory is valued at cost (first-in, first out) which approximates market. The inventory consists of expendable supplies of the Fire/EMS department that are recorded as expenditures as used rather than when purchased.

Certain payments to vendors reflect costs applicable to the following accounting period and are recorded as prepaid items and are expensed when used.

*Capital Assets*

Capital assets are defined by the town as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The minimum capitalization cost is \$2,500. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their estimated fair value at the time of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Computers and related equipment .....	3-5
Furniture and equipment .....	5-7
Vehicles .....	5-10
Buildings .....	50
Most infrastructure .....	15

*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 represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The town has two elements that meet the criterion for this category – property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

*Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

*Compensated Absences*

The vacation policy of the town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. The town uses a first-in, first-out method of using accumulated compensated time. The portion of that time estimated to be used in the next fiscal year has been designated as a current liability in the government wide financial statements.

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

#### *Net Position / Fund Balances*

Net position in government-wide financial statements are classified as net investment in capital assets, restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, contributors, grantors, 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 potential classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify balances as follows:

*Non-spendable* – 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.

Inventory and Prepaid Expenses – The portion of fund balance that is not an available resource because it is not a spendable resource.

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

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 know 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 non-spendable. RSS is included as a component of Restricted Net position and restricted fund balance on the face of the balance sheet.

*Committed* – The portion of fund balance that can only be used for specific purposes imposed by majority vote of the Town’s 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.

Beach Nourishment – The portion of fund balance that is committed by the Board of Commissioners for future beach nourishment and is the accumulation of the municipal service tax district ad valorem tax assessed for this purpose.

*Assigned* – The portion of fund balance that the Town intends to use for specific purposes.

Fire Auxiliary – The portion of fund balance that has been collected by the Fire Auxiliary and will be spent according to the Board of Directors of the Auxiliary.

*Unassigned* – The portion of fund balance that has not been restricted, committed, or assigned. The Town has not adopted a minimum fund balance policy.

#### F. 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 LEGRS 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 contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

#### G. Subsequent Events

Management has evaluated subsequent events through December 27, 2019, the date the financial statements were available to be issued.

#### H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### 3. Stewardship, Compliance, and Accountability

*Excess of Expenditures over Appropriations* – For the fiscal year ended June 30, 2019, the expenditures made in the General Fund Administration, Fire/EMS, and debt service departments exceeded the authorized appropriations made by the Town Board of Commissioners by \$16,921, \$37,635, and \$3,935 respectively. Expenditures in the Special Revenue Fund exceeded the authorized appropriations by \$285,534.

The over expenditures occurred primarily because of unbudgeted expenses related to Hurricane Florence recovery. Much of the cost was reimbursed by FEMA, and in the process of dealing with other reporting and accounting related to this project, the budget amendments were inadvertently overlooked. The Town Finance Officer will more closely monitor actual and budgeted expenditures, in particular after an unusual event.

3. Deposits & Investments

*Deposits*

All of the town's deposits are either insured or collateralized using the Pooling Method. Under this method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the town, these deposits are considered to be held by their agents in the town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits.

The State Treasurer does not confirm this information with the town or with the escrow agent. Because of the inability to measure the exact amount 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 has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the town's deposits had a carrying amount of \$63,937 and a bank balance of \$74,062 which was covered by federal depository insurance. The Town had \$350 of petty cash on hand at June 30, 2019.

*Investments*

At June 30, 2019, the Town of Indian Beach had \$528,708 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor'. The town has no policy regarding credit risk.

4. Ad Valorem Taxes and Accounts Receivable

Ad valorem taxes receivable reported in the Statement of Net Position and Balance Sheet consist of uncollected taxes of \$18,819 less allowance for uncollectible accounts of \$9,881.

Accounts receivable at the government-wide level consist of the following amounts that are primarily due from other governments:

Utilities franchise tax.....	\$ 21,579
Local option sales tax .....	129,631
Sales tax refund.....	7,372
SAFER grant .....	27,550
FEMA – beach renourishment.....	228,847
EMS billings.....	4,081
Other.....	1,910
Total.....	<u>\$ 420,970</u>



5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2019 follows:

	<u>June 30,</u> <u>2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u> <u>2019</u>
Capital assets not being depreciated:				
Land	\$ 781,861	\$ -	\$ -	\$ 781,861
Capital assets being depreciated:				
Equipment	423,641	5,750	62,021	367,370
Vehicles	1,554,996	22,545	68,634	1,508,907
Buildings	1,034,106	5,790	3,435	1,036,461
Infrastructure	42,732	-	-	42,732
Total capital assets being depreciated	<u>3,055,475</u>	<u>34,085</u>	<u>134,090</u>	<u>2,955,470</u>
Less accumulated depreciation:				
Equipment	383,770	18,118	61,341	340,547
Vehicles	1,107,984	144,094	54,517	1,197,561
Buildings	180,972	22,353	2,658	200,667
Infrastructure	16,770	2,849	-	19,619
Total accum. depreciation	<u>1,689,496</u>	<u>187,414</u>	<u>118,516</u>	<u>1,758,394</u>
Net capital assets being Depreciated - net	<u>1,365,979</u>			<u>1,196,076</u>
Capital Assets, net	<u>\$ 2,147,840</u>			<u>\$ 1,978,937</u>

Depreciation expense was charged to the governmental functions as follows:

General government.....	\$ 12,040
Public safety .....	175,374
Total.....	<u>\$ 187,414</u>

6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at the government-wide level at June 30, 2019, consist of the following:

Vendors .....	\$ 41,048
Employees.....	39,372
Other.....	8,368
Total.....	<u>\$ 88,788</u>

7. Deferred Inflows of Resources

Deferred inflows of resources in the governmental funds at year-end is composed of \$8,938 for ad valorem taxes receivable.

## 8. Pension Plan Obligations

### A. Local Governmental Employees' Retirement System

*PLAN DESCRIPTION* - The Town of Indian Beach is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the NC 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 LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. The report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410, or by calling (919) 981-5454, or at [www.osc.no.gov](http://www.osc.no.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 (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly survivor's alternate benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 year 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 attained 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. Town of Indian Beach employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees.

The Town of Indian Beach's contractually required contribution rate for the year ended June 30, 2018 was 8.50% of compensation for LEO and 7.75% for general employees and fire fighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Indian Beach were \$76,451 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 \$433,190 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.01826%, which was an increase of 0.00153% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$102,390. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 66,831	\$ 2,243
Changes in assumptions	114,952	-
Net difference between projected and actual earnings on pension plan investments	59,464	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	36,351
Town contributions subsequent to the measurement date	<u>76,243</u>	<u>-</u>
Total	<u>\$ 317,490</u>	<u>\$ 38,594</u>

\$76,243 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2019 .....	\$ 98,726
2020 .....	63,321
2021 .....	7,834
2022 .....	32,772
2023 .....	-
Thereafter .....	-
	<u>\$ 202,653</u>

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

Inflation	3.0%
Salary increases	3.50 to 8.10% including inflation and productivity factor
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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 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 class as of June 30, 2019 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

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 or 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 the contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town’s proportionate share of the net pension liability (asset)	\$ 1,040,559	\$ 433,190	\$ (74,338)

*PENSION PLAN FIDUCIARY NET POSTION* Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) of the State of North Carolina.

## B. Law Enforcement Officers' Special Separation Allowance

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

All full-time law enforcement officers of the town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of five active members, and no inactive members receiving benefits.

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

The Separation Allowance has no assets accumulated in a trust that meets the 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 in the measurement:

Inflation	2.5%
Salary increases	3.50 to 7.35% including inflation and productivity factor
Discount rate	3.64%

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Index Fund.

*CONTRIBUTIONS* - The town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The town's obligation to contribute to the plan is established and may be amended by the North Carolina General Assembly.

*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 \$43,049. The total pension liability is 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 \$3,619.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 17,787
Changes in assumptions and other inputs	4,838	2,454
Town contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 4,838</u>	<u>\$ 20,241</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension benefits will be recognized in pension expense as follows:

Year ending June 30:	
2020 .....	\$ - 4,133
2021 .....	- 4,133
2022 .....	- 4,133
2023 .....	- 2,838
2024 .....	- 166
Thereafter .....	-

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.16% 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, or 1 percentage point higher than the current rate:

	1% Decrease <u>(2.64%)</u>	Discount Rate <u>(3.64%)</u>	1% Increase <u>(4.64%)</u>
Total pension liability	\$ 47,798	\$ 43,049	\$ 38,739

*SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY – LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE*

Beginning balance	\$ 50,699
Service cost	6,225
Interest	1,527
Difference between expected and actual experience	- 8,413
Change of assumptions and other inputs	-2,223
Benefit payments	<u>-4,766</u>
Total pension liability	<u>\$ 43,049</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.

*TOTAL EXPENSE, LIABILITIES, AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO PENSIONS*

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 102,390	\$ 3,619	\$ 106,009
Pension Liability	433,190	43,049	476,239
Proportionate share of net pension liability	0.0183%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	66,831	-	66,831
Changes in assumptions	114,952	4,838	119,790
Net difference between projected and actual earnings on plan investments	59,464	-	59,464
Benefit payments subsequent to measurement date	76,243	-	76,243
Deferred Inflows of Resources			
Differences between expected and actual experience	2,243	17,787	20,030
Changes in assumptions	-	2,454	2,454
Changes in proportion and differences between contributions and proportionate share of contributions	36,351	-	36,351

C. Supplemental Retirement Income Plan

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

FUNDING POLICY - Article 12E of G.S. Chapter 143 requires the town to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Employees may also make voluntary contributions to the Plan. The Town made contributions of \$47,883 for the reporting year. No amounts were forfeited.

D. Other Employment Benefits

The Town elected to provide death benefits through the Death Benefit Plan for members of the Local Government Employees’ Retirement System (Death Benefit Plan), a multi-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 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 post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based on rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

#### E. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year end is comprised of the following:

Contributions to pension plan in current fiscal year	\$ 76,243
Differences between expected and actual experience	66,831
Changes in assumptions	119,790
Net difference between projected and actual earnings on plan investments	<u>59,464</u>
Total	<u>\$ 322,328</u>

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

	Statement Of Net <u>Position</u>	General Fund Balance <u>Sheet</u>
Taxes receivable	\$ -	\$ 8,938
Differences between expected and actual experience	20,030	-
Changes in assumptions	2,454	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>36,351</u>	<u>-</u>
Total	<u>\$ 58,835</u>	<u>\$ 8,938</u>

#### 9. Commitments

During the year ended June 30, 2017, the Town of Indian Beach entered into agreement with the Town of Pine Knoll Shores for the billing and collection of ad valorem taxes. The town has agreed to pay 1.5% of gross collected taxes for the year 2018/19 and again for 2019/20. Under terms of a prior agreement, the County of Carteret Tax Department will continue to collect prior year ad valorem taxes at a rate of 2% of gross collected taxes.

10. Long-term Obligations

- a. In December 2014, the Town entered into a \$250,000 installment note with a financial institution for a portion of the purchase price of a fire truck. The agreement requires ten annual payments of \$28,938 each beginning in December 2015 with interest at 2.75%.

In February 2019, the Town entered an installment agreement for \$11,203 with a financial institution for a portion of the purchase of a police car. The agreement requires three annual payments of \$3,997 beginning February 2019 with interest at 7.20%.

Annual debt service payments for the installment purchases as of June 30, 2019, including interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2020 .....	\$ 28,069	\$ 4,866
2021 .....	28,986	3,948
2022 .....	25,962	2,976
2023 .....	26,676	2,262
2024 .....	27,410	1,528
2025 .....	<u>28,162</u>	<u>777</u>
Total	<u>\$ 165,265</u>	<u>\$ 16,357</u>

b. Changes in Long-term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<i>By Type:</i>					
Installment loans	\$ 181,992	\$ 11,203	\$ 27,930	\$ 165,265	\$ 28,069
Compensated Absences	36,640	55,528	40,360	51,808	43,945
Net pension Liability (LGERS)	255,588	177,602	-	433,190	-
Net pension Obligation (LEOSSA)	<u>50,699</u>	<u>7,752</u>	<u>15,402</u>	<u>43,049</u>	<u>-</u>
	<u>\$ 524,919</u>	<u>\$ 252,085</u>	<u>\$ 83,692</u>	<u>\$ 693,312</u>	<u>\$ 72,014</u>

11. Risk Management

The town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the town obtains general, business auto, public officials and employment practices, police professional and employee benefits liability coverage of \$1 million per occurrence. Property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit.

The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000, and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with reinsurance limit based upon a percentage of the total insurance values.

Other risks are insured through commercial insurance companies with nominal deductibles for exclusions of coverage.

The town also has flood coverage on the fire station and personal property there-in. This flood coverage is also provided through the North Carolina League of Municipalities, and has a limit of \$5 million per occurrence and per year. The town does not have flood insurance for its other property as the board deems it to not be necessary.

In accordance with North Carolina 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 the North Carolina League of Municipalities. The Finance Officer is bonded for \$50,000. The remaining employees that have access to funds are bonded for amounts between \$5,000 and \$10,000.

12. Fund Balance

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

Total Fund Balance- General Fund .....	\$ 398,068
Less:	
Inventory.....	19,537
Stabilization by State Statute.....	257,816
Fire Auxiliary.....	14,017
Remaining fund balance.....	<u>\$ 106,698</u>

13. Subsequent Event

Following Hurricane Florence in September 2018 the Town of Indian Beach and neighboring towns participated in a beach renourishment project which was coordinated by the Carteret County Beach Commission. The project was undertaken with the expectation that the Federal Emergency Management Administration (FEMA) would reimburse the cost of the projects. For the fiscal year ended June 30, 2019, the Town spent \$7,309,994 for this project, and received \$6,220,372 from Carteret County to offset a portion of the cost. In September 2019, FEMA approved a reimbursement to the Town for \$8,203,560 based on a fixed contract agreement. Upon receipt of this money the Town reimbursed \$6,220,372 to Carteret County. Surplus funds from the FEMA reimbursement must be, will be spent in accordance with projects approved by FEMA.

## ***Required Supplementary Financial Data (Unaudited)***

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

- Town of Indian Beach's Proportionate Share of Net Pension Liability (Asset) - Required Supplementary Information – Last Five Fiscal Years
- Town of Indian Beach's Contributions - Required Supplementary Information – Last Five Fiscal Years
- 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 INDIAN BEACH**

Schedule 1

**Town of Indian Beach's Proportionate Share of Net Pension  
Liability (Asset) - Required Supplementary Information  
Last Five Fiscal Years**

***Local Government Employees' Retirement System***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (asset) (%)	0.01826%	0.01673%	0.01675%	0.01915%	0.01844%
Town's proportion of the net pension liability (asset) (\$)	\$ 433,190	\$ 255,588	\$ 355,491	\$ 85,944	\$(108,749)
Town's covered-employee payroll	\$ 957,659	\$ 885,012	\$ 761,746	\$ 756,020	\$ 695,393
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	45.23%	28.88%	46.67%	11.37%	-15.64%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%

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

**TOWN OF INDIAN BEACH**

**Town of Indian Beach's Contributions  
Required Supplementary Information  
Last Five Fiscal Years**

***Local Government Employees' Retirement System***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 76,243	\$ 68,284	\$ 57,149	\$ 51,345	\$ 64,103
Contributions in relation to the contractually required contribution	<u>76,243</u>	<u>68,284</u>	<u>57,149</u>	<u>51,345</u>	<u>64,103</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 957,659	\$ 885,012	\$ 761,746	\$ 756,020	\$ 695,353
Contributions as a percentage of covered payroll	7.96%	7.72%	7.50%	6.79%	9.22%

**TOWN OF INDIAN BEACH**  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**LAW ENFORCEMENT OFFICERS'**  
**SPECIAL SEPARATION ALLOWANCE**  
**June 30, 2019**

Schedule 3

	2019	2018	2017
Beginning balance	\$ 50,699	\$ 53,233	\$ 46,625
Service cost	6,225	5,289	6,200
Interest	1,527	2,055	1,665
Difference between expected and actual experience	(8,413)	(17,596)	-
Change of assumptions and other inputs	(2,223)	7,718	(1,257)
Benefit payments	(4,766)	-	-
Ending balance	<u>\$ 43,049</u>	<u>\$ 50,699</u>	<u>\$ 53,233</u>

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

**TOWN OF INDIAN BEACH**

Schedule 4

**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	\$ 43,049	\$ 50,699	\$ 53,233
Covered payroll	278,114	267,296	311,716
Total pension liability as a percentage of covered payroll	15.48%	18.97%	17.08%

The Town of Indian Beach has no assets accumulated in a trust that meets the criterion 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 INDIAN BEACH, NC**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2019**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad Valorem Taxes:			
Town-wide - current year	\$ 987,067	\$ 965,161	\$ (21,906)
Town-wide - prior years	-	3,339	3,339
Penalties and interest	-	1,816	1,816
Total	987,067	970,316	(16,751)
Unrestricted Intergovernmental:			
Beer and wine tax	500	549	49
Local option sales tax	410,000	440,513	30,513
Utilities franchise taxes	104,000	103,740	(260)
Total	514,500	544,802	30,302
Restricted Intergovernmental:			
FEMA storm reimbursement	174,461	129,545	(44,916)
Fire district ad valorem taxes	68,000	85,000	17,000
Fire district sales tax	17,000	12,000	(5,000)
Fire grant	168,719	141,869	(26,850)
Total	428,180	368,414	(59,766)
Permits and fees:			
Beach and golf cart permits	7,000	4,215	(2,785)
Other permits and fees	1,700	1,466	(234)
EMS fees	30,000	36,992	6,992
Total	38,700	42,673	3,973
Other:			
Private donations	1,450	2,700	1,250
Fire Auxiliary income	8,570	8,169	(401)
Miscellaneous	4,775	4,284	(491)
Total	14,795	15,153	358
Investment Earnings	5,000	4,939	(61)
Total Revenues	1,988,242	1,946,297	(41,945)

**TOWN OF INDIAN BEACH, NC**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2019**

Schedule 5  
Page 2 of 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
General Government:			
Governing Board:			
Commissioners fees	\$ 17,600	\$ 17,600	\$ -
Administration:			
Contract services		20,276	
Dues and subscriptions		2,657	
Hurricane damages & clean up		166,665	
Insurance (liability/property)		7,015	
Miscellaneous		1,885	
Office supplies		10,503	
Professional fees		48,291	
Repairs and maintenance		21,960	
Salaries, taxes and benefits		216,248	
Tax collection fees		15,288	
Travel and training		4,090	
Utilities		15,102	
Vehicle expenses	-	4,541	-
Total Administration	<u>517,600</u>	<u>534,521</u>	<u>(16,921)</u>
Total General Government	<u>535,200</u>	<u>552,121</u>	<u>(16,921)</u>
Public Safety:			
Police:			
Capital outlay		22,545	
Insurance (liability/property)		18,282	
Office supplies		3,235	
Repairs and maintenance		7,698	
Salaries, taxes and benefits		355,619	
Telephones		5,824	
Travel and training		2,500	
Uniforms		3,716	
Utilities		3,655	
Vehicle expenses	-	28,502	-
Total Police	<u>478,034</u>	<u>451,576</u>	<u>26,458</u>

**TOWN OF INDIAN BEACH, NC**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2019**

Schedule 5  
Page 3 of 3

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):			
Public Safety:			
Fire/EMS			
Auxiliary expenditures		\$ 13,477	
Capital outlay		11,540	
Dues and subscriptions		1,900	
EMS supplies and billing expense		29,307	
Insurance (liability/property)		38,254	
Office supplies		4,881	
Repairs and maintenance		52,155	
Salaries, taxes and benefits		827,897	
Telephones		7,568	
Travel and training		5,436	
Uniforms		12,954	
Utilities		9,856	
Vehicle expenses	-	30,387	-
Total Fire/EMS	1,007,977	1,045,612	(37,635)
Total Public Safety	1,486,011	1,497,188	(11,177)
Debt Service:			
Principal retirement	25,000	27,930	(2,930)
Interest	4,000	5,005	(1,005)
Total Debt Service	29,000	32,935	(3,935)
Total Expenditures	2,050,211	2,082,244	(32,033)
Expenditures in Excess of Revenues	(61,969)	(135,947)	(73,978)
Other Financing Sources:			
Sale of surplus assets	2,500	24,025	21,525
Insurance claim proceeds	47,469	29,828	(17,641)
Installment purchase obligation issued	-	11,203	11,203
Total Other Financing Sources	49,969	65,056	15,087
Fund balance appropriated	12,000	-	(12,000)
Net change in fund balances	\$ -	(70,891)	\$ (70,891)
Fund Balances - Beginning of Year		468,959	
Fund Balances - End of Year		\$ 398,068	

## ***Other Schedules***

Schedule of Ad Valorem Taxes Receivable

Schedule of Current Year Town-Wide Tax Levy

**TOWN OF INDIAN BEACH, NC**

Schedule 6

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
GENERAL FUND AND BEACH RENOURISHMENT SPECIAL REVENUE FUND  
June 30, 2019**

<u>Fiscal Year</u>	<u>Uncollected Balance at June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance at June 30, 2019</u>
2018/19	\$ -	\$ 1,058,303	\$ 1,053,460	\$ 4,843
2017/18	3,597	132	2,603	1,126
2016/17	2,430	59	1,668	821
2015/16	2,569	304	1,361	1,512
2014/15	3,033	514	1,883	1,664
2013/14	2,791	468	1,473	1,786
2012/13	2,617	16	47	2,586
2011/12	1,946	18	45	1,919
2010/11	1,305	-	-	1,305
2009/10	1,257	-	-	1,257
	<u>\$ 21,545</u>	<u>\$ 1,059,814</u>	<u>\$ 1,062,540</u>	18,819
Less - allowance for uncollectible accounts				<u>(9,881)</u>
Ad valorem taxes receivable - net				<u>\$ 8,938</u>
Ad valorem taxes receivable (net) reported in:				
General Fund				\$ 7,349
Special Revenue Fund				<u>1,589</u>
				<u>\$ 8,938</u>

Reconciliation with Revenues:

Ad valorem taxes - General Fund	\$ 970,316
Ad valorem taxes - Special Revenue Fund	91,901
Add adjustments	2,142
Less penalties and interest	<u>(1,819)</u>
Total collections	<u>\$ 1,062,540</u>

Amounts reported here include General Fund ad valorem taxes and Special Revenue Fund ad valorem taxes.

**TOWN OF INDIAN BEACH, NC**  
**SCHEDULE OF CURRENT YEAR GENERAL FUND TAX LEVY**  
**For the Year Ended June 30, 2019**

Schedule 7

	<u>Town-Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy	\$ 436,573,333	\$ 0.225	\$ 982,290	\$ 971,388	\$ 10,902
Abatements	<u>(730,667)</u>		<u>(1,644)</u>	<u>(1,644)</u>	<u>-</u>
Totals	<u>\$ 435,842,667</u>		980,646	969,744	10,902
Uncollected taxes at June 30, 2019			<u>(4,583)</u>	<u>(4,583)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 976,063</u>	<u>\$ 965,161</u>	<u>\$ 10,902</u>
Current levy collection percentage			99.53%	99.53%	100.00%

## ***Compliance Section***



## **G. Lee Carroll, Jr., CPA**

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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 Standard***

#### **Independent Auditor's Report**

The Honorable Mayor and  
Board of Commissioners  
Town of Indian Beach, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standard 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 and major funds of Town of Indian Beach, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the town's basic financial statements, and have issued my report thereon dated December 27, 2019.

#### *Internal Control Over Financial Reporting*

In planning and performing my audit of the financial statements, I considered the Town of Indian 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 my opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the town's internal control. Accordingly, I do not issue 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 town'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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify a deficiency in internal control, described in the accompanying schedule of findings and responses / schedule of findings and questioned costs that I consider to be a material weakness: 2019-1.

## *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Town of Indian Beach's financial statements are free from material misstatement, I 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 as object of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-1.

### *Town of Indian Beach's Response to the Finding*

The Town of Indian Beach's response to the finding identified in my audit is described in the accompanying schedule of findings and responses.

### *Purpose of this Report*

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

*G. Lee Carroll, Jr., CPA*

December 27, 2019

## **G. Lee Carroll, Jr., CPA**

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### **Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance; in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act**

#### **Independent Auditor's Report**

The Honorable Mayor and  
Board of Commissioners  
Town of Indian Beach, North Carolina

#### *Report on Compliance for Each Major Federal Program*

I have audited the Town of Indian Beach, NC, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2019. The Town of Indian Beach's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on compliance for each of the Town of Indian Beach's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, OMB Uniform Guidance, and the State Single Audit Implementation Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Indian Beach's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Town of Indian Beach's compliance.

#### *Opinion on Each Major Federal Program*

In my opinion, the Town of Indian Beach complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### *Other Matters*

The results of my auditing procedures disclosed an instance of noncompliance which is reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-1. My opinion on each major federal program is not modified with respect to this matter.

The Town of Indian Beach's response to the noncompliance finding identified in my audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no such opinion.

### *Report on Internal Control Over Compliance*

Management of the Town of Indian Beach is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirement referred to above. In planning and performing my audit of compliance, I considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance or each major federal program and to test and report on internal control over compliance in accordance with OMB Uniform Guidance, but not for the purpose of expression an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design and operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a time basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. I identified a deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2019-1, that I consider to be a material weakness.

### *Purpose of this Report*

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on requirements of OMB Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*G. Lee Carroll, Jr., CPA*

December 27, 2019

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### **Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance; in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act**

#### **Independent Auditor's Report**

The Honorable Mayor and  
Board of Commissioners  
Town of Indian Beach, North Carolina

#### *Report on Compliance for Each Major State Program*

I have audited the Town of Indian Beach, NC, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2019. The Town of Indian Beach's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on compliance for each of the Town of Indian Beach's major state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, OMB Uniform Guidance, and the State Single Audit Implementation Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Indian Beach's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major state program. However, my audit does not provide a legal determination of the Town of Indian Beach's compliance.

#### *Opinion on Each Major State Program*

In my opinion, the Town of Indian Beach complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## *Other Matters*

The results of my auditing procedures disclosed an instance of noncompliance which is reported in accordance with Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* and which is described in the accompanying schedule of findings and questioned costs as item 2019-1. My opinion on each major state program is not modified with respect to this matter.

The Town of Indian Beach's response to the noncompliance finding identified in my audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no such opinion.

## *Report on Internal Control Over Compliance*

Management of the Town of Indian Beach is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirement referred to above. In planning and performing my audit of compliance, I considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance or each major federal program and to test and report on internal control over compliance in accordance with OMB Uniform Guidance, but not for the purpose of expression an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design and operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a time basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. I identified a deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2019-1, that I consider to be a material weakness.

## *Purpose of this Report*

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on requirements of OMB Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*G. Lee Carroll, Jr., CPA*

December 27, 2019

**TOWN OF INDIAN BEACH, NC**  
**SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2019**

Schedule 8

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass- through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>U.S. Dept. of Homeland Security</u>					
Passed-through NC Dept. of Public Safety:					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)					
	97.036	PA-04-NC	\$ 5,613,341	\$ 1,871,114	\$ -
Staffing for Adequate Fire and Emergency Response (SAFER)					
	97.083	97.083	<u>141,869</u>	<u>-</u>	<u>47,290</u>
Total assistance - federal programs			<u>\$ 5,755,210</u>	<u>\$ 1,871,114</u>	<u>\$ 47,290</u>

*Note 1: Basis of Presentation*

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the Town of Indian Beach under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the Town of Indian Beach, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Indian Beach.

*Note 2: Summary of Significant Accounting Policies:*

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

*Note 3: Indirect Cost Rate*

The Town of Indian Beach has not elected to use the 10% de minimis indirect cost rate as allowed on the Uniform Guidance.

**TOWN OF INDIAN BEACH, NC**  
**Schedule of Findings and Questioned Costs**  
**For Fiscal Year Ended June 30, 2019**

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?      X   Yes                   No  
 Significant deficiency(s)                       Yes              X   None reported

Noncompliance material to financial statements noted?      X   Yes                   No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?      X   Yes                   No  
 Significant deficiency(s)                       Yes              X   None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?      X   Yes                   No

Identification of major federal program:

CFDA#	Name of Federal Program or Cluster
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs - \$750,000.

Auditee qualified as low-risk auditee?           Yes              X   No



**TOWN OF INDIAN BEACH, NC**  
**Schedule of Finding and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2019**

Section II - Financial Statement Findings

Finding: 2019-1

Material Noncompliance / Significant Deficiency

Criteria: G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes a an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition: The Town of Indian Beach expended \$285,534 more for beach renourishment than appropriated in the budget ordinance and amendments; as well as \$16,921, \$37,635, and \$3,935 respectively for General Fund Administration, Fire/EMS, and Debt Service departments.

Effect: Moneys were spent that had not been obligated and appropriated.

Cause: Hurricane Florence had a significant impact on the Town of Indian Beach in September 2018. The town had multiple propertie damaged, and also participated in a county managed beach renourishment project. Budget amendments were approved during the year for mulitple changes necessiated by the recovery. In the end, the amendments were not sufficient.

Recommendation: Town staff should more closely monitor expected expenditures and be sure that adequate budget amendments are approved on a timely basis.

Views of responsible officials and planned corrective actions. The Town agrees with this finding. Actual vs budgeted expenditures will be more closely monitored to insure that appropriate budget amendments are approved as needed.

**TOWN OF INDIAN BEACH, NC**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2019**

Section III - Federal Award Findings

Finding: 2019-1

Material Noncompliance / Significant Deficiency

Criteria: G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes a an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition: The Town of Indian Beach expended \$285,534 more for beach renourishment than appropriated in the budget ordinance and amendments.

Effect: Moneys were spent that had not been obligated and appropriated.

Cause: See Financial Statements Finding

Recommendation: See Financial Statements Finding

Views of responsible officials and planned corrective actions. See Financial Statements Finding

Section IV - State Award Findings

Finding: 2019-1

Material Noncompliance / Significant Deficiency

Criteria: G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes a an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition: The Town of Indian Beach expended \$285,534 more for beach renourishment than appropriated in the budget ordinance and amendments.

Effect: Moneys were spent that had not been obligated and appropriated.

Cause: See Financial Statements Finding

Recommendation: See Financial Statements Finding

Views of responsible officials and planned corrective actions. See Financial Statements Finding



## TOWN OF INDIAN BEACH

Corrective Action Plan  
For Fiscal Year ended June 30, 2019

Section II – Financial Statement Findings  
Material Noncompliance

Section III – Federal Award Findings and Questioned Cost

Section IV – State Award Findings and Questioned Cost

Finding: 2019-1

Name of contact person: Tim White

The Town understands the importance of General Statute 159-28(a) and makes every effort to comply. Hurricane Florence had a significant impact on the Town of Indian Beach in September 2018. The town had multiple properties damaged and participated in a county managed beach renourishment project. Budget amendments were approved during the year for multiple changes necessitated by the recovery, but in the end, the amendments were not sufficient. For the past several years the town contract with a outside firm for our accounting functions. This creating some timing issues for receiving financial information. We had already made plans to bring the accounting functions back in house. Effective January 2, 2020 all accounting will be performed by town staff. This will give our staff much more control over our budget. We have hired more staff in town hall to assist with the accounting.