



**SURF CITY
NORTH CAROLINA**

**ANNUAL
FINANCIAL REPORT
JUNE 30, 2015**



TOWN OF SURF CITY, NORTH CAROLINA

Report of Audit

For the Fiscal Year Ended June 30, 2015



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Financial Section

Independent Auditor's Report

To the Honorable Mayor
And Members of Town Council
Surf City, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2015 on our consideration of Town of Surf City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Surf City's internal control over financial reporting and compliance.

W Greene PLLC

Whiteville, North Carolina
October 22, 2015

Management's Discussion and Analysis

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

Financial Highlights

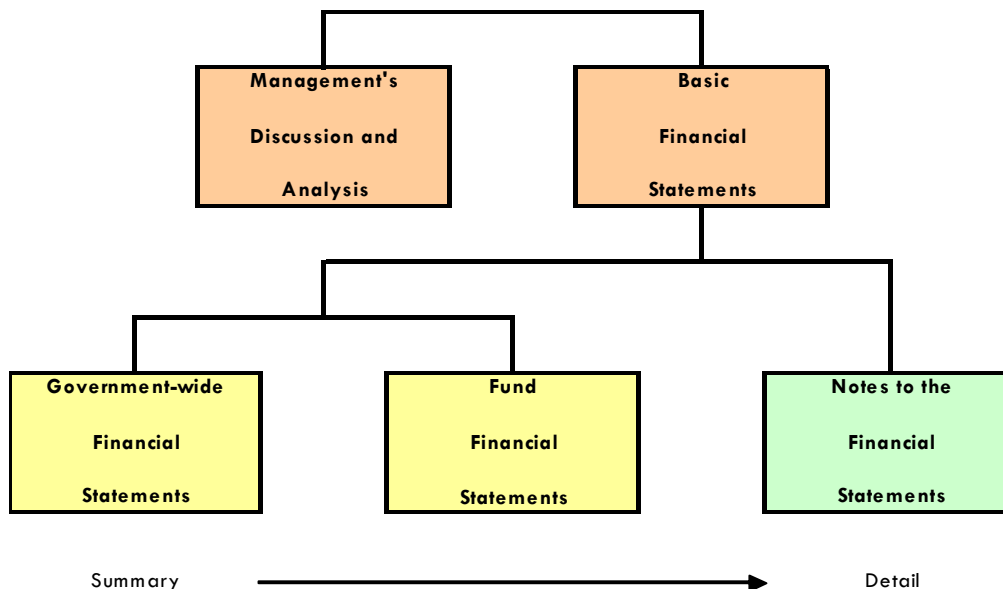
- The assets and deferred outflows of resources of the Town of Surf City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$48,180,722.
- The government's total net position increased by \$4,202,576, primarily due to increases in both the governmental and business-type activities net positions.
- As of the close of the current fiscal year, the Town of Surf City's governmental funds reported combined ending fund balances of \$13,663,648, an increase of \$1,991,148 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,451,575.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Surf City'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 Surf City

Required Components of Annual Financial Report

Figure 1



Management's Discussion and Analysis (Continued)

Basic Financial Statements

The first two statements (pages 20 through 23) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (pages 24 through 43) 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 four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, general administration, streets and highways, and sanitation. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and wastewater services offered by the Town of Surf City.

The government-wide financial statements are on pages 20 through 23 of this report.

Fund Financial Statements

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

Management's Discussion and Analysis (Continued)

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between 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 Surf City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – Town of Surf City has one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Surf City uses enterprise funds to account for its water and wastewater activity. This fund is the same as those functions shown in business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Town of Surf City has two fiduciary funds, which is a pension trust fund and the benefit fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 44 through 72 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information concerning the Town of Surf City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 74 of this report.

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

Management's Discussion and Analysis (Continued)

Government-Wide Financial Analysis

The Town of Surf City's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 14,255,238	\$ 11,993,329	\$ 1,423,606	\$ 551,337	\$ 15,678,844	\$ 12,544,666
Capital assets	14,133,414	14,486,097	41,946,033	42,817,714	56,079,447	57,303,811
Deferred outflows of resources	191,919	-	34,467	-	226,386	-
Total assets and deferred outflows of resources	28,580,571	26,479,426	43,404,106	43,369,051	71,984,677	69,848,477
Long-term liabilities outstanding	3,251,765	3,828,223	17,005,901	18,721,578	20,257,666	22,549,801
Other liabilities	630,477	758,359	2,113,846	2,105,089	2,744,323	2,863,448
Deferred inflows of resources	679,867	-	122,099	13,759	801,966	13,759
Total liabilities and deferred inflows of resources	4,562,109	4,586,582	19,241,846	20,840,426	23,803,955	25,427,008
Net position:						
Net investment in capital assets	10,436,156	10,079,827	23,221,333	22,380,991	33,657,489	32,460,818
Restricted	1,348,336	1,488,423	-	-	1,348,336	1,488,423
Unrestricted	12,233,970	10,324,594	940,927	147,634	13,174,897	10,472,228
Total net position	\$ 24,018,462	\$ 21,892,844	\$ 24,162,260	\$ 22,528,625	\$ 48,180,722	\$ 44,421,469

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 Surf City exceeded liabilities and deferred inflows by \$48,180,722 as of June 30, 2015. The Town's net position increased by \$4,202,576 for the fiscal year ended June 30, 2015. However, the largest portion (69.86%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Surf City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Surf City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Surf City's net position, \$1,348,336, represents sources that are subject to external restrictions on how they may be used. The remaining balance of \$13,174,897 is unrestricted. Also, the Town of Surf City implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$452,532. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Surf City's management.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.86%

Management's Discussion and Analysis (Continued)

The Town of Surf City's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 621,343	\$ 655,860	\$ 4,707,242	\$ 3,833,415	\$ 5,328,585	\$ 4,489,275
Operating grants and contributions	312,595	83,949	-	-	312,595	83,949
Capital grants and contributions	144,737	40,347	-	-	144,737	40,347
General Revenues						
Property taxes	5,413,878	5,369,638	-	-	5,413,878	5,369,638
Other taxes	3,078,616	2,548,359	-	-	3,078,616	2,548,359
Other	236,779	258,750	341,431	149,525	578,210	408,275
Total revenues	9,807,948	8,956,903	5,048,673	3,982,940	14,856,621	12,939,843
Expenses:						
Governing body	120,357	666,505	-	-	120,357	666,505
Administration	301,602	172,818	-	-	301,602	172,818
Elections	-	3,102	-	-	-	3,102
Finance	311,734	317,195	-	-	311,734	317,195
Insurance	206,875	200,073	-	-	206,875	200,073
Legal	20,552	30,543	-	-	20,552	30,543
Public buildings	49,229	30,207	-	-	49,229	30,207
Public works	172,558	165,352	-	-	172,558	165,352
Police	1,744,967	1,786,826	-	-	1,744,967	1,786,826
Fire	1,314,892	1,032,687	-	-	1,314,892	1,032,687
Community development	342,856	333,752	-	-	342,856	333,752
Street department	493,310	513,339	-	-	493,310	513,339
Sanitation	714,113	675,041	-	-	714,113	675,041
Parks and recreation	638,250	601,074	-	-	638,250	601,074
Beach and strand	502,489	521,957	-	-	502,489	521,957
Tourism	256,355	164,966	-	-	256,355	164,966
Interest on long-term debt	108,557	185,865	-	-	108,557	185,865
Water and wastewater	-	-	3,346,140	3,517,079	3,346,140	3,517,079
Total expenses	7,298,696	7,401,302	3,346,140	3,517,079	10,644,836	10,918,381
Increase(Decrease) in net position before transfers	2,509,252	1,555,601	1,702,533	465,861	4,211,785	2,021,462
Transfers	-	-	-	-	-	-
Change in net position	2,509,252	1,555,601	1,702,533	465,861	4,211,785	2,021,462
Net position, July 1	21,892,844	20,337,243	22,528,625	22,062,764	44,421,469	42,400,007
Restatement	(383,634)	-	(68,898)	-	(452,532)	-
Net Position, July 1 - Restated	21,509,210	20,337,243	22,459,727	22,062,764	43,968,937	42,400,007
Net position, June 30	\$ 24,018,462	\$ 21,892,844	\$ 24,162,260	\$ 22,528,625	\$ 48,180,722	\$ 44,421,469

Management's Discussion and Analysis (Continued)

Governmental activities. Governmental activities increased the Town's net position by \$2,509,252 primarily due to increased revenues in the general fund.

Business-type activities. Business-type activities increased the Town's net position by \$1,702,533.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Surf City'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 Surf City's financing requirements.

The general fund is the chief operating fund of the Town of Surf City. At the end of the current fiscal year, fund balance available of the General Fund was \$1,936,575, while total fund balance reached \$2,105,722. The Town currently has an available fund balance of 23.17% of general fund expenditures, while total fund balance represents 25.19% of the same amount.

At June 30, 2015, the governmental funds of Town of Surf City reported a combined fund balance of \$13,663,648, a 17.06 percent increase over last year. Included in this change in fund balance are decreases in fund balance in the General, Accommodations Tax and non-major funds and increases in the Beach Renourishment Fund.

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

Revenues were less than the budgeted amounts primarily because the Town did not receive ad valorem tax and restricted governmental revenue as it originally anticipated. Expenditures were held below budgeted amounts to comply with budgetary requirements.

Proprietary Funds. The Town of Surf City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Wastewater Fund at the end of the fiscal year amounted to \$940,927. The total change in net position for the Water and Wastewater Fund was an increase of \$1,702,533.

Capital Asset and Debt Administration

Capital assets. The Town of Surf City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals \$56,079,447 (net of accumulated depreciation). These assets include buildings, land, construction in progress, vehicles, infrastructure, and equipment.

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

- Water System acquisition in the Water and Wastewater Fund of \$66,759.
- Equipment acquisitions of \$168,563 in governmental-type activities.

Management's Discussion and Analysis (Continued)

The Town of Surf City's Capital Assets

Figure 4

	(Net of depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 8,339,220	\$ 8,339,220	\$ 5,245,933	\$ 5,245,933	\$ 13,585,153	\$ 13,585,153
Construction in Progress	22,794	22,794	-	-	22,794	22,794
Buildings	4,033,120	4,153,922	-	-	4,033,120	4,153,922
Infrastructure	1,100,356	1,135,104	-	-	1,100,356	1,135,104
Vehicles	316,366	483,104	33,044	22,106	349,410	505,210
Plant and Distribution Equipment	-	-	36,582,829	37,483,735	36,582,829	37,483,735
	321,558	351,953	84,227	65,940	405,785	417,893
Total	\$ 14,133,414	\$ 14,486,097	\$ 41,946,033	\$ 42,817,714	\$ 56,079,447	\$ 57,303,811

Additional information on the Town's capital assets can be found on page 53 in the Notes to the Financial Statements.

Long-term Debt. As of June 30, 2015, the Town of Surf City had total long-term debt outstanding of \$22,421,958. Of this, \$-0- is debt backed by the full faith and credit of the Town of Surf City.

The Town of Surf City's Outstanding Debt Installment Purchases and Capital Leases

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Installment purchases	\$ 3,331,935	\$ 3,956,805	\$ 18,724,700	\$ 20,436,723	\$ 22,056,635	\$ 24,393,528
Capital Leases	365,323	449,465	-	-	365,323	449,465
Total	\$ 3,697,258	\$ 4,406,270	\$ 18,724,700	\$ 20,436,723	\$ 22,421,958	\$ 24,842,993

Management's Discussion and Analysis (Continued)

The Town of Surf City's total debt decreased by \$2,421,035 (9.75%) during the fiscal year.

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 Surf City is \$105,248,598. The Town of Surf City does not have any authorized but un-issued debt at Town of Surf City.

Additional information regarding the Town of Surf City's long-term debt can be found beginning on page 66 in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- Tourism. The Town's economy depends heavily on beach tourism.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities. Property taxes and revenues from other taxes are expected to lead budgeted revenue. The Town will use these increases in revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to decrease slightly.

Business-type Activities. Utility rates in the Town will remain constant for the next year.

Requests for Information

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

**Jane Kirk
Finance Officer
Town of Surf City
214 N. New River Drive
Surf City, NC 28445**

Basic Financial Statements

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

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 12,353,171	\$ 956,121	\$ 13,309,292
Receivables (net):			
Ad Valorem Taxes	250,559	-	250,559
Accommodations Taxes	211,380	-	211,380
Interest	24,346	-	24,346
Accounts	53,346	417,410	470,756
Due from Other Governments	309,397	-	309,397
Restricted Cash and Cash Equivalents	774,213	-	774,213
Total Current Assets	13,976,412	1,373,531	15,349,943
Noncurrent Assets:			
Net Pension Asset	278,826	50,075	328,901
Capital Assets			
Land, Nondepreciable Improvements, and Construction in Progress	8,362,014	5,245,933	13,607,947
Other Capital Assets, Net of Depreciation	5,771,400	36,700,100	42,471,500
Total Capital Assets	14,133,414	41,946,033	56,079,447
Total Noncurrent Assets	14,412,240	41,996,108	56,408,348
Total Assets	28,388,652	43,369,639	71,758,291
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to Pension Plan in Current Fiscal Year	191,919	34,467	226,386
Total Deferred Outflows of Resources	\$ 191,919	\$ 34,467	\$ 226,386

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

TOWN OF SURF CITY, NORTH CAROLINA
Statement of Net Position (Continued)
June 30, 2015

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Acvities</u>	
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 37,859	\$ -	\$ 37,859
Prepaid Utilities	-	10,952	10,952
Customer Deposits	-	341,807	341,807
Current Portion of Long-Term Liabilities	592,618	1,761,087	2,353,705
Total Current Liabilities	630,477	2,113,846	2,744,323
Long-Term Liabilities:			
Due in More Than One year	3,251,765	17,005,901	20,257,666
Total Liabilities	3,882,242	19,119,747	23,001,989
DEFERRED INFLOWS OF RESOURCES			
Pension Deferrals	679,867	122,099	801,966
Prepaid Taxes	-	-	-
Total Deferred Inflows of Resources	679,867	122,099	801,966
NET POSITION			
Net Investment in Capital Assets	10,436,156	23,221,333	33,657,489
Restricted for:			
Transportation	156,391	-	156,391
Stabilization by State Statute	362,743	-	362,743
Tourism	816,446	-	816,446
Drug Forfeitures	12,756	-	12,756
Unrestricted	12,233,970	940,927	13,174,897
Total Net Position	\$ 24,018,462	\$ 24,162,260	\$ 48,180,722

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

TOWN OF SURF CITY, NORTH CAROLINA
Statement of Activities
For the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Governing Body	\$ 120,357	\$ -	\$ -	\$ -
Administration	301,602	-	-	-
Elections	-	-	-	-
Finance	311,734	-	-	-
Insurance	206,875	-	-	-
Legal	20,552	-	-	-
Public Buildings	49,229	-	-	-
Public Works	172,558	-	-	-
Police	1,744,967	-	3,088	-
Fire	1,314,892	-	-	144,737
Community Development	342,856	162,092	-	-
Street Department	493,310	-	75,869	-
Sanitation	714,113	459,251	3,093	-
Parks and Recreation	638,250	-	-	-
Beach and Strand	502,489	-	230,545	-
Tourism	256,355	-	-	-
Interest on long-term debt	108,557	-	-	-
Total Governmental Activities	7,298,696	621,343	312,595	144,737
Total Primary Government	7,298,696	621,343	312,595	144,737
Business-Type Activities:				
Water and Wastewater	3,346,140	4,707,242	-	-
Total Business-Type Activities	\$ 3,346,140	\$ 4,707,242	\$ -	\$ -

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

TOWN OF SURF CITY, NORTH CAROLINA
Statement of Activities (Continued)
For the Fiscal Year Ended June 30, 2015

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Primary Government:			
Governmental Activities:			
Governing Body	\$ (120,357)	\$ -	\$ (120,357)
Administration	(301,602)	-	(301,602)
Elections	-	-	-
Finance	(311,734)	-	(311,734)
Insurance	(206,875)	-	(206,875)
Legal	(20,552)	-	(20,552)
Public Buildings	(49,229)	-	(49,229)
Public Works	(172,558)	-	(172,558)
Police	(1,741,879)	-	(1,741,879)
Fire	(1,170,155)	-	(1,170,155)
Community Development	(180,764)	-	(180,764)
Street Department	(417,441)	-	(417,441)
Sanitation	(251,769)	-	(251,769)
Parks and Recreation	(638,250)	-	(638,250)
Beach and Strand	(271,944)	-	(271,944)
Tourism	(256,355)	-	(256,355)
Interest on long-term debt	(108,557)	-	(108,557)
Total Governmental Activities	(6,220,021)	-	(6,220,021)
Total Primary Government	(6,220,021)	-	(6,220,021)
Business-Type Activities:			
Water and Wastewater	-	1,361,102	1,361,102
Total Business-Type Activities	-	1,361,102	1,361,102
General Revenues:			
Property Taxes, Levied for General Purpose	5,413,878	-	5,413,878
Other Taxes and Licenses	3,078,616	-	3,078,616
Investment Earnings	2,171	2	2,173
Miscellaneous	234,608	341,429	576,037
Transfers	-	-	-
Total General Revenues and Transfers	8,729,273	341,431	9,070,704
Change in Net Position	2,509,252	1,702,533	4,211,785
Net Position - Beginning of Year	21,892,844	22,528,625	44,421,469
Restatement	(383,634)	(68,898)	(452,532)
Net Position - Beginning of Year - Restated	21,509,210	22,459,727	43,968,937
Net Position - End of Year	\$ 24,018,462	\$ 24,162,260	\$ 48,180,722

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

TOWN OF SURF CITY, NORTH CAROLINA
 Balance Sheet
 Governmental Funds
 June 30, 2015

	Major Funds		
	General	Beach Renourishment Fund	Accommodation Tax Fund
ASSETS			
Cash and Investments	\$ 1,976,213	\$ 9,486,119	\$ -
Receivables (net):			
Ad Valorem Taxes	250,559	-	-
Accommodations Tax	-	-	211,380
Accounts	53,346	-	-
Due from Other Funds	-	-	-
Due from Other Governments	309,397	-	-
Restricted Cash and Investments	169,147	-	605,066
Total Assets	\$ 2,758,662	\$ 9,486,119	\$ 816,446
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 39,638	\$ -	\$ -
Total Liabilities	39,638	-	-
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Receivable	250,559	-	-
Total Deferred Inflows of Resources	250,559	-	-
FUND BALANCES			
Restricted			
State Statute	362,743	-	-
Streets - Powell Bill	156,391	-	-
Tourism	-	-	816,446
Drug Forfeitures	12,756	-	-
Assigned			
Beach and Strand	-	9,486,119	-
Streets	-	-	-
Public Buildings	-	-	-
Subsequent Year's Expenditures	485,000	-	-
Unassigned	1,451,575	-	-
Total Fund Balances	2,468,465	9,486,119	816,446
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,758,662	\$ 9,486,119	\$ 816,446

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

TOWN OF SURF CITY, NORTH CAROLINA
 Balance Sheet (Continued)
 Governmental Funds
 June 30, 2015

	Total Non-Major Funds	Total Governmental Funds
ASSETS		
Cash and Investments	\$ 892,618	\$ 12,354,950
Receivables (net):		
Ad Valorem Taxes	-	250,559
Accommodations Tax	-	211,380
Accounts	-	53,346
Due from Other Funds	-	-
Due from Other Governments	-	309,397
Restricted Cash and Investments	-	774,213
Total Assets	\$ 892,618	\$ 13,953,845
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ -	\$ 39,638
Total Liabilities	-	39,638
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Receivable	-	250,559
Total Deferred Inflows of Resources	-	250,559
FUND BALANCES		
Restricted		
State Statute	-	362,743
Streets - Powell Bill	-	156,391
Tourism	-	816,446
Drug Forfeitures	-	12,756
Assigned		
Beach and Strand	886,076	10,372,195
Streets	-	-
Public Buildings	6,542	6,542
Subsequent Year's Expenditures	-	485,000
Unassigned	-	1,451,575
Total Fund Balances	892,618	13,663,648
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 892,618	

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

TOWN OF SURF CITY, NORTH CAROLINA
 Balance Sheet (Continued)
 Governmental Funds
 June 30, 2015

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Total Governmental Fund Balance	\$ 13,663,648
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical costs	19,846,861
Accumulated depreciation	<u>(5,713,447)</u>
	14,133,414
Net Pension Asset	278,826
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	<u>191,919</u>
	470,745
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred	
Accrued interest - taxes	<u>24,346</u>
	24,346
Liabilities for earned but deferred revenues in fund statements.	
Ad valorem taxes	<u>250,559</u>
	250,559
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Net pension obligation	2,601
Capital leases	(365,323)
Installment purchases	(3,331,935)
Compensated absences	<u>(149,726)</u>
	(3,844,383)
Pension related deferrals	<u>(679,867)</u>
	(679,867)
Net position of governmental activities.	<u><u>\$ 24,018,462</u></u>

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



TOWN OF SURF CITY, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds		
	General Fund	Beach Renourishment Fund	Accommodation Tax Fund
Revenues			
Ad Valorem Taxes	\$ 5,410,456	\$ -	\$ -
Other Taxes and Licenses	41,040	-	1,080,676
Unrestricted Intergovernmental	1,956,900	-	-
Restricted Intergovernmental	234,618	222,714	-
Permits and Fees	162,092	-	-
Sales and Services	459,251	-	-
Investment Earnings	2,171	-	-
Miscellaneous	234,608	-	-
Total Revenues	8,501,136	222,714	1,080,676
Expenditures			
Governing Body	120,357	-	-
Administration	321,943	-	-
Elections	-	-	-
Finance	325,246	-	-
Insurance	206,875	-	-
Legal	20,552	-	-
Public Buildings	34,499	-	-
Public Works	172,558	-	-
Police	1,433,485	-	-
Fire	1,241,382	-	-
Community Development	352,394	-	-
Street Department	456,704	-	-
Sanitation	714,113	-	-
Parks And Recreation	643,957	-	-
Beach and Strand	-	256,422	222,486
Tourism	-	-	359,495
Debt Service			
Principal Retirement	480,012	132,333	-
Interest and other charges	73,491	35,066	-
Capital Outlay			
Police	31,106	-	-
Fire	144,985	-	-
Public Buildings	-	-	-
Street Department	-	-	-
Parks And Recreation	6,561	-	-
Tourism	-	-	-
Beach and Strand	-	-	-
Total Expenditures	6,780,220	423,821	581,981
Revenues Over (Under) Expenditures	1,720,916	(201,107)	498,695

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

TOWN OF SURF CITY, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2015

	Total Non-Major Funds	Total Governmental Funds
Revenues		
Ad Valorem Taxes	\$ -	\$ 5,410,456
Other Taxes and Licenses	-	1,121,716
Unrestricted Intergovernmental	-	1,956,900
Restricted Intergovernmental	-	457,332
Permits and Fees	-	162,092
Sales and Services	-	459,251
Investment Earnings	-	2,171
Miscellaneous	-	234,608
Total Revenues	-	9,804,526
Expenditures		
Governing Body	-	120,357
Administration	-	321,943
Elections	-	-
Finance	-	325,246
Insurance	-	206,875
Legal	-	20,552
Public Buildings	12,000	46,499
Public Works	-	172,558
Police	-	1,433,485
Fire	-	1,241,382
Community Development	-	352,394
Street Department	3,036	459,740
Sanitation	-	714,113
Parks And Recreation	-	643,957
Beach and Strand	12,320	491,228
Tourism	-	359,495
Debt Service	-	-
Principal Retirement	-	612,345
Interest and other charges	-	108,557
Capital Outlay	-	-
Police	-	31,106
Fire	-	144,985
Public Buildings	-	-
Street Department	-	-
Parks And Recreation	-	6,561
Tourism	-	-
Beach and Strand	-	-
Total Expenditures	27,356	7,813,378
Revenues Over (Under) Expenditures	(27,356)	1,991,148

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

TOWN OF SURF CITY, NORTH CAROLINA
 Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
 Governmental Funds
 For the Year Ended June 30, 2015

	Major Funds		
	General Fund	Beach Renourishment Fund	Accommodation Tax Fund
Other Financing Sources (Uses)			
Transfers from Other Funds	\$ -	\$ 2,020,949	\$ -
Transfers to Other Funds	(1,578,949)	-	(492,000)
Capital Lease Obligation Issued	-	-	-
Total Other Financing Sources (Uses)	(1,578,949)	2,020,949	(492,000)
Net Change in Fund Balance	141,967	1,819,842	6,695
Fund Balance - Beginning of Year	2,326,498	7,666,277	809,751
Fund Balance - End of Year	\$ 2,468,465	\$ 9,486,119	\$ 816,446

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

TOWN OF SURF CITY, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2015

	Total Non-Major Funds	Total Governmental Funds
Other Financing Sources (Uses)		
Transfers from Other Funds	\$ 50,000	\$ 2,070,949
Transfers to Other Funds	-	(2,070,949)
Capital Lease Obligation Issued	-	-
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>-</u>
Net Change in Fund Balance	22,644	1,991,148
Fund Balance - Beginning of Year	<u>869,974</u>	<u>11,672,500</u>
Fund Balance - End of Year	<u><u>\$ 892,618</u></u>	<u><u>\$ 13,663,648</u></u>

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

TOWN OF SURF CITY, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2015

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	\$ 1,991,148
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures which were capitalized	182,652
Depreciation expense	<u>(535,335)</u>
	(352,683)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	<u>191,919</u>
	191,919
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Change in deferred revenue for ad valorem tax revenues	-
Interest earned on ad valorem taxes	<u>3,422</u>
	3,422
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. Also governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Debt issuance	-
Debt retirement	<u>709,012</u>
	709,012
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Net pension obligation	(1,498)
Pension Expense	(17,407)
Compensated absences	<u>(14,661)</u>
	(33,566)
Total changes in net position of governmental activities	<u>\$ 2,509,252</u>



TOWN OF SURF CITY, NORTH CAROLINA
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Fiscal Year Ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Ad Valorem Taxes	\$ 5,219,993	\$ 5,219,993	\$ 5,410,456	\$ 190,463
Other Taxes and Licenses	1,175,000	50,000	41,040	(8,960)
Unrestricted Intergovernmental	74,500	1,731,993	1,956,900	224,907
Restricted Intergovernmental	73,000	241,567	234,618	(6,949)
Permits and Fees	148,000	147,600	162,092	14,492
Sales and Services	783,000	508,000	459,251	(48,749)
Investment Earnings	3,000	1,400	2,171	771
Miscellaneous	28,000	174,481	234,608	60,127
Total Revenues	7,504,493	8,075,034	8,501,136	426,102
Expenditures				
Governing Body	87,033	124,133	120,357	3,776
Administration	291,743	343,878	321,943	21,935
Finance	375,646	375,646	325,246	50,400
Insurance	250,000	225,115	206,875	18,240
Legal	20,000	22,000	20,552	1,448
Public Buildings	-	68,300	34,499	33,801
Public Works	19,700	173,550	172,558	992
Police	1,761,428	1,769,258	1,660,540	108,718
Fire	999,720	1,433,089	1,433,704	(615)
Community Development	286,099	362,449	352,394	10,055
Street Department	678,210	663,910	625,233	38,677
Sanitation	675,600	729,600	714,113	15,487
Parks And Recreation	854,365	862,931	792,206	70,725
Contingency	-	-	-	-
Total Expenditures	6,299,544	7,153,859	6,780,220	373,639
Revenues Over (Under) Expenditures	1,204,949	921,175	1,720,916	799,741
Other Financing Sources (Uses)				
Transfers from Other Funds	125,000	74,000	-	(74,000)
Transfers to Other Funds	(1,814,949)	(1,578,949)	(1,578,949)	-
Capital Lease Obligations Issued	-	-	-	-
Total Other Financing Sources (Uses)	(1,689,949)	(1,504,949)	(1,578,949)	(74,000)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(485,000)	(583,774)	141,967	725,741
Appropriated Fund Balance	485,000	583,774	-	(583,774)
Net Change in Fund Balance	\$ -	\$ -	141,967	\$ 141,967
Fund Balance - Beginning of Year			2,326,498	
Fund Balance - End of Year			\$ 2,468,465	

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

TOWN OF SURF CITY, NORTH CAROLINA
Accommodations Tax Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Accommodations Tax Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Other Taxes and Licenses	\$ 990,000	\$ 1,022,000	\$ 1,080,676	\$ 58,676
Total Revenues	<u>990,000</u>	<u>1,022,000</u>	<u>1,080,676</u>	<u>58,676</u>
Expenditures				
Beach and Strand	-	255,800	222,486	33,314
Tourism	990,000	379,200	359,495	19,705
Total Expenditures	<u>990,000</u>	<u>635,000</u>	<u>581,981</u>	<u>53,019</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>387,000</u>	<u>498,695</u>	<u>111,695</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	(517,000)	(492,000)	25,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>(517,000)</u>	<u>(492,000)</u>	<u>25,000</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>-</u>	<u>(130,000)</u>	<u>6,695</u>	<u>136,695</u>
Appropriated Fund Balance	<u>-</u>	<u>130,000</u>	<u>-</u>	<u>(130,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>6,695</u>	<u>\$ 6,695</u>
Fund Balance - Beginning of Year			<u>809,751</u>	
Fund Balance - End of Year			<u>\$ 816,446</u>	

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

	Water and Wastewater Fund
ASSETS	
Current Assets	
Cash and Investments	\$ 956,121
Accounts Receivable (net)	417,410
Total Current Assets	<u>1,373,531</u>
Noncurrent Assets	
Net Pension Asset	50,075
Capital Assets	
Land, Nondepreciable Improvements, and Construction in Progress	5,245,933
Other Capital Assets, Net of Depreciation	36,700,100
Total Capital Assets	<u>41,946,033</u>
Total Noncurrent Assets	<u>41,996,108</u>
Total Assets	<u>43,369,639</u>
DEFERRED OUTFLOWS OF RESOURCES	
Contributions to Pension Plan	34,467
Total Deferred Outflows of Resources	<u>\$ 34,467</u>

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

TOWN OF SURF CITY, NORTH CAROLINA
Statement of Fund Net Position (Continued)
Proprietary Fund
June 30, 2015

	Water and Wastewater Fund
LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Liabilities	\$ -
Customer Deposits	341,807
Prepaid Utilities	10,952
Installment Purchase Obligations Payable	1,761,087
Total Current Liabilities	<u>2,113,846</u>
Noncurrent Liabilities	
Installment Purchase Obligations Payable	16,963,613
Compensated Absences Payable	42,288
Total Noncurrent Liabilities	<u>17,005,901</u>
Total Liabilities	<u>19,119,747</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Deferrals	<u>122,099</u>
Total Deferred Outflows of Resources	<u>122,099</u>
NET POSITION	
Net Investment in Capital Assets	23,221,333
Unrestricted	<u>940,927</u>
Total Net Position	<u>\$ 24,162,260</u>

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



TOWN OF SURF CITY, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	Water and Wastewater Fund
Operating Revenues	
Water Charges	\$ 1,396,241
Wastewater Charges	1,767,054
Taps	418,162
Impact Fees	1,125,785
Total Operating Revenues	<u>4,707,242</u>
Operating Expenses	
Administration	221,477
Insurance	62,076
Water Operations	144,650
Wastewater Collection	564,082
Wastewater Treatment	804,423
Depreciation	992,996
Total Operating Expenses	<u>2,789,704</u>
Operating Income (Loss)	<u>1,917,538</u>
Nonoperating Revenues (Expenses)	
Investment Earnings	2
Miscellaneous Income	341,429
Interest Expense	(556,436)
Total Nonoperating Revenues (Expenses)	<u>(215,005)</u>
Total Income (Loss) Before Transfers	1,702,533
Transfers from Other Funds	<u>-</u>
Change in Net Position	<u>1,702,533</u>
Net Position - Beginning of Year	22,528,625
Restatement	<u>(68,898)</u>
Net Position - Beginning of Year, Restated	<u>22,459,727</u>
Net Position - End of Year	<u>\$ 24,162,260</u>

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

TOWN OF SURF CITY, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

	Water and Wastewater Fund
Cash Flows from Operating Activities	
Cash Received from Customers and Users	\$ 4,662,046
Cash Paid for Goods and Services	(912,355)
Cash Paid to Employees for Services	(928,867)
Customer Deposits Received	13,724
Customer Deposits Returned	(6,400)
Miscellaneous Income	341,429
Net Cash Provided(Used) by Operating Activities	<u>3,169,577</u>
Cash Flows from Noncapital Financing Activities	
Transfers in	-
Net Cash Provided(Used) by Noncapital Financing Activities	<u>-</u>
Cash Flows from Capital Financing Activities	
Installment Purchase Obligations Issued	-
Acquisition of Capital Assets	(121,315)
Interest Paid on Debt	(556,436)
Principal Paid on Debt	(1,712,023)
Net Cash Provided(Used) by Capital Financing Activities	<u>(2,389,774)</u>
Cash Flows from Investing Activities	
Interest on Investments	2
Net Increase(Decrease) in Cash and Cash Equivalents	779,805
Cash and Cash Equivalents - Beginning of Year	<u>176,316</u>
Cash and Cash Equivalents - End of Year	<u>\$ 956,121</u>

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

TOWN OF SURF CITY, NORTH CAROLINA
Statement of Cash Flows (Continued)
Proprietary Fund
For the Year Ended June 30, 2015

	<u>Water and Wastewater Fund</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	<u>\$ 1,917,538</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	992,996
Pension Expense	3,126
Miscellaneous Income	341,429
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(42,389)
(Increase) Decrease in Contributions to Pension Plan	(34,467)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(18,890)
Increase (Decrease) in Customer Deposits	7,324
Increase (Decrease) in Prepaid Utilities	(2,807)
Increase (Decrease) in Compensated Absences Payable	5,717
Total Adjustments	<u>1,252,039</u>
Net Cash Provided(Used) by Operating Activities	<u><u>\$ 3,169,577</u></u>

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

TOWN OF SURF CITY, NORTH CAROLINA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Pension Trust Fund	Agency Fund
Assets		
Cash and Cash Equivalents	\$ 149,935	\$ 1,320
Total Assets	\$ 149,935	\$ 1,320
Net Position		
Net Position		
Assets Held in Trust for Pension Benefits	\$ 149,935	\$ -
Assets Held in Trust (Fiduciary Net Position)	-	1,320
Total Net Position	\$ 149,935	\$ 1,320

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

TOWN OF SURF CITY, NORTH CAROLINA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015

	<u>Pension Trust Fund</u>
Additions	
Employer Contributions	\$ 16,000
Investment Earnings	
Interest	<u>-</u>
Total Additions	16,000
Deductions	
Benefits	<u>-</u>
Change in Net Position	16,000
Net Position - Beginning of Year	<u>133,935</u>
Net Position - End of Year	<u><u>\$ 149,935</u></u>

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

TOWN OF SURF CITY, NORTH CAROLINA

Notes to the Financial Statements
For the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Beach Renourishment Fund. This fund is used to account for the renourishment of the Town's beach front.

Accommodations Tax Fund. This fund is used to account for tourism related projects

The Town reports the following non-major governmental funds:

Disaster Recovery Fund. This fund is used to account for related costs in relation to a natural disaster.

Capital Reserve Fund. This fund is to accumulate resources to acquire fixed assets.

Community Center Fund. This fund is used to account for construction of a community center.

Sidewalk Capital Project Fund. This fund is used to account for construction of sidewalks.

Town Hall Capital Project Fund. This fund is used to account for costs of a new town hall.

The Town reports the following major enterprise fund:

Water and Wastewater Fund. This fund is used to account for the Town's water and wastewater operations.

The Town reports the following fund types:

Pension Trust Fund. The Town maintains a Pension Trust Fund – the Special Separation Allowance Fund. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The Special Separation Allowance Fund, which accounts for the Law Enforcement Officers' Special Separation Allowance, is a single-employer, public employee retirement system.

Agency Fund. The Town maintains a Benefit Fund – fundraising for the Pretty in Pink Foundation. The Pretty in Pink Foundation is committed to raising funds for breast cancer research.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Surf City because the tax is levied by Pender County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Beach Renourishment Fund, Accommodations Tax Fund, Capital Reserve Fund, Sidewalk Capital Project Fund, Community Center Fund, Disaster Recovery Fund, Town Hall Capital Project Fund, and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Enterprise Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S.136-41.1 through 136-41.1. Cash collected for drug forfeitures and seizures are classified as restricted assets because their use is completely restricted by the U.S. Department of Justice, to the purpose for which they were received. Unexpended accommodation taxes are classified as restricted cash because it can be expended only for the purpose of promoting tourism and development.

Town of Surf City Restricted Cash

Governmental Activities	
General Fund	
Powell Bill	156,391
Drug Forfeitures	12,756
Accommodation Tax Fund	
Tourism	605,066
Total governmental activities	<u>774,213</u>
Total Restricted Cash	<u>\$ 774,213</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2012. As allowed by State Law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2004, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and Fixtures	10
Equipment	10
Computer Equipment	3
Software	3

7. Deferred Outflows/Inflows of Resources

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

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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

10. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Inventories - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not spendable resources.

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

10. Net Position/Fund Balances (Continued)

Restricted for Drug Forfeitures and Seizures – portion of fund balance that is restricted by the U.S. Department of Justice.

Restricted for Tourism – portion of fund balance that is restricted for the purpose of promoting tourism and development. Restricted balance represents unexpended accommodation taxes collected and receivable.

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

Assigned Fund Balance – portion of fund balance that Town of Surf City intends to use for specific purposes.

Assigned for Beach and Strand – portion of fund balance that has been budgeted by the Board for Beach and Strand improvements and maintenance.

Assigned for Streets – portion of fund balance that has been budgeted by the Board for the streets improvement and maintenance.

Assigned for Public Buildings – portion of fund balance that has been budgeted by the Board for acquisition and construction of buildings.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

11. Pensions

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

11. Pensions (Continued)

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At No Active Client, the Town's deposits had a carrying amount of \$5,167,831 and a bank balance of \$5,345,937. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At No Active Client, the Town's petty cash funds totaled \$350.

2. Investments

At No Active Client, the Town of Surf City had \$9,066,579 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk of its investments.

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended No Active Client are net of the following allowances for doubtful accounts:

Fund	06/30/2015
General Fund:	
Taxes receivable	\$ 28,000
Total	\$ 28,000

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended No Active Client, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,339,220	\$ -	\$ -	\$ 8,339,220
Construction In Progress	22,794	-	-	22,794
Total capital assets not being depreciated	8,362,014	-	-	8,362,014
Capital assets being depreciated:				
Buildings	6,040,106	-	-	6,040,106
Equipment	1,576,286	168,563	-	1,744,849
Vehicles	2,240,523	-	-	2,240,523
Infrastructure	1,445,280	14,089	-	1,459,369
Total capital assets being depreciated	11,302,195	182,651	-	11,484,846
Less accumulated depreciation for:				
Buildings	1,886,184	120,802	-	2,006,986
Equipment	1,224,333	198,958	-	1,423,291
Vehicles	1,757,419	166,738	-	1,924,157
Infrastructure	310,176	48,837	-	359,013
Total accumulated depreciation	5,178,112	535,335	-	5,713,447
Total capital assets being depreciated, net	6,124,083			5,771,400
Governmental activity capital assets, net	\$ 14,486,097			\$ 14,133,414

TOWN OF SURF CITY, NORTH CAROLINA
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

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

Fire	\$ 105,685
Parks and Recreation	7,704
Police	359,157
Public Buildings	4,857
Street Department	46,671
Beach and Strand	11,261
Total	<u>\$ 535,335</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
<i>Water and Wastewater Fund</i>				
Capital assets not being depreciated:				
Land	\$ 5,245,933	\$ -	\$ -	\$ 5,245,933
Capital assets being depreciated:				
Buildings	-	-	-	-
Equipment	177,701	31,196	-	208,897
Vehicles	133,864	23,360	-	157,224
Water System	48,018,458	66,759	-	48,085,217
Total capital assets being depreciated	<u>48,330,023</u>	<u>121,315</u>	<u>-</u>	<u>48,451,338</u>
Less accumulated depreciation for:				
Buildings	-	-	-	-
Equipment	111,761	12,909	-	124,670
Vehicles	111,758	12,422	-	124,180
Water System	10,534,723	967,665	-	11,502,388
Total accumulated depreciation	<u>10,758,242</u>	<u>992,996</u>	<u>-</u>	<u>11,751,238</u>
Total capital assets being depreciated, net	<u>37,571,781</u>			<u>36,700,100</u>
Water and Wastewater Fund capital assets, net	<u>\$ 42,817,714</u>		<u>\$</u>	<u>41,946,033</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Surf City 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 Surf City's contractually required contribution rate for the year ended June 30, 2015, was 7.55% of compensation for law enforcement officers and 7.25% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Surf City were \$226,386 for the year ended June 30, 2015.

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

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

At June 30, 2015 the Town reported an asset of \$328,901 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.05577%, which was an increase of 0.002% from its proportion measured as of June 30, 2013.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

For the year ended June 30, 2015, the Town recognized pension expense of \$17,407. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 35,938
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	765,675
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	352
Town contributions subsequent to the measurement date	226,386	-
Total	<u>\$ 226,386</u>	<u>\$ 801,966</u>

\$226,386 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	\$ (200,514)
2017	(200,514)
2018	(200,514)
2019	(200,424)
2020	-
Thereafter	-
	<u>\$ (801,966)</u>

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

Inflation	3.0 percent
Salary Increase	4.25 to 8.55 percent, including inflation and productivity factor
Investment Rate of Return	7.25 percent, net of pension plan investment expense, including inflation

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 1,116,434	\$ (328,901)	\$ (1,545,827)

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

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

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

Retired Members	-
Active plan members	<u>20</u>
Total	<u><u>20</u></u>

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies:

Basis of Accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

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

Method Used to Value Investments. Investments are reported at fair value.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

3. Contributions

The Town is required by Article 12D of Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the Town contributed \$22,351, or 2.46% of annual covered payroll. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases from 4.25 to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2014 was 16 years.

Annual Pension Cost and Net Pension Obligation. The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$	23,708
Interest on net pension obligation		(205)
Adjustment to annual required contribution		346
Annual pension cost		<u>23,849</u>
Contributions made		<u>22,351</u>
Increase (decrease) in net pension obligation		1,498
Net pension obligation beginning of year		<u>(4,099)</u>
Net pension obligation end of year	\$	<u>(2,601)</u>

For Year Ended June 30	3 Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 22,105	89.13%	\$ (3,222)
2014	22,003	103.99	(4,099)
2015	23,849	93.72	(2,601)

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was 58.54 percent funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$94,846. The covered payroll (annual payroll of active employees covered by the plan) was \$907,796, and the ratio of UAAL to the covered payroll was 10.45 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$65,023, which consisted of \$45,490 from the Town and \$19,533 from the law enforcement officers.

All Other Employees

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

Funding Policy. The Town pays \$20 per pay period for each participating employee. For the year ended June 30, 2015, total contributions to the plan equaled \$76,161, which consisted of \$27,200 from the Town and \$48,961 from the participating employees.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Surf City, to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighter's and Rescue Squad Workers' Pension Fund 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 the Firefighter's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town contributes the entire amount to the Fund. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly.

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Firefighter's and Rescue Squad Workers' Pension Fund (Continued)

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

At June 30, 2015, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town throughout its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$16,874. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2014 and at June 30, 2013 was 0%.

For the year ended June 30, 2015, the Town recognized pension expense of \$6,344 and revenue of \$6,344 for support provided by the State. At June 30, 2015, the Town reported no deferred outflows of resources and deferred inflows of resources related to pensions.

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

Inflation	3.0 percent
Salary Increase	Not applicable
Investment Rate of Return	7.25 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Firefighter's and Rescue Squad Workers' Pension Fund (Continued)

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

2. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's 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. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
Contributions to pension plan in current fiscal year	\$ 191,919	\$ -
Total	<u>\$ 191,919</u>	<u>\$ -</u>

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

	Unavailable Revenue	Unearned Revenue
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable (General Fund)	250,559	-
Pension deferrals	801,966	-
Total	<u>\$ 1,591,601</u>	<u>\$ -</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools the Town obtains general liability, auto liability, public officials' liability, law enforcement 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 the reinsurance limit based upon a percentage of the total insurance values.

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

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town also is eligible to and has purchased commercial flood insurance for another \$1,500,000 of coverage per structure.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2015, the Town did not have any litigation pending.

6. Long-Term Obligations

a. Capital Leases

The Town has entered into agreements to lease certain equipment and vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on July 7, 2011 to lease equipment, and requires 12 annual payments of \$47,337. The second agreement was executed on October 4, 2012 to lease vehicles, and requires 3 annual payments of \$52,042. In all agreements, title passes to the Town at the end of the lease term.

TOWN OF SURF CITY, NORTH CAROLINA
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

a. Capital Leases

The following is an analysis of the assets recorded under capital leases at June 30, 2015:

Governmental Activities:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles	\$ 619,678	\$ 388,706	\$ 230,972
Equipment	121,460	121,460	-
Total	\$ 741,138	\$ 510,166	\$ 230,972

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

	Year Ending June 30	
2016		\$ 47,336
2017		47,337
2018		47,336
2019		47,337
2020		47,336
2021-2025		189,346
Total minimum lease payments		426,028
Less: amount representing interest		60,705
Present value of the minimum lease payments		\$ 365,323

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

a. Installment Purchases

Serviced by the General Fund:

In August 2005, the Town entered into \$1,358,700 in certificates of participation to finance the construction of a community center. The financing contract requires principal payments beginning fiscal year 2006 with an interest rate of 3.46%.

In January 2006, the Town entered into \$2,900,000 in certificates of participation to finance the construction of parking facilities. The financing contract requires principal payments beginning fiscal year 2007 with an interest rate of 3.93%.

In January 2006, the Town entered into \$535,000 in certificates of participation to finance the construction of parking facilities. The financing contract requires principal payments beginning fiscal year 2007 with an interest rate of 3.93%.

In June 2013, the Town refinanced into \$2,100,000 in certificates of participation to finance the purchase of land for the Town Hall. The financing contract requires principal payments beginning fiscal year 2014 with an interest rate of 2.47%.

In September 2013, the Town refinanced into \$1,020,000 in certificates of participation to finance the construction of a police station. The financing contract requires principal payment beginning fiscal year 2014 with an interest rate of 2.47%.

Serviced by the Water and Wastewater Fund:

In August 2005, the Town entered into \$1,448,840 in certificates of participation to finance the construction of a water tower. The financing contract requires principal payments beginning fiscal year 2006 with an interest rate of 3.59%.

In June 2006, the Town entered into \$1,000,000 in certificates of participation to finance the construction of sewer lines. The financing contract requires principal payments beginning fiscal year 2007 with an interest rate of 3.93%.

In May 2007, the Town entered into \$6,000,000 in certificates of participation to finance the construction of a water treatment plant. The financing contract requires principal payments beginning fiscal year 2008 with an interest rate of 3.91%.

In June 2009, the Town entered into \$38,300 in certificates of participation to finance the acquisition and installation of solar mixers. The financing contract requires principal payments beginning fiscal year 2011 with an interest rate of 0.00%.

In September 2013, the Town entered into \$1,403,006 in certificates of participation to finance the construction of a pump station. The financing contract requires principal payments beginning fiscal year 2014 with an interest rate of 2.19%.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

a. Installment Purchases (Continued)

In January 2014, the Town entered into \$2,864,685 in certificates of participation to finance the purchase of land. The financing contract requires principal payments beginning fiscal year 2015 with an interest rate of 2.99%.

In January 2014, the Town entered into \$7,250,000 in certificates of participation to finance the construction of a waste water treatment facility. The financing contract requires principal payments beginning fiscal year 2015 with an interest rate of 2.81%.

In November 2012, the Town entered into \$5,096,821 in certificates of participation to finance the construction of the first phase of the irrigation system at Juniper Swamp. The financing contract requires principal payments beginning fiscal year 2014 with an interest rate of 2.455%.

Annual debt service payments of the installment purchases as of June 30, 2015, including \$3,941,321 of interest, are as follows:

Year Ending June 30	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 556,935	\$ 83,461	\$ 1,761,087	\$ 606,037
2017	489,000	68,762	1,778,925	546,348
2018	489,000	55,238	1,797,333	486,097
2019	489,000	41,714	1,709,942	426,303
2020	489,000	28,190	1,725,298	369,095
2021-2025	819,000	37,432	5,917,763	1,127,524
2026-2030	-	-	3,238,594	26,048
2031-2035	-	-	795,768	39,072
Total	\$ 3,331,935	\$ 314,797	\$ 18,724,700	\$ 3,626,524

TOWN OF SURF CITY, NORTH CAROLINA
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

b. Changes in Long-Term Liabilities

	Balance 07/01/14	Increases	Decreases	Balance 06/30/15	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 3,956,805	\$ -	\$ (624,870)	\$ 3,331,935	\$ 556,935
Capital leases	449,465	-	(84,142)	365,323	35,683
Compensated absences	135,065	133,441	(118,780)	149,726	-
Net pension obligation	(4,099)	23,849	(22,351)	(2,601)	-
Governmental activity long-term liabilities	<u>\$ 4,537,236</u>	<u>\$ 157,290</u>	<u>\$ (850,143)</u>	<u>\$ 3,844,383</u>	<u>\$ 592,618</u>
Business-type activities:					
Installment purchases	\$ 20,436,723	\$ -	\$ (1,712,023)	\$ 18,724,700	\$ 1,761,087
Capital leases	-	-	-	-	-
Compensated absences	<u>36,571</u>	<u>33,649</u>	<u>(27,932)</u>	<u>42,288</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 20,473,294</u>	<u>\$ 33,649</u>	<u>\$ (1,739,955)</u>	<u>\$ 18,766,988</u>	<u>\$ 1,761,087</u>

Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave as it is earned.

C. Interfund Balances and Activity

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

From the Accommodations Tax Special Fund to the Beach Renourishment Fund	\$ 492,000
From the General Fund to the Beach Renourishment Fund	1,528,949
From the General Fund to the Town Hall Capital Project Fund	50,000
From the Water Capital Reserve Fund to the Water and Sewer Fund	294,116
From the Sewer Capital Reserve Fund to the Water and Sewer Fund	250,000
From the Sewer Capital Reserve Fund to the Water and Sewer Fund	126,879
Total	<u>\$ 2,741,944</u>

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

TOWN OF SURF CITY, NORTH CAROLINA
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

II. DETAIL NOTES ON ALL FUNDS (Continued)

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 14,133,414	\$ 41,946,033
Less: long-term debt	3,697,258	18,724,700
Add: unexpended debt proceeds	-	-
	<u> </u>	<u> </u>
Net Investment in Capital Assets	<u>\$ 10,436,156</u>	<u>\$ 23,221,333</u>

E. Fund Balance

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

<i>Total fund balance – General Fund</i>	\$	3,997,414
Less:		
Stabilization by State Statute		362,743
Streets – Powell Bill		156,391
Drug Forfeitures		12,756
Appropriated Fund Balance in 2016 budget		485,000
Remaining Fund Balance		2,980,524

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

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

III. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

IV. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 22, 2015, which is the date the financial statements were available to be issued.

V. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$383,634 and \$68,898, respectively.

Required Supplementary

Financial Data

TOWN OF SURF CITY, NORTH CAROLINA
 Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2005	\$ 11,935	\$ 56,842	\$ 44,907	21.00%	\$ 482,495	9.31%
12/31/2006	23,935	68,660	44,725	34.86%	592,242	7.55%
12/31/2008	69,935	95,392	25,457	73.31%	639,466	3.98%
12/31/2009	85,935	141,955	56,020	60.54%	699,700	8.01%
12/31/2010	85,935	150,750	64,815	57.01%	687,024	9.43%
12/31/2011	101,935	203,151	101,216	50.18%	851,110	11.89%
12/31/2012	117,935	203,482	85,547	57.96%	774,336	11.05%
12/31/2013	117,935	214,728	96,793	54.92%	795,876	12.16%
12/31/2014	133,935	228,781	94,846	58.54%	907,796	10.45%

TOWN OF SURF CITY, NORTH CAROLINA
 Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2013	22,105	89.13%
2014	22,003	103.99%
2015	23,849	93.72%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation Date	12/31/2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar Closed
Remaining Amortization Period	16 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	5.00%
Projected Salary Increases	4.25% - 7.85%
Includes Inflation at	3.00%
Cost of Living Adjustments	N/A

TOWN OF SURF CITY, NORTH CAROLINA
 Proportionate Share of Net Pension Liability (Asset)
 Required Supplementary Information
 Last Two Fiscal Years

Local Government Employees' Retirement System

	2015	2014
Surf City's proportion of the net pension liability (asset) (%)	0.05577%	0.05380%
Surf City's proportion of the net pension liability (asset) (\$)	\$ (328,901)	\$ 648,497
Surf City's covered-employee payroll	\$ 2,747,515	\$ 2,682,046
Surf City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-11.97%	24.18%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

TOWN OF SURF CITY, NORTH CAROLINA

Town of Surf City's Contributions

Required Supplementary Information

Last Two Fiscal Years

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 226,386	\$ 195,037
Contributions in relation to the contractually required contribution	226,386	195,037
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Surf City's covered employee payroll	\$ 3,087,112	\$ 2,747,515
Contributions as a percentage of covered-employee payroll	7.33%	7.10%

TOWN OF SURF CITY, NORTH CAROLINA
 Proportionate Share of Net Pension Liability (Asset)
 Required Supplementary Information
 Last Fiscal Year

Firefighters' and Rescue Squad Workers' Pension

	<u>2015</u>
Surf City's proportionate share of the net pension liability (%)	0.00%
Surf City's proportionate share of the net pension liability (\$)	-
State's proportionate share of the net pension liability associated with the Town of Surf City	<u>\$ 16,874</u>
Total	<u><u>\$ 16,874</u></u>
Surf City's covered employee payroll	\$ 552,682
Surf City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	3.05%
Plan fiduciary net position as a percentage of the total pension liability	93.42%

Major Governmental Funds

General Fund

TOWN OF SURF CITY, NORTH CAROLINA
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Taxes		\$ 5,397,977	
Penalties and Interest		12,479	
Total Ad Valorem Taxes	\$ 5,219,993	5,410,456	\$ 190,463
Other Taxes and Licenses			
Privilege Licenses		41,040	
Total Other Taxes and Licenses	50,000	41,040	(8,960)
Unrestricted Intergovernmental			
Local Option Sales Tax		1,323,414	
Utility Sales Tax		309,877	
Telecommunications Tax		20,772	
Video Franchise Tax		70,746	
Beer and Wine Tax		9,420	
ABC Profit Distribution		53,845	
Fire District Tax		168,826	
Total Unrestricted Intergovernmental	1,731,993	1,956,900	224,907
Restricted Intergovernmental			
Powell Bill Allocation		75,869	
Controlled Substance Tax		2,855	
Drug Seizures and Forfeitures		233	
On-Behalf of Payments - Fire Department		-	
Solid Waste Disposal Tax		3,093	
State Grants		7,831	
Federal Grants		144,737	
Total Restricted Intergovernmental	241,567	234,618	(6,949)
Permits and Fees			
Building Permits		158,665	
Court Costs and Fees		1,177	
Beach Access		2,250	
Total Permits and Fees	147,600	162,092	14,492
Sales and Services			
Solid Waste		459,251	
Total Sales and Services	508,000	459,251	(48,749)
Investment Earnings			
General		2,171	
Total Investment Earnings	1,400	2,171	771
Miscellaneous			
Sale of Assets		-	
Other		234,608	
Total Miscellaneous	174,481	234,608	60,127
Total Revenues	8,075,034	8,501,136	426,102

TOWN OF SURF CITY, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
Governing Body			
Salaries and Employee Benefits		\$ 39,675	
Other Expenditures		80,682	
Total Governing Body	\$ 124,133	120,357	\$ 3,776
Administration			
Salaries and Employee Benefits		269,057	
Other Expenditures		52,886	
Total Administration	343,878	321,943	21,935
Finance			
Salaries and Employee Benefits		284,671	
Other Expenditures		40,575	
Total Finance	375,646	325,246	50,400
Insurance			
Other Expenditures		206,875	
Total Insurance	225,115	206,875	18,240
Legal			
Other Expenditures		20,552	
Total Legal	22,000	20,552	1,448
Public Buildings			
Salaries and Employee Benefits		7,376	
Other Expenditures		27,123	
Total Public Buildings	68,300	34,499	33,801
Public Works			
Other Expenditures		172,558	
Total Public Works	173,550	172,558	992
Police			
Salaries and Employee Benefits		1,273,817	
Other Expenditures		159,668	
Capital Outlay		31,106	
Debt Service:			
Principal Retirement		169,563	
Interest and Other Charges		26,386	
Total Police	1,769,258	1,660,540	108,718

TOWN OF SURF CITY, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Fire			
Salaries and Employee Benefits		\$ 1,010,577	
Other Expenditures		230,805	
Capital Outlay		144,985	
Debt Service:			
Principal Retirement		34,579	
Interest and Other Charges		12,758	
Total Fire	\$ 1,433,089	1,433,704	\$ (615)
Community Development			
Salaries and Employee Benefits		256,554	
Other Expenditures		95,840	
Total Community Development	362,449	352,394	10,055
Street Department			
Salaries and Employee Benefits		293,517	
Other Expenditures		163,187	
Debt Service:			
Principal Retirement		140,000	
Interest and Other Charges		28,529	
Total Street Department	663,910	625,233	38,677
Sanitation			
Other Expenditures		714,113	
Total Sanitation	729,600	714,113	15,487
Parks and Recreation			
Salaries and Employee Benefits		401,307	
Other Expenditures		242,650	
Capital Outlay		6,561	
Debt Service:			
Principal Retirement		135,870	
Interest and Other Charges		5,818	
Total Parks and Recreation	862,931	792,206	70,725
Contingency			
Other Expenditures		-	
Total Contingency	-	-	-
Total Expenditures	7,153,859	6,780,220	373,639

TOWN OF SURF CITY, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 921,175	\$ 1,720,916	\$ 799,741
Other Financing Sources (Uses)			
Transfers In:			
Accommodations Tax Fund	74,000	-	(74,000)
Transfers Out:			
Town Hall Capital Project Fund	(50,000)	(50,000)	-
Beach Renourishment Fund	(1,528,949)	(1,528,949)	-
Capital Lease Obligations Issued	-	-	-
Total Other Financing Sources (Uses)	<u>(1,504,949)</u>	<u>(1,578,949)</u>	<u>(74,000)</u>
Fund Balance Appropriated	<u>583,774</u>	<u>-</u>	<u>(583,774)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>141,967</u>	<u>\$ 141,967</u>
Fund Balance - Beginning of Year		<u>2,326,498</u>	
Fund Balance - End of Year		<u>\$ 2,468,465</u>	



Major Governmental Funds

Capital Project Funds

TOWN OF SURF CITY, NORTH CAROLINA
 Beach Renourishment Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Taxes		\$ -	
Total Ad Valorem Taxes	\$ 8,319,465	-	\$ (8,319,465)
Other Taxes and Licenses			
Accommodations Tax		-	
Total Other Taxes and Licenses	4,284,498	-	(4,284,498)
Restricted Intergovernmental			
State Grants		1,500	
County Grants		221,214	
Total Restricted Intergovernmental	2,152,053	222,714	(1,929,339)
Total Revenues	14,756,016	222,714	(14,533,302)
Expenditures			
Beach and Strand			
Other Expenditures		256,422	
Debt Service:			
Principal Retirement		132,333	
Interest and Other Charges		35,066	
Total Beach and Strand	15,349,473	423,821	14,925,652
Total Expenditures	15,349,473	423,821	14,925,652
Excess (Deficiency) of Revenues Over (Under) Expenditures	(593,457)	(201,107)	392,350
Other Financing Sources (Uses)			
Transfers In:			
General Fund	-	1,528,949	1,528,949
Accommodations Tax Fund	500,000	492,000	(8,000)
Installment Purchase Obligations	23,600	-	(23,600)
Capital Lease Obligations	69,857	-	(69,857)
Total Other Financing Sources (Uses)	593,457	2,020,949	1,427,492
Fund Balance Appropriated	-	-	-
Net Change in Fund Balance	\$ -	\$ 1,819,842	\$ 1,819,842
Fund Balance - Beginning of Year		7,666,277	
Fund Balance - End of Year		\$ 9,486,119	

Major Governmental Funds

Special Revenue Funds

TOWN OF SURF CITY, NORTH CAROLINA
Accommodations Tax Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Other Taxes and Licenses			
Accommodations Tax		\$ 1,080,676	
Total Other Taxes and Licenses	\$ 1,022,000	1,080,676	\$ 58,676
Total Revenues	1,022,000	1,080,676	58,676
Expenditures			
Beach and Strand			
Salaries and Employee Benefits		33,490	
Other Expenditures		188,996	
Capital Outlay		-	
Total Beach and Strand	255,800	222,486	33,314
Tourism			
Salaries and Employee Benefits		119,550	
Other Expenditures		117,635	
Capital Outlay		-	
Debt Service:			
Principal Retirement		96,667	
Interest and Other Charges		25,643	
Total Tourism	379,200	359,495	19,705
Total Expenditures	635,000	581,981	53,019
Excess (Deficiency) of Revenues Over (Under) Expenditures	387,000	498,695	111,695
Other Financing Sources (Uses)			
Transfers Out:			
Beach Renourishment Fund	(517,000)	(492,000)	25,000
Total Other Financing Sources (Uses)	(517,000)	(492,000)	25,000
Fund Balance Appropriated	130,000	-	(130,000)
Net Change in Fund Balance	\$ -	6,695	\$ 6,695
Fund Balance - Beginning of Year		809,751	
Fund Balance - End of Year		\$ 816,446	

Nonmajor Governmental Funds

Capital Project Funds

TOWN OF SURF CITY, NORTH CAROLINA
 Combining Balance Sheet
 Nonmajor Capital Project Funds
 June 30, 2015

	Capital Reserve Fund	Sidewalk Capital Project Fund	Community Center Fund
ASSETS			
Cash and Cash Equivalents	\$ 140,000	\$ -	\$ 1,076
Total Assets	\$ 140,000	\$ -	\$ 1,076
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Assigned			
Beach and Strand	140,000	-	1,076
Street Department	-	-	-
Public Buildings	-	-	-
Total Fund Balances	140,000	-	1,076
Total Liabilities and Fund Balances	\$ 140,000	\$ -	\$ 1,076

TOWN OF SURF CITY, NORTH CAROLINA
Combining Balance Sheet (Continued)
Nonmajor Capital Project Funds
June 30, 2015

	Disaster Recovery Fund	Town Hall Capital Project Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 745,000	\$ 6,542	\$ 892,618
Total Assets	\$ 745,000	\$ 6,542	\$ 892,618
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Assigned			
Beach and Strand	745,000	-	886,076
Street Department	-	-	-
Public Buildings	-	6,542	6,542
Total Fund Balances	745,000	6,542	892,618
Total Liabilities and Fund Balances	\$ 745,000	\$ 6,542	\$ 892,618

TOWN OF SURF CITY, NORTH CAROLINA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Capital Project Funds

For the Fiscal Year Ended June 30, 2015

	Capital Reserve Fund	Sidewalk Capital Project Fund	Community Center Fund
Revenues			
Restricted Intergovernmental	\$ -	\$ -	\$ -
Expenditures			
Beach and Strand	-	-	12,320
Public Buildings	-	-	-
Street Department	-	3,036	-
Total Expenditures	-	3,036	12,320
Revenues Over (Under) Expenditures	-	(3,036)	(12,320)
Other Financing Sources (Uses)			
Transfers from Other Funds	-	-	-
Transfers to Other Funds	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	(3,036)	(12,320)
Fund Balance - Beginning of Year	140,000	3,036	13,396
Fund Balance - End of Year	\$ 140,000	\$ -	\$ 1,076

TOWN OF SURF CITY, NORTH CAROLINA

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

Nonmajor Capital Project Funds

For the Fiscal Year Ended June 30, 2015

	Disaster Recovery Fund	Town Hall Capital Project Fund	Total
Revenues			
Restricted Intergovernmental	\$ -	\$ -	\$ -
Expenditures			
Beach and Strand	-	-	12,320
Public Buildings	-	12,000	12,000
Street Department	-	-	3,036
Total Expenditures	-	12,000	27,356
Revenues Over (Under) Expenditures	-	(12,000)	(27,356)
Other Financing Sources (Uses)			
Transfers from Other Funds	-	50,000	50,000
Transfers to Other Funds	-	-	-
Total Other Financing Sources (Uses)	-	50,000	50,000
Net Change in Fund Balance	-	38,000	22,644
Fund Balance - Beginning of Year	745,000	(31,458)	869,974
Fund Balance - End of Year	\$ 745,000	\$ 6,542	\$ 892,618

TOWN OF SURF CITY, NORTH CAROLINA
 Capital Reserve Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment Earnings	\$ -	\$ -	\$ -
Expenditures			
Beach and Strand			
Capital Outlay		-	
Total Beach and Strand	-	-	-
Total Expenditures	-	-	-
Revenues Over (Under) Expenditures	-	-	-
Other Financing Sources (Uses)			
Transfers in:			
General Fund	417,500	-	(417,500)
Transfers out:			
General Fund	(417,500)	-	417,500
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance - Beginning		<u>140,000</u>	
Fund Balance - Ending		<u>\$ 140,000</u>	

TOWN OF SURF CITY, NORTH CAROLINA
Sidewalk Capital Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
State Grants	\$ -	\$ -	\$ -
Expenditures			
Street Department			
Other Expenditures		3,036	
Capital Outlay		-	
Total Street Department	443,500	3,036	440,464
Total Expenditures	443,500	3,036	440,464
Revenues Over (Under) Expenditures	(443,500)	(3,036)	440,464
Other Financing Sources (Uses)			
Transfers in:			
General Fund	443,500	-	(443,500)
Transfers out:			
General Fund	-	-	-
Total Other Financing Sources (Uses)	443,500	-	(443,500)
Net Change in Fund Balance	<u>\$ -</u>	<u>(3,036)</u>	<u>\$ (3,036)</u>
Fund Balance - Beginning		<u>3,036</u>	
Fund Balance - Ending		<u>\$ -</u>	

TOWN OF SURF CITY, NORTH CAROLINA
Community Center Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted Intergovernmental			
State Grants		\$ -	
Total Restricted Intergovernmental	\$ 462,950	-	\$ (462,950)
Miscellaneous			
Other		-	
Total Miscellaneous	31,500	-	(31,500)
Total Revenues	494,450	-	(494,450)
Expenditures			
Beach and Strand			
Other Expenditures		12,320	
Total Beach and Strand	2,798,150	12,320	2,785,830
Total Expenditures	2,798,150	12,320	2,785,830
Revenues Over (Under) Expenditures	(2,303,700)	(12,320)	2,291,380
Other Financing Sources (Uses)			
Transfers in:			
General Fund	945,000	-	(945,000)
Installment Purchase Obligations	1,358,700	-	(1,358,700)
Total Other Financing Sources (Uses)	2,303,700	-	(2,303,700)
Net Change in Fund Balance	\$ -	(12,320)	\$ (12,320)
Fund Balance - Beginning		13,396	
Fund Balance - Ending		\$ 1,076	

TOWN OF SURF CITY, NORTH CAROLINA
 Disaster Recovery Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment Earnings	\$ -	\$ -	\$ -
Expenditures			
Beach and Strand			
Other Expenditures		-	
Total Beach and Strand	758,550	-	758,550
Total Expenditures	758,550	-	758,550
Revenues Over (Under)			
Expenditures	(758,550)	-	758,550
Other Financing Sources (Uses)			
Transfers in:			
General Fund	770,000	-	(770,000)
Transfers out:			
General Fund	(11,450)	-	11,450
Total Other Financing Sources (Uses)	758,550	-	(758,550)
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance - Beginning		<u>745,000</u>	
Fund Balance - Ending		<u><u>\$ 745,000</u></u>	

TOWN OF SURF CITY, NORTH CAROLINA
Town Hall Capital Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment Earnings	\$ -	\$ -	\$ -
Expenditures			
Public Buildings			
Operating Expenditures		12,000	
Total Public Buildings	2,432,436	12,000	2,420,436
Total Expenditures	2,432,436	12,000	2,420,436
Revenues Over (Under) Expenditures	(2,432,436)	(12,000)	2,420,436
Other Financing Sources (Uses)			
Transfers in:			
General Fund	332,436	50,000	(282,436)
Transfers out:			
General Fund	-	-	-
Installment Purchase Obligations	2,100,000	-	(2,100,000)
Total Other Financing Sources (Uses)	2,432,436	50,000	(2,382,436)
Net Change in Fund Balance	<u>\$ -</u>	38,000	<u>\$ 38,000</u>
Fund Balance - Beginning		(31,458)	
Fund Balance - Ending		<u>\$ 6,542</u>	

Enterprise Funds

TOWN OF SURF CITY, NORTH CAROLINA
 Water and Wastewater Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Operating Revenues			
Water Charges		\$ 1,396,241	
Wastewater Charges		1,767,054	
Tap Fees		418,162	
Total Operating Revenues	\$ 3,577,319	3,581,457	\$ 4,138
Investment Earnings			
Investment Earnings		2	
Total Investment Earnings	-	2	2
Miscellaneous			
Other		322,539	
Total Miscellaneous	408,104	322,539	(85,565)
Total Revenues	3,985,423	3,903,998	(81,425)
Expenditures			
Administration			
Salaries and Employee Benefits		191,292	
Other Expenditures		39,162	
Capital Outlay		-	
Total Administration	228,937	230,454	(1,517)
Insurance			
Other Expenditures		62,076	
Total Treatment and Distribution	77,000	62,076	14,924
Water Operations			
Salaries and Employee Benefits		76,216	
Other Expenditures		44,690	
Repairs and Maintenance		23,353	
Capital Outlay		-	
Debt Service			
Principal Retirement		401,906	
Interest Expense		76,570	
Total Water Operations	664,243	622,735	41,508

TOWN OF SURF CITY, NORTH CAROLINA
 Water and Wastewater Fund
 Schedule of Revenues and Expenditures (Continued)
 Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Expenditures (Continued)			
Wastewater Collection			
Salaries and Employee Benefits		\$ 216,681	
Repairs and Maintenance		120,844	
Other Expenditures		231,876	
Capital Outlay		23,360	
Debt Service			
Principal Retirement		384,343	
Interest Expense		65,066	
Total Wastewater Collection	<u>\$ 1,106,273</u>	<u>1,042,170</u>	<u>\$ 64,103</u>
Wastewater Treatment			
Salaries and Employee Benefits		450,395	
Repairs and Maintenance		140,997	
Other Expenditures		222,409	
Capital Outlay		97,955	
Debt Service			
Principal Retirement		925,774	
Interest Expense		414,800	
Total Wastewater Treatment	<u>2,453,086</u>	<u>2,252,330</u>	<u>200,756</u>
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>4,529,539</u>	<u>4,209,765</u>	<u>319,774</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(544,116)</u>	<u>(305,767)</u>	<u>238,349</u>
Other Financing Sources (Uses)			
Appropriated Fund Balance	-	-	-
Transfers In:			
Water Capital Reserve Fund	294,116	294,116	-
Wastewater Capital Reserve Fund	250,000	250,000	-
Wastewater Capital Project Fund	-	126,879	126,879
Total Other Financing Sources (Uses)	<u>544,116</u>	<u>670,995</u>	<u>126,879</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 365,228</u>	<u>\$ 365,228</u>

TOWN OF SURF CITY, NORTH CAROLINA
 Water and Wastewater Fund
 Schedule of Revenues and Expenditures (Continued)
 Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Net Change in Fund Balance		<u>\$ 365,228</u>	
Reconciling Items:			
Depreciation Expense		(992,996)	
Capital Outlay		121,315	
Principal Retirement		1,712,023	
Pension Expense		(3,126)	
Increase in Contributions to Pension Plan		34,467	
Increase in Accrued Vacation		(5,717)	
Transfers In			
Water Capital Reserve Fund		(294,116)	
Wastewater Capital Reserve Fund		(250,000)	
Wastewater Capital Project Fund		(126,879)	
Impact Fees			
Water Capital Reserve Fund		536,226	
Wastewater Capital Reserve Fund		589,559	
Other Revenues			
Wastewater Capital Project Fund		18,890	
Other Expenditures			
Wastewater Capital Project Fund		(2,341)	
Total Reconciling Items		<u>1,337,305</u>	
Change in Net Position		<u><u>\$ 1,702,533</u></u>	

TOWN OF SURF CITY, NORTH CAROLINA
 Water Capital Reserve Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 From Inception and for the Fiscal Year Ended June 30, 2015

	Project Authorization	Actual		Totals to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
Operating Revenues					
Impact Fees	\$ 2,774,500	\$ 3,286,152	\$ 536,226	\$ 3,822,378	\$ 1,047,878
Assessments	1,850	1,850	-	1,850	
Total Operating Revenues	2,776,350	3,288,002	536,226	3,824,228	1,047,878
Investment Earnings					
Interest	44,000	45,258	-	45,258	1,258
Total Revenues	2,820,350	3,333,260	536,226	3,869,486	1,049,136
Expenditures					
Water					
Contingency	40,562	-	-	-	40,562
Total Expenditures	40,562	-	-	-	40,562
Revenues Over (Under) Expenditures	2,779,788	3,333,260	536,226	3,869,486	1,089,698
Other Financing Sources (Uses)					
Appropriated Fund Balance	100,000	-	-	-	(100,000)
Transfers in:					
Water and Wastewater Fund	144,260	-	-	-	(144,260)
Wastewater Capital Reserve Fund	115,000	-	-	-	(115,000)
Transfers out:					
Water and Wastewater Fund	(2,705,048)	(3,556,022)	(294,116)	(3,850,138)	(1,145,090)
Water Supply Development Capital Project Fund	(269,000)	283,248	-	283,248	552,248
Installment Purchase Obligations	(165,000)	-	-	-	165,000
Total Other Financing Sources (Uses)	(2,779,788)	(3,272,774)	(294,116)	(3,566,890)	(787,102)
Net Change in Fund Balance	\$ -	\$ 60,486	\$ 242,110	\$ 302,596	\$ 302,596

TOWN OF SURF CITY, NORTH CAROLINA
Wastewater Capital Reserve Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2015

			Actual		
	Project Authorization	Prior Year	Current Year	Totals to Date	Variance Positive (Negative)
Revenues					
Operating Revenues					
Impact Fees	\$ 3,446,485	\$ 4,254,964	\$ 589,559	\$ 4,844,523	\$ 1,398,038
Assessments	409,600	17,728	-	17,728	(391,872)
Total Operating Revenues	3,856,085	4,272,692	589,559	4,862,251	1,006,166
Investment Earnings					
Interest	86,000	61,750	-	61,750	(24,250)
Total Revenues	3,942,085	4,334,442	589,559	4,924,001	981,916
Expenditures					
Wastewater					
Contingency	7,006	-	-	-	7,006
Total Expenditures	7,006	-	-	-	7,006
Revenues Over (Under) Expenditures	3,935,079	4,334,442	589,559	4,924,001	988,922
Other Financing Sources (Uses)					
Transfers in:					
Wastewater Capital Project Fund	379,000	182,000	-	182,000	(197,000)
Transfers out:					
Water and Wastewater Fund	(1,865,379)	(4,457,622)	(250,000)	(4,707,622)	(2,842,243)
Wastewater Capital Project Fund	(2,448,700)	-	-	-	2,448,700
Total Other Financing Sources (Uses)	(3,935,079)	(4,275,622)	(250,000)	(4,525,622)	(590,543)
Net Change in Fund Balance	\$ -	\$ 58,820	\$ 339,559	\$ 398,379	\$ 398,379

TOWN OF SURF CITY, NORTH CAROLINA
Wastewater Capital Project Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2015

	Actual			Totals to Date	Variance Positive (Negative)
	Project Authorization	Prior Year	Current Year		
Revenues					
Investment Earnings					
Interest	\$ 35,000	\$ 12,122	\$ -	\$ 12,122	\$ (22,878)
Nonoperating Revenues					
Capital Contributions-					
Federal Grants	2,000,000	2,000,000	-	2,000,000	-
Rent	20,000	20,187	-	20,187	187
Other	299,627	441,096	18,890	459,986	160,359
Total Nonoperating Revenues	2,319,627	2,461,283	18,890	2,480,173	160,546
Total Revenues	2,354,627	2,473,405	18,890	2,492,295	137,668
Expenditures					
Wastewater					
Other Expenditures	-	-	2,341	2,341	(2,341)
Wastewater Construction	28,143,301	26,862,231	-	26,862,231	1,281,070
Total Expenditures	28,143,301	26,862,231	2,341	26,864,572	1,278,729
Revenues Over (Under)					
Expenditures	(25,788,674)	(24,388,826)	16,549	(24,372,277)	1,416,397
Other Financing Sources (Uses)					
Appropriated Fund Balance	414,500	-	-	-	(414,500)
Transfers in:					
General Fund	120,000	120,000	-	120,000	-
Sea Wall Capital Project Fund	14,000	-	-	-	(14,000)
Water Supply Development					
Capital Project Fund	-	2,369,686	-	2,369,686	2,369,686
Wastewater Capital Reserve Fund	2,521,770	-	-	-	(2,521,770)
Water and Wastewater Fund	300,000	-	-	-	(300,000)
Transfers out:					
Water and Wastewater Fund	-	-	(126,879)	(126,879)	(126,879)
Wastewater Capital Reserve Fund	-	(182,000)	-	(182,000)	(182,000)
Installment Purchase Obligations	22,418,404	22,191,470	-	22,191,470	(226,934)
Total Other Financing Sources (Uses)	25,788,674	24,499,156	(126,879)	24,372,277	(1,416,397)
Net Change in Fund Balance	\$ -	\$ 110,330	\$ (110,330)	\$ -	\$ -



Agency Funds

TOWN OF SURF CITY, NORTH CAROLINA
 Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 For the Fiscal Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<u>Benefit Fund</u>				
Assets				
Cash and Cash Equivalents	\$ -	\$ 1,320	\$ -	\$ 1,320
Total Assets	-	1,320	-	1,320
Liabilities				
Accounts Payable	-	-	-	-
Total Liabilities	-	-	-	-
Net Position				
Held in Trust (Fiduciary Net Position)	\$ -	\$ 1,320	\$ -	\$ 1,320
<u>Totals - All Agency Funds</u>				
Assets				
Cash and Cash Equivalents	\$ -	\$ 1,320	\$ -	\$ 1,320
Total Assets	-	1,320	-	1,320
Liabilities				
Accounts Payable	-	-	-	-
Total Liabilities	-	-	-	-
Net Position				
Held in Trust (Fiduciary Net Position)	\$ -	\$ 1,320	\$ -	\$ 1,320

Other Schedules

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

Fiscal Year	Uncollected Balance 7-1-14	Additions and Adjustments	Collections and Credits	Uncollected Balance 6-30-15
2014-15	\$ -	\$ 5,395,727	\$ 5,280,229	\$ 115,498
2013-14	138,111	-	87,018	51,093
2012-13	51,376	-	16,196	35,180
2011-12	36,247	-	7,341	28,906
2010-11	39,122	-	2,392	36,730
2009-10	5,066	-	1,668	3,398
2008-09	4,352	-	1,567	2,785
2007-08	3,694	-	1,566	2,128
2006-07	1,488	-	-	1,488
2005-06	1,353	-	-	1,353
2004-05	1,133	-	1,133	-
	\$ 281,942	\$ 5,395,727	\$ 5,399,110	278,559
Less: Allowance for Uncollectible Accounts:				
General Fund				28,000
Ad Valorem Taxes Receivable - Net				250,559
 <u>Reconciliation with Revenues</u>				
Ad Valorem Taxes - General Fund				5,410,456
Ad Valorem Taxes - Beach Renourishment Fund				-
Reconciling Items:				
Interest and Penalties Collected				(12,479)
Taxes Released				-
Taxes Written Off				1,133
Total Collections and Credits			\$ 5,399,110	

TOWN OF SURF CITY, NORTH CAROLINA
 Analysis of Current Tax Levy
 Town-Wide Levy
 June 30, 2015

	Town-Wide		Total Levy		
	Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at					
Current Year's Rate	\$ 1,315,607,473	0.410	\$ 5,394,852	\$ 5,260,634	\$ 134,218
Penalties	-		875	875	-
	<u>1,315,607,473</u>		<u>5,395,727</u>	<u>5,261,509</u>	<u>134,218</u>
Discoveries:					
Current Year Taxes	-	0.410	-	-	-
Penalties	-		-	-	-
	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements:					
Property Taxes -					
Current Year's Rate	-	0.410	-	-	-
Penalties	-		-	-	-
	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Total Property Valuations	<u>\$ 1,315,607,473</u>				
Net Levy			5,395,727	5,261,509	134,218
Uncollected Taxes at June 30, 2015			115,498	115,498	-
Current Year's Taxes Collected			<u>\$ 5,280,229</u>	<u>\$ 5,146,011</u>	<u>\$ 134,218</u>
Current Levy Collection Percentage			<u>97.86%</u>	<u>97.80%</u>	<u>100.00%</u>





Compliance Section



Compliance Section

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Surf City, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the Town of Surf City's basic financial statements, and have issued our report thereon dated October 22, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

W Greene PLLC

Whiteville, North Carolina
October 22, 2015

TOWN OF SURF CITY, NORTH CAROLINA

Schedule of Findings and Responses

For the Fiscal Year Ended June 30, 2015



SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes _____ X No

Significant deficiency(s) identified that are not considered to be material weaknesses _____ Yes _____ X No

Noncompliance material to financial statements noted _____ Yes _____ X No

TOWN OF SURF CITY, NORTH CAROLINA
Schedule of Findings and Responses (Continued)
For the Fiscal Year Ended June 30, 2015

SECTION II. FINANCIAL STATEMENT FINDINGS

None Reported.

TOWN OF SURF CITY, NORTH CAROLINA

Corrective Action Plan

For the Fiscal Year Ended June 30, 2015



SECTION II. FINANCIAL STATEMENT FINDINGS

None Reported



