

**Town of Caswell Beach, North Carolina**  
**Caswell Beach, North Carolina**  
**Financial Statements**  
**June 30, 2016**

**Town of Caswell Beach, North Carolina**  
**Financial Statements**  
**June 30, 2016**

Mayor

Deborah Ahlers

Town Council

Lucian "Skip" Jones

Martha J. Hardy

Daniel J. O'Neill

George F. Kassler

Kathie Lubsen

Town Administrator/Finance Officer

Chad Hicks

Assistant Finance Officer

Christy L. Fox

Town Clerk

Linda C. Bethune

**Town of Caswell Beach, North Carolina**  
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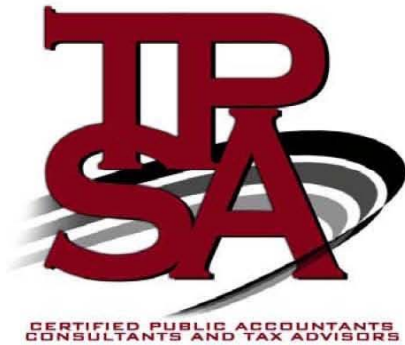
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## **Financial Section**



*Thompson, Price, Scott, Adams & Co, P.A.*

P.O Box 398  
1626 S. Madison Street  
Whiteville, NC 28472  
Telephone (910) 642-2109  
Fax (910) 642-5958

Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
Gregory S. Adams, CPA

### Independent Auditors' Report

To the Honorable Mayor and  
Members of the Town Council  
Caswell Beach, 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 Caswell Beach, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

#### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## *Opinions*

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Caswell Beach, North Carolina as of June 30, 2016, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund, the Accommodations Tax Fund, and the Beach Renourishment Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress on Exhibit A, and the Local Government Employees' Retirement Systems' Schedules of the Proportionate Share of the Net Pension Asset and Contributions on Exhibits B and B-1 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

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

*Thompson, Price, Scott, Adams & Co., P.A.*

Thompson, Price, Scott, Adams & Co, PA  
January 11, 2017

## **Management Discussion and Analysis**



## Management's Discussion and Analysis

As management of the Town of Caswell Beach, we offer readers of the Town of Caswell Beach financial statements this narrative overview and analysis of the financial activities of the Town of Caswell Beach for the fiscal year ended June 30, 2016. 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

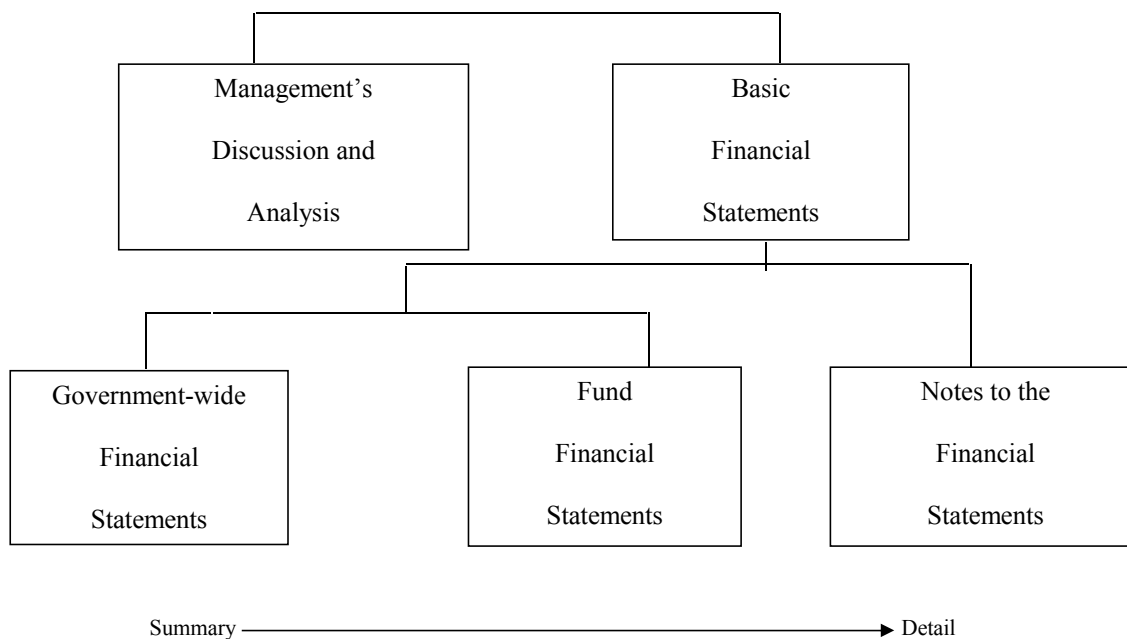
- The assets and deferred outflows of resources of the Town of Caswell Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,861,325 (net position).
- The government's total net position decreased by \$5,026,845 due to an increase in the governmental-type activities net position offset by the transfer of the business-type activities to Brunswick County.
- As of the close of the current fiscal year, the Town of Caswell Beach's governmental funds reported combined ending fund balances of \$3,044,456, an increase of \$559,896 in comparison with the prior year. Approximately 28.75 percent of this total amount, or \$875,433, is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$875,433 or approximately 52.42 percent of total general fund expenditures for the fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Caswell Beach basic financial statements. The Town of Caswell Beach 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 Caswell Beach.

### Required Components of Annual Financial Report

Figure 1



## Basic Financial Statements

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

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

The next section of the basic financial statements 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 they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes 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 sewer services offered by the Town of Caswell Beach. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town. The town does not have any component units that should be reported.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

## Fund Financial Statements

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

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

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow directly behind the basic financial statements.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Caswell Beach.

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

**Government-Wide Financial Analysis**

**Town of Caswell Beach Net Position  
Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 3,109,398	\$ 2,597,876	\$ -	\$ 831,304	\$ 3,109,398	\$ 3,429,180
Capital assets	5,583,503	5,019,359	-	5,890,030	5,583,503	10,909,389
Deferred outflows of resources	35,569	25,835	-	9,966	35,569	35,801
Total assets and deferred outflows of resources	8,728,470	7,643,070	-	6,731,300	8,728,470	14,374,370
Long-term liabilities outstanding	789,052	38,825	-	1,203,200	789,052	1,242,025
Other liabilities	58,367	73,857	-	55,207	58,367	129,064
Deferred inflows of resources	19,726	83,066	-	32,045	19,726	115,111
Total liabilities and deferred inflows of resources	867,145	195,748	-	1,290,452	867,145	1,486,200
Net position:						
Net investment in capital assets	4,871,503	5,019,359	-	4,690,030	4,871,503	9,709,389
Restricted	124,136	94,709	-	-	124,136	94,709
Unrestricted	2,865,686	2,333,254	-	750,818	2,865,686	3,084,072
Total net position	\$ 7,861,325	\$ 7,447,322	\$ -	\$ 5,440,848	\$ 7,861,325	\$ 12,888,170

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 Caswell Beach exceeded liabilities and deferred inflows by \$7,861,325 as of June 30, 2016. The Town’s net position decreased by \$5,026,845 for the fiscal year ended June 30, 2016, primarily because of the transfer of the Business-type activities to the County. However, the largest portion \$4,871,503 reflects the Town’s net investment in capital assets (e.g. land, construction in progress, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Caswell Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Caswell Beach’s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Caswell Beach’s net position \$124,136 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,865,686 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.27%, which is higher than the statewide average of 98.87%.

**Town of Caswell Beach Changes in Net Position**  
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 40,355	\$ 41,980	\$ 250,412	\$ 818,237	\$ 290,767	\$ 860,217
Operating grants and contributions	9,622	8,954	-	-	9,622	8,954
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	607,076	568,466	-	-	607,076	568,466
Other taxes	461,347	464,866	-	-	461,347	464,866
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Donated Capital Asset	-	-	-	-	-	-
Other	11,099	24,547	698	4,916	11,797	29,463
<b>Total revenues</b>	<b>1,129,499</b>	<b>1,108,813</b>	<b>251,110</b>	<b>823,153</b>	<b>1,380,609</b>	<b>1,931,966</b>
<b>Expenses:</b>						
General government	545,167	508,046	-	-	545,167	508,046
Public safety	444,484	386,799	-	-	444,484	386,799
Transportation	8,146	9,072	-	-	8,146	9,072
Economic Development	4,643	4,203	-	-	4,643	4,203
Environmental Protection	121,367	143,719	-	-	121,367	143,719
Culture and Recreation	18,802	8,784	-	-	18,802	8,784
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	291,686	884,565	291,686	884,565
<b>Total expenses</b>	<b>1,142,609</b>	<b>1,060,623</b>	<b>291,686</b>	<b>884,565</b>	<b>1,434,295</b>	<b>1,945,188</b>
Increase (decrease) in net position before transfers	(13,110)	48,190	(40,576)	(61,412)	(53,686)	(13,222)
Transfers	436,156	-	(436,156)	-	-	-
Special Item	-	-	(4,973,159)	-	(4,973,159)	-
Increase (decrease) in net position	423,046	48,190	(5,449,891)	(61,412)	(5,026,845)	(13,222)
Net position, July 1	7,447,322	7,446,467	5,440,848	5,520,521	12,888,170	12,966,988
Net position, beginning, restated	7,438,279	7,399,132	5,449,891	5,502,260	12,888,170	12,901,392
Net position, June 30	<b>\$ 7,861,325</b>	<b>\$ 7,447,322</b>	<b>\$ -</b>	<b>\$ 5,440,848</b>	<b>\$ 7,861,325</b>	<b>\$ 12,888,170</b>

**Governmental Activities:** Governmental activities increased the Town’s net position by \$423,046, thereby accounting for 100% of the total increase in the net position of the Town of Caswell Beach. Key elements of this increase are as follows:

- The Town maintained a very high collection rate for property taxes assessed.
- The General Fund received a transfer of \$400,000 from the Water Fund as part of the agreement with the County to take over the Business-type activities of the Town.

**Business-type activities:** Business-type activities decreased the Town of Caswell Beach’s net position by \$5,449,891, accounting for 100% of the total decrease in the government’s net position. Key elements of this decrease are as follows:

- Depreciation expense for the capital assets in the enterprise fund totaled \$33,294 for the year.
- The Town entered into an agreement with the County whereby the County assumed the operations (including all debt and assets) of the Water and Sewer system that was previously operated by the Town.

**Financial Analysis of the Town’s Funds**

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

**Governmental Funds.** The focus of the Town of Caswell Beach 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 Caswell Beach financing requirements.

The general fund is the chief operating fund of the Town of Caswell Beach. At the end of the current fiscal year, Town of Caswell Beach’s fund balance available in the General Fund was \$875,433, while total fund balance reached \$1,192,090. The Town currently has an available fund balance of 52.41% of general fund expenditures, while total fund balance represents 71.37% of the same amount.

At June 30, 2016, the governmental funds of Town of Caswell Beach reported a combined fund balance of \$3,044,456 with a net increase in fund balance of \$559,896. Included in this change in fund balance are increases in fund balance in all governmental funds, with the exception of the Capital Reserve Fund and Accomodations tax fund, mainly due to transfers to the General Fund.

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

The budgetary amendments for FY 15-16 were due to necessary increases in appropriations in order to meet and maintain service needs of the Town’s departments.

**Proprietary Funds.** The Town of Caswell Beach’s proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$0. The total decrease in net position was \$5,449,891. As discussed earlier, the Town entered into an agreement with Brunswick County whereby the Town transferred the Water and Sewer Distribution system to the County. The Town will no longer operate water and sewer activities effective October 1, 2015.

**Capital Assets and Debt Administration**

**Capital Assets.** The Town of Caswell Beach investment in capital assets for its governmental and business–type activities as of June 30, 2016, totals \$5,583,503 (net of accumulated depreciation). These assets include buildings, land, construction in progress, machinery and equipment, and vehicles.

Major capital asset transactions during the year include the following additions:

- Construction in process on new public services facility

**Town of Caswell Beach Capital Assets**  
**Figure 4**  
**Town of Caswell Beach Capital Assets**  
**(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land, including Easements	\$ 3,563,803	\$ 3,563,803	\$ -	\$ 33,029	\$ 3,563,803	\$ 3,596,832
Construction in Progress	817,517	190,533	-	-	817,517	190,533
Buildings and Systems	815,415	837,944	-	-	815,415	837,944
Plant and Distribution Systems	-	-	-	5,857,001	-	5,857,001
Infrastructure and Other Improvements	280,850	292,051	-	-	280,850	292,051
Equipment	37,317	45,950	-	-	37,317	45,950
Vehicles and motorized equipment	68,601	89,078	-	-	68,601	89,078
<b>Total</b>	<b>\$ 5,583,503</b>	<b>\$ 5,019,359</b>	<b>\$ -</b>	<b>\$ 5,890,030</b>	<b>\$ 5,583,503</b>	<b>\$ 10,909,389</b>

The capital assets previously reported for the Business-type activities have now been transferred to Brunswick County.

Additional information on the Town’s capital assets can be found in note III.A.4. of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2016, the Town of Caswell Beach had debt of \$712,000, which is an installment purchase agreement.

**Economic Factors and Next Year’s Budgets and Rates**

The primary factors impacting the FY 2016-2017 budget are as follows:

- Ad Valorem revenue will increase slightly. We expect taxes and collections to remain at a high collection rate.
- The construction of a new public services facility continues and will have some impact on the FY 2016-2017 budget.

**Budget Highlights for the Fiscal Year Ending June 30, 2017**

**Tax Rate.** The town tax rate will remain at \$.22 per \$100 of valuation.

**Economic Outlook.** The general outlook for the local economy is good. The tourism activity continues to increase as reflected by the increase in accommodations tax collections.

**Fund Balance.** General Fund – Fund balance remains strong.

Revenue projections are responsibly conservative and strict budgetary control can limit spending below budgeted levels.

**Requests for Information**

This report is designed to provide an overview of the Town’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Caswell Beach, 1100 Caswell Beach Road, Caswell Beach, NC 28465. You can also call (910)-278-5471, visit our website [www.caswellbeach.org](http://www.caswellbeach.org) or send an email to [chicks@caswellbeach.org](mailto:chicks@caswellbeach.org) for more information.

## **Basic Financial Statements**

**Town of Caswell Beach, North Carolina**  
**Statement of Net Position**  
**June 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 2,925,244	\$ -	\$ 2,925,244
Restricted Cash and Cash Equivalents	36,409	-	36,409
Taxes Receivable (Net)	6,335	-	6,335
Accrued Interest Receivable on Taxes	240	-	240
Accounts Receivable	24,994	-	24,994
Due From County	54,171	-	54,171
Due From Other Governments	59,120	-	59,120
Prepaid Items	2,885	-	2,885
<b>Total Current Assets</b>	<b>3,109,398</b>	<b>-</b>	<b>3,109,398</b>
<b>Capital Assets:</b>			
Land, Non-Depreciable Improvements, and Construction in Progress	4,381,320	-	4,381,320
Other Capital Assets, Net of Depreciation	1,202,183	-	1,202,183
<b>Total Capital Assets</b>	<b>5,583,503</b>	<b>-</b>	<b>5,583,503</b>
<b>Total Assets</b>	<b>8,692,901</b>	<b>-</b>	<b>8,692,901</b>
<b>Deferred Outflows of Resources</b>			
Contributions to Pension Plan in Current Fiscal Year	35,569	-	35,569
Charge on Refunding	-	-	-
<b>Total Deferred Outflows of Resources</b>	<b>35,569</b>	<b>-</b>	<b>35,569</b>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable and Accrued Liabilities	48,867	-	48,867
Clean-up Bonds	9,500	-	9,500
Current Portion of Long-Term Liabilities	75,531	-	75,531
<b>Total Current Liabilities</b>	<b>133,898</b>	<b>-</b>	<b>133,898</b>
<b>Long-Term Liabilities:</b>			
Due in More Than One Year	676,989	-	676,989
Net Pension Liability	36,532	-	36,532
<b>Total Liabilities</b>	<b>847,419</b>	<b>-</b>	<b>847,419</b>
<b>Deferred Inflows of Resources</b>			
Prepaid Taxes	-	-	-
Pension Deferrals	19,726	-	19,726
<b>Total Deferred Inflows of Resources</b>	<b>19,726</b>	<b>-</b>	<b>19,726</b>
<b>Net Position</b>			
Net Investment in Capital Assets	4,871,503	-	4,871,503
Restricted For:			
Stabilization by State Statute	87,727	-	87,727
Other Functions	36,409	-	36,409
Unrestricted	2,865,686	-	2,865,686
<b>Total Net Position</b>	<b>\$ 7,861,325</b>	<b>\$ -</b>	<b>\$ 7,861,325</b>



**Town of Caswell Beach, North Carolina**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2016**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary government:</b>							
Governmental Activities:							
General Government	\$ 545,167	\$ -	\$ 810	\$ -	\$ (544,357)	\$ -	\$ (544,357)
Cultural and Recreation	18,802	-	-	-	(18,802)	-	(18,802)
Public Safety	444,484	40,355	-	-	(404,129)	-	(404,129)
Economical and Physical Development	4,643	-	-	-	(4,643)	-	(4,643)
Environmental Protection	121,367	-	-	-	(121,367)	-	(121,367)
Transportation	8,146	-	8,812	-	666	-	666
Interest Expense	-	-	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>1,142,609</b>	<b>40,355</b>	<b>9,622</b>	<b>-</b>	<b>(1,092,632)</b>	<b>-</b>	<b>(1,092,632)</b>
Business-Type Activities:							
Water and Sewer Services	291,686	250,412	-	-	-	(41,274)	(41,274)
<b>Total Business-Type Activities</b>	<b>291,686</b>	<b>250,412</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(41,274)</b>	<b>(41,274)</b>
<b>Total Primary Government</b>	<b>\$ 1,434,295</b>	<b>\$ 290,767</b>	<b>\$ 9,622</b>	<b>\$ -</b>	<b>(1,092,632)</b>	<b>(41,274)</b>	<b>(1,133,906)</b>
General Revenues:							
Taxes:							
Property Taxes, Levied For General Purpose					607,076	-	607,076
Other Taxes					461,347	-	461,347
Unrestricted Investment Earnings					4,768	698	5,466
Miscellaneous					6,331	-	6,331
Donated Assets					-	-	-
Transfers					436,156	(436,156)	-
Special Item: Loss on transfer of Water Sewer System to Brunswick County					-	(4,973,159)	(4,973,159)
<b>Total General Revenues and Transfers</b>					<b>1,515,678</b>	<b>(5,408,617)</b>	<b>(3,892,939)</b>
<b>Change in Net Position</b>					<b>423,046</b>	<b>(5,449,891)</b>	<b>(5,026,845)</b>
Net Position, Beginning Previously Reported					7,447,322	5,440,848	12,888,170
Restatement					(9,043)	9,043	-
Net Position, Beginning Restated					7,438,279	5,449,891	12,888,170
<b>Net Position, Ending</b>					<b>\$ 7,861,325</b>	<b>\$ -</b>	<b>\$ 7,861,325</b>

**Town of Caswell Beach, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General Fund	Beach Renourishment Fund	Accommodations Tax Fund		
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,151,195	\$ 1,618,822	\$ 143,713	\$ 11,514	\$ 2,925,244
Restricted Cash	-	-	-	36,409	36,409
Receivables, Net:					
Taxes	6,335	-	-	-	6,335
Accounts	24,994	-	-	-	24,994
Due From County	3,613	16,853	33,705	-	54,171
Due From Other Governments	59,120	-	-	-	59,120
Due From Other Funds	-	-	-	-	-
Prepaid Expenses	2,885	-	-	-	2,885
Total Assets	<u>1,248,142</u>	<u>1,635,675</u>	<u>177,418</u>	<u>47,923</u>	<u>3,109,158</u>
<b>LIABILITIES</b>					
Accounts Payable and Accrued Liabilities	40,217	-	8,650	-	48,867
Clean-up Bonds	9,500	-	-	-	9,500
Due To Other Funds	-	-	-	-	-
Total Liabilities	<u>49,717</u>	<u>-</u>	<u>8,650</u>	<u>-</u>	<u>58,367</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property Taxes Receivable	6,335	-	-	-	6,335
Total Deferred Inflows of Resources	<u>6,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,335</u>
<b>FUND BALANCES</b>					
Non Spendable					
Prepays	2,885	-	-	-	2,885
Restricted					
Stabilization by State Statute	87,727	-	-	-	87,727
Streets	-	-	-	36,409	36,409
Committed					
Community Projects and Future Capital Projects	-	-	-	11,514	11,514
Assigned					
Beach Renourishment	-	1,635,675	-	-	1,635,675
Tourism	-	-	168,768	-	168,768
Subsequent Year's Expenditures	226,045	-	-	-	226,045
Unassigned	875,433	-	-	-	875,433
Total Fund Balances	<u>1,192,090</u>	<u>1,635,675</u>	<u>168,768</u>	<u>47,923</u>	<u>3,044,456</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,248,142</u>	<u>\$ 1,635,675</u>	<u>\$ 177,418</u>	<u>\$ 47,923</u>	<u>\$ 3,109,158</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	3,044,456
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,583,503
Net pension asset (liability)	(36,532)
Deferred outflows of resources related to pensions are not reported in the funds	35,569
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	240
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	6,335
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(752,520)
Pension related deferrals	(19,726)
Net position of governmental activities	<u>\$ 7,861,325</u>

**Town of Caswell Beach, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2016**

	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General Fund	Beach Renourishment Fund	Accommodations Tax Fund		
<b>REVENUES</b>					
Ad Valorem Taxes	\$ 606,170	\$ -	\$ -	\$ -	\$ 606,170
Other Taxes and Licenses	-	92,992	185,964	-	278,956
Unrestricted Intergovernmental	182,116	-	-	-	182,116
Restricted Intergovernmental	1,085	-	-	8,812	9,897
Permits and Fees	40,355	-	-	-	40,355
Investment Earnings	2,689	1,807	6	266	4,768
Other Revenue	6,331	-	-	-	6,331
Total Revenues	838,746	94,799	185,970	9,078	1,128,593
<b>EXPENDITURES</b>					
Current:					
General Government	1,144,132	-	-	-	1,144,132
Public Safety	433,653	-	-	-	433,653
Environmental Protection	70,679	770	45,784	-	117,233
Economic and Physical Development	3,923	-	-	-	3,923
Cultural and Recreational	17,912	-	-	-	17,912
Transportation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Total Expenditures	1,670,299	770	45,784	-	1,716,853
Excess (Deficiency) of Revenues Over Expenditures	(831,553)	94,029	140,186	9,078	(588,260)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers From Other Funds	714,873	-	(160,000)	(118,717)	436,156
Transfers To Other Funds	(10,000)	-	-	10,000	-
Loan Proceeds	712,000	-	-	-	712,000
Total Other Financing Sources (Uses)	1,416,873	-	(160,000)	(108,717)	436,156
Net Change in Fund Balance	585,320	94,029	(19,814)	(99,639)	559,896
Fund balances, beginning	606,770	1,541,646	188,582	147,562	2,484,560
Prior period adjustments	-	-	-	-	-
Fund balances, beginning as restated	606,770	1,541,646	188,582	147,562	2,484,560
Fund balances, ending	\$ 1,192,090	\$ 1,635,675	\$ 168,768	\$ 47,923	\$ 3,044,456

**Town of Caswell Beach, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2016**

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

Net changes in fund balances - total governmental funds	\$	559,896
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period

Capital Outlay expenditures which were capitalized	626,984	
Depreciation expense for governmental assets	(62,840)	
Disposal of assets (Net)	-	564,144

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		32,171
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		906
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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, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(712,000)	
Principal payments on long-term debt	-	(712,000)

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		-
Pension expense		(20,376)
Compensated absences & related liabilities		(1,695)

Total changes in net position of governmental activities	\$	423,046
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**Town of Caswell Beach, North Carolina**  
**General and Major Special Revenue Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

	General Fund				Special Revenue-Beach Renourishment Fund				Special Revenue-Accommodations Tax Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>												
Ad Valorem Taxes	\$ 591,060	\$ 591,060	\$ 606,170	\$ 15,110	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes and Licenses	-	-	-	-	95,000	95,000	92,992	(2,008)	185,000	185,000	185,964	964
Unrestricted Intergovernmental	174,900	196,900	182,116	(14,784)	-	-	-	-	-	-	-	-
Restricted Intergovernmental	2,700	2,700	1,085	(1,615)	-	-	-	-	-	-	-	-
Permits and Fees	35,000	35,000	40,355	5,355	-	-	-	-	-	-	-	-
Investment Earnings	6,000	6,000	2,689	(3,311)	800	800	1,807	1,007	-	-	6	6
Other Revenue	8,114	8,114	6,331	(1,783)	-	-	-	-	-	-	-	-
Sales & Service	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<u>817,774</u>	<u>839,774</u>	<u>838,746</u>	<u>(1,028)</u>	<u>95,800</u>	<u>95,800</u>	<u>94,799</u>	<u>(1,001)</u>	<u>185,000</u>	<u>185,000</u>	<u>185,970</u>	<u>970</u>
<b>Expenditures:</b>												
<b>Current:</b>												
General Government	655,080	1,384,324	1,144,132	240,192	-	-	-	-	45,000	45,000	45,784	(784)
Public Safety	393,065	461,059	433,653	27,406	-	-	-	-	-	-	-	-
Environmental Protection	43,109	73,109	70,679	2,430	-	-	-	-	-	-	-	-
Economic and Physical Development	3,710	4,210	3,923	287	-	-	-	-	-	-	-	-
Cultural and Recreational	7,310	18,810	17,912	898	15,000	15,000	770	14,230	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-
<b>Debt Service:</b>												
Principal Retirement	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>1,102,274</u>	<u>1,941,512</u>	<u>1,670,299</u>	<u>271,213</u>	<u>15,000</u>	<u>15,000</u>	<u>770</u>	<u>14,230</u>	<u>45,000</u>	<u>45,000</u>	<u>45,784</u>	<u>(784)</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(284,500)</u>	<u>(1,101,738)</u>	<u>(831,553)</u>	<u>270,185</u>	<u>80,800</u>	<u>80,800</u>	<u>94,029</u>	<u>13,229</u>	<u>140,000</u>	<u>140,000</u>	<u>140,186</u>	<u>186</u>
<b>Other Financing Sources (Uses):</b>												
Transfers In	284,500	314,745	714,873	400,128	-	-	-	-	-	-	-	-
Transfers Out	-	(10,007)	(10,000)	7	-	-	-	-	(140,000)	(160,000)	(160,000)	-
Loan Proceeds	-	712,000	712,000	-	-	-	-	-	-	-	-	-
Fund Balance Appropriated	-	85,000	-	(85,000)	(80,800)	(80,800)	-	80,800	-	20,000	-	(20,000)
<b>Total Other Financing Sources (Uses)</b>	<u>284,500</u>	<u>1,101,738</u>	<u>1,416,873</u>	<u>315,135</u>	<u>(80,800)</u>	<u>(80,800)</u>	<u>-</u>	<u>80,800</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>(160,000)</u>	<u>(20,000)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 585,320</u>	<u>\$ 585,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,029</u>	<u>\$ 94,029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (19,814)</u>	<u>\$ (19,814)</u>
<b>Fund balances, beginning as restated</b>			<u>606,770</u>				<u>1,541,646</u>				<u>188,582</u>	
<b>Fund balances, ending</b>			<u>\$ 1,192,090</u>				<u>\$ 1,635,675</u>				<u>\$ 168,768</u>	

**Town of Caswell Beach, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2016**

		Major Enterprise Fund <u>Water and Sewer Fund</u>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$	-
Restricted Cash and Cash Equivalents		-
Accounts Receivable (Net) - Billed		-
Accounts Receivable - Other		-
Total		<u>-</u>
Noncurrent Assets:		
Net Pension Asset		-
Capital Assets:		
Land, Non-Depreciable Improvements, Construction in Progress		-
Other Capital Assets, Net of Depreciation		-
Capital Assets (Net)		<u>-</u>
Total Noncurrent Assets		<u>-</u>
Total Assets		<u><u>-</u></u>
<b>Deferred Outflows of Resources</b>		
Contributions to Pension Plan		-
Charge on Refunding		-
Total Deferred Outflows of Resources		<u>-</u>
<b>Liabilities</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities		-
Customer Deposits		-
Revolving Loan Payable		-
Accounts Payable from Restricted Assets		-
Compensated Absences - Current		-
Total Current Liabilities		<u>-</u>
Noncurrent Liabilities:		
Net Pension Liability		-
Compensated Absences - Noncurrent		-
Revolving Loan Payable - Noncurrent		-
Total Noncurrent Liabilities		<u>-</u>
Total Liabilities		<u>-</u>
<b>Deferred Inflows of Resources</b>		
Pension Deferrals		-
<b>Net Position</b>		
Net investment in capital assets		-
Unrestricted		-
Total Net Position of Business - Type Activities	\$	<u><u>-</u></u>

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

**Town of Caswell Beach, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2016**

	Major Enterprise Fund
	Water and Sewer Fund
<b>Operating Revenues</b>	
Water and Sewer Charges	\$ 247,116
Water and Sewer Taps	2,480
Penalties, Permits, and Reconnect	816
Total Operating Revenues	250,412
<b>Operating Expenses</b>	
Administration	59,491
Water and Sewer Operations	110,630
Depreciation	33,294
Total Operating Expense	203,415
<b>Operating Income (Loss)</b>	46,997
<b>Nonoperating Revenues (Expenses)</b>	
Interest on Investments	698
Capital Charge - Oak Island	(88,271)
Total Nonoperating Revenues (Expenses)	(87,573)
Income (Loss) Before Transfers and Contributions	(40,576)
Transfers In (Out)	(436,156)
Special Item:	
Transfer of Water and Sewer System to Brunswick County	(4,973,159)
<b>Change in Net Position</b>	(5,449,891)
<b>Total net position, previously reported</b>	5,440,848
<b>Restatement</b>	9,043
<b>Total net position, restated</b>	5,449,891
<b>Total net position, ending</b>	\$ -

**Town of Caswell Beach, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2016**

	Major Enterprise Fund <u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash Received From Customers	\$ 339,293
Cash Paid for Goods and Services	(188,091)
Cash Paid to Employees for Services	(40,437)
Customer Deposits Received (Returned)	<u>-</u>
Net Cash Provided by Operating Activities	<u>110,765</u>
Cash Flows From Noncapital Financing Activities:	
Increase in Advances From Other Funds	-
Disbursement to Brunswick County - Transfer of Water and Sewer Services	(316,423)
Transfers From (to) Other Funds	<u>(436,156)</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(752,579)</u>
Cash Flows From Capital Related Financing Activities:	
Principal paid on Revolving Loan	-
Capital Charge - Oak Island	(88,271)
Miscellaneous	<u>-</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(88,271)</u>
Cash Flows From Investing Activities:	
Interest on Investments and Assessments	<u>698</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(729,387)
Cash and Cash Equivalents:	
Balances, beginning	<u>729,387</u>
Balances, ending	<u>\$ -</u>



**Town of Caswell Beach, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2016**

		Major Enterprise Fund
		<u>Water and Sewer Fund</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income(Loss)	\$	<u>46,997</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		33,294
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable		88,881
(Increase) Decrease in Net Pension Asset		-
(Increase) Decrease in Deferred Outflows for Pensions		-
Increase (Decrease) in Accounts Payable & Accrued Liabilities		(55,207)
Increase (Decrease) in Compensated Absences		(3,200)
Increase (Decrease) in Deposits		-
Increase (Decrease) in Net Pension Liability		-
Increase (Decrease) in Deferred Inflows for Pensions		-
Total Adjustments		<u>63,768</u>
Net Cash Provided by Operating Activities	\$	<u><u>110,765</u></u>

## **Notes to Financial Statements**

**Town of Caswell Beach, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The Town of Caswell Beach is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town. The Town does not have any component units that should be presented.

**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 and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as

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

The Town reports the following major governmental funds:

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

**Accommodations Tax Fund.** This fund is used to account for occupancy taxes collected which are used to promote tourism.

**Beach Renourishment Fund** This fund is used to provide beach renourishment.

The Town reports the following non-major governmental funds:

**Neighbors Fund.** This fund is used to account for various community projects.

**Capital Reserve Fund.** This fund is used to accumulate resources for future capital projects and purchases.

The Town reports the following major enterprise fund:

**Water and Sewer Fund.** This fund was used to account for the Town's water and sewer operations. Operations ceased October 1, 2015.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue 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 the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Beach Renourishment Special Revenue Fund, the Accommodations Tax Special Revenue Fund, all other non-major Special Revenue Funds, and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Budget Officer may transfer amounts between objects of expenditures within a department without limitation. This transfer shall be recorded as a budget adjustment. The Budget Officer may transfer amounts up to \$10,000 between departments within the same fund. This transfer shall be recorded as a budget adjustment and shall be reported to the board of commissioners at the next regularly scheduled meeting following such a budget adjustment. The Budget Officer may also amend the line items within any department budget by adding new line item amounts so long as the department total does not increase or decrease. The Budget Officer may not transfer any amounts between funds, except as approved by the Board by a budget ordinance amendment. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and 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 Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT - Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Caswell Beach Restricted Cash

Governmental Activities  
General Fund

Streets	<u>\$ 36,409</u>
Total governmental activities	<u>36,409</u>
Total Restricted Cash	<u><u>\$ 36,409</u></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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The Town currently has no funds with inventory.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. In July 2003, the Town formally accepted a capitalization policy that defines capital assets as assets with an individual cost of \$5,000 or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 Years
Other Improvements	25 Years
Equipment	10 Years
Furniture and Fixtures	10 Years
Computer Equipment	3 Years
Vehicles	6 Years
Miscellaneous	3 Years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, contributions made to the pension plan in the 2016 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 a revenue until then. The Town has two items that meets the criterion for this category - property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. 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.

## 10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. The Town also provides that administrative employees earn vacation leave at the rate of one day per month during the first four years of employment. For years five through nine of employment, employees earn one and one quarter days per month. For years ten through fourteen of employment, employees earn one and a half days per month. After fifteen years of employment, employees earn vacation leave at the rate of twenty days per year. Existing police employees earn vacation leave at a per shift rate, or twelve hours per month. New hires earn vacation leave on a prorated basis, that is, vacation is based on their shift / work week. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

## 11. 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 represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

### Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

**Assigned Fund Balance** - portion of fund balance that Town of Caswell Beach intends to use for specific purposes.

**Assigned for Beach Renourishment and Dunes Protection**- portion of fund balance available for appropriation but legally segregated for expenditures that are for beach renourishment and protection.

**Assigned for Tourism** - portion of fund balance available for appropriation but legally segregated for expenditures that are for tourism purposes.

**Assigned for 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.

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

## 12. 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 Government Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Caswell Beach's employer contributions are recognized when due and the Town of Caswell Beach has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

## **II. Stewardship, Compliance, and Accountability**

### A. Excess of Expenditures over Appropriations

None to report.

## **III. 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. 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, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the Town's deposits had a carrying amount of \$2,752,373 and a bank balance of \$2,786,154. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2016, the Town's petty cash fund totaled \$300.

#### 2. Investments

At June 30, 2016, the Town of Caswell Beach had \$209,290 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.



3. Receivables

Accounts Receivable

The amounts presented in the Statement of Net Position are shown below:

	Governmental Activities	Business-Type Activities
Charges for Services Receivable	\$ -	\$ -
Miscellaneous Accounts Receivable	24,994	-
Total Accounts Receivable	<u>\$ 24,994</u>	<u>\$ -</u>

Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2016 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes Receivable	<u>\$ 370</u>

4. Capital Assets

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 3,563,803	\$ -	\$ -	\$ 3,563,803
Construction in Progress	190,533	626,984	-	817,517
Total capital assets not being depreciated	<u>3,754,336</u>	<u>626,984</u>	<u>-</u>	<u>4,381,320</u>
<b>Capital assets being depreciated:</b>				
Buildings	1,126,419	-	-	1,126,419
Other Improvements	294,981	-	-	294,981
Infrastructure	121,400	-	-	121,400
Equipment	132,556	-	-	132,556
Vehicles and motorized equipment	161,351	-	-	161,351
Total capital assets being depreciated	<u>1,836,707</u>	<u>-</u>	<u>-</u>	<u>1,836,707</u>
<b>Less accumulated depreciation for:</b>				
Buildings	288,475	22,529	-	311,004
Other Improvements	32,066	6,345	-	38,411
Infrastructure	92,264	4,856	-	97,120
Equipment	86,606	8,633	-	95,239
Vehicles and motorized equipment	72,273	20,477	-	92,750
Total accumulated depreciation	<u>571,684</u>	<u>\$ 62,840</u>	<u>\$ -</u>	<u>634,524</u>
Total capital assets being depreciated, net	<u>1,265,023</u>			<u>1,202,183</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 5,019,359</u>			<u>\$ 5,583,503</u>

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

General Government	\$ 33,600
Public Safety	15,350
Transportation	8,146
Environmental Protection/Stormwater	4,134
Parks and Recreation	890
Economic and Physical Development	720
Total Depreciation Expense	<u>\$ 62,840</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
Water Fund				
Capital assets not being depreciated:				
Construction in Process	\$ -	\$ -	\$ -	\$ -
Easements	33,029	-	33,029	-
Total capital assets not being depreciated	<u>33,029</u>	<u>-</u>	<u>33,029</u>	<u>-</u>
Capital assets being depreciated:				
Plant and distribution systems	6,590,893	-	6,590,893	-
Total capital assets being depreciated	<u>6,590,893</u>	<u>-</u>	<u>6,590,893</u>	<u>-</u>
Less accumulated depreciation for:				
Plant and distribution systems	733,892	33,294	767,186	-
Total accumulated depreciation	<u>733,892</u>	<u>\$ 33,294</u>	<u>\$ 767,186</u>	<u>-</u>
Total capital assets being depreciated, net	<u>5,857,001</u>			<u>-</u>
Water fund capital assets, net	<u>5,890,030</u>			<u>-</u>
Business-type activities capital assets, net	<u>\$ 5,890,030</u>			<u>\$ -</u>

**Construction Commitments**

The government has active construction projects as of June 30, 2016. However, there are no outstanding commitments as of June 30, 2016.

## B. Liabilities

### 1. Pension Plan and Postemployment Obligations

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

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

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Caswell Beach employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Caswell Beach's contractually required contribution rate for the year ended June 30, 2016 was 7.15% of compensation for law enforcement officers and 6.67% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by the employees during the year. Contributions to the pension plan from the Town of Caswell Beach were \$32,171 for the year ended June 30, 2016.

*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 benefits provided by LGERS.

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

At June 30, 2016, The Town reported a liability of \$36,532 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net position 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, 2015, the Town's proportion was 0.0081%, which was an increase of 0.0002% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$20,376. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 8,587
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	10,401
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,398	738
Town contributions subsequent to the measurement date	32,171	-
	<u>\$ 35,569</u>	<u>\$ 19,726</u>

\$32,171 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$ (11,476)
2018	(11,476)
2019	(11,460)
2020	18,084
2021	-
Thereafter	-

*Actuarial Assumptions:* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	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

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 health mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. 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 the 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:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 254,743	\$ 36,532	\$ (147,306)

*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.

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

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

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>4</u>
Total	<u><u>5</u></u>

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies:*

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits 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.* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. *Contributions.*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The Town has not obtained an actuarial valuation for the plan since 1997 because its required contributions are considered immaterial.

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, 2016 were \$12,763 which consisted of \$10,485 from the Town and \$2,279 from the law enforcement officers.

d. Supplemental Retirement Income Plan for Employees not Engaged in Law Enforcement

*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 Town employees not engaged in law enforcement. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

*Funding Policy* – The Town has adopted a policy that states that it is to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$13,405, which consisted of \$13,030 from the Town and \$375 from the employees.

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

### 3. Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 32,171
Total	<u>\$ 32,171</u>

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

	<u>Amount</u>
Taxes Receivable, less penalties (General Fund)	\$ 6,335
Pension deferrals	19,726
Total	<u>\$ 26,061</u>

### 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 a self-funded risk-financing pool administered by the North Carolina League of Municipalities. Through this pool, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of reinsurance and excess policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are annually audited by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town is considered to be in a "X" flood plain and carries commercial flood insurance through The Hartford for a total coverage of \$398,800. This includes both structure and contents coverage.

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 and \$10,000 respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

### 5. Claims, Judgments and Contingent Liabilities

As of the date of the audit report, there were no complaints or lawsuits against the Town.

The Town entered into an agreement with Brunswick County whereby the County would assume the water and sewer operations of the Town. The assets and debt of the water and sewer fund were assumed by Brunswick County. Although the County assumed the debt, it will remain in the name of the Town of Caswell Beach. Per the agreement, the County will make all required debt payments. As of June 30, 2016, the remaining balance of the loan was \$1,125,000.



6. Long-Term Obligations

a. Installment Purchase

In October 2015, the Town entered into a financing contract with Brunswick Electric Membership Corporation for \$712,000 to finance the Town feasibility project. The contract requires principal payments beginning October 23, 2016 of \$6,593 per month with no required interest payments.

	\$ 712,000
Total installment purchase proceeds	\$ 712,000

Annual debt service payments of the installment purchase as of June 30, 2016 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2017	\$ 59,337	\$ -
2018	79,116	-
2019	79,116	-
2020	79,116	-
2021	79,116	-
2022-2026	336,199	-
	\$ 712,000	\$ -

b. General Obligation Indebtedness

There were no general obligation bonds financed by the governmental funds at June 30, 2016.

At June 30, 2016, the Town of Caswell Beach had no bonds authorized or unissued and had a legal debt margin of \$21,346,436.

c. Changes in Long-Term Liabilities

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

	Balance			Balance	Current
	July 1, 2015	Increases	Decreases	June 30, 2016	Portion of Balance
Governmental activities:					
Installment purchase proceeds	\$ -	\$ 712,000	\$ -	\$ 712,000	\$ 59,337
Compensated absences	23,206	1,480	-	24,686	6,172
Accrued payroll expenses on compensated absences	3,342	215	-	3,557	889
Net pension obligation (LGERS)	-	36,532	-	36,532	9,133
Net pension obligation	12,277	-	-	12,277	-
Governmental activity long-term liabilities	\$ 38,825	\$ 750,227	\$ -	\$ 789,052	\$ 75,531

	Balance			Balance	Current
	July 1, 2015	Increases	Decreases	June 30, 2016	Portion of Balance
Business-type Activities:					
Water and Sewer Fund					
Compensated absences	\$ 2,799	\$ -	\$ 2,799	\$ -	\$ -
Accrued payroll expenses on compensated absences	401	-	401	-	-
Net pension liability (LGERS)	-	-	-	-	-
Revolving Loan **	1,200,000	-	1,200,000	-	-
Business-type activities long-term liabilities	\$ 1,203,200	\$ -	\$ 1,203,200	\$ -	\$ -

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at end of the fiscal year.

\*\*This loan was assumed by Brunswick County (see continent liability note above).

C. Interfund Balances and Activity

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2016, consist of the following:

From the General Fund to the Capital Reserve Fund to reserve funds for future expenditures.	\$ 10,000
From the Accomodations Fund to the General Fund to transfer reserved funds for intended purpose.	160,000
From the Capital Reserve Fund to the General Fund to transfer funds to cover expenditures.	118,717
From the Water Sewer Fund to the General Fund to transfer remaining cash per the agreement with Brunswick County.	<u>436,156</u>
Total Transfers	<u>\$ 724,873</u>

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-Type</u>
Capital Assets	\$ 5,583,503	\$ -
Less: Long-Term Debt	712,000	-
Add: Unexpended Debt Proceeds	-	-
Net Investment in Capital Assets	<u>\$ 4,871,503</u>	<u>\$ -</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:

Total Fund	<u>\$ 1,192,090</u>
Less:	
Non Spendable	\$ 2,885
Stabilization	87,727
Streets - Powell Bill	-
Appropriated Fund Balance in 2017 Budget	226,045
Working Capital / Fund Balance Policy	-
Remaining	875,433

#### **IV. Jointly Governed Organization**

The Town, in conjunction with twenty or more other local governments, participates in the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing boards. The Town paid membership fees of \$374 to the Council during the fiscal year ended June 30, 2016.

The Town, in conjunction Brunswick County and six other municipalities established the Brunswick Beaches Preservation Consortium (Consortium). The participating governments established the Consortium to plan and implement programs and projects directed toward preservation and maintenance of the ocean beaches. Each participating government appoints one representative to the policy board. The Town paid \$12,000 to the Consortium during the fiscal year ended June 30, 2016.

The Town has entered into an agreement with the Town of Oak Island regarding the treatment and disposal of effluent produced and collected by the Town of Caswell Beach. The Town's six inch wastewater transmission force main will connect to the Oak Island Wastewater system transmission line, where the Town's effluent shall be transferred from the Caswell Beach system to the Oak Island system for treatment and disposal. As a result, the Town has agreed to a monthly cost that has two components: a base rate and a wholesale usage rate per one thousand gallons. The base rate (capital charge) will be determined using a capacity ratio, which is the proportionate percentage of the costs of common facilities (capital or debt service). The capacity ratio is determined by the current capacity need for Caswell Beach as the numerator and the current Oak Island capacity as the denominator. This amount could vary from year to year. The wholesale usage rate shall be determined using a numerator, which is total operations and maintenance costs, divided by a denominator, which is the sum of Caswell Beach's estimated annual flow and Oak Island's estimated annual flow. The product of that computation is then multiplied by 1,000 to provide the wholesale usage rate expressed per 1,000 gallons. The rate is then applied on a monthly basis to the actual metered wastewater of Caswell Beach. For the year ended June 30, 2016, the Town of Caswell Beach paid the Town of Oak Island a base rate (capital charge) in the amount of \$88,271.

#### **V. 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.

#### **VI. Special Item - Agreement between the Town and Brunswick County**

On August 24, 2015, the Brunswick County Board of Commissioners approved the Water and Sewer Service Agreement with the Town of Caswell Beach. This agreement transferred the Town's water and sewer systems, any easements, and any retained earnings over to Brunswick County. In exchange, Brunswick County agreed to assume responsibility for the outstanding loan due on the water and sewer system. This transfer became effective October 1, 2015.

As a result of this agreement, the Town is showing a loss on the transfer of the system in the amount of \$4,973,159.

#### **VII. Significant Effects of Subsequent Events**

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through January 11, 2017, the date the financial statements were available to be issued.

### **VIII. 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 of Brunswick County assuming the Water and Sewer operations of the Town, the Town will no longer report salaries in a water operations fund. The amount recorded last year is shown as a restatement between the Water Fund and the Government-wide financial statements. As a result, net position for the governmental activities decreased by \$9,043 and the business-type activities increased by \$9,043.

## **Required Supplementary Financial Data**

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

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- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

**Town of Caswell Beach, 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)
12/31/1997	-	12,277	12,277	-	99,890	-
12/31/1998	-	N/A	N/A	N/A	N/A	N/A
12/31/1999	-	N/A	N/A	N/A	N/A	N/A
12/31/2000	-	N/A	N/A	N/A	N/A	N/A
12/31/2001	-	N/A	N/A	N/A	N/A	N/A
12/31/2002	-	N/A	N/A	N/A	N/A	N/A
12/31/2003	-	N/A	N/A	N/A	N/A	N/A
12/31/2004	-	N/A	N/A	N/A	N/A	N/A
12/31/2005	-	N/A	N/A	N/A	N/A	N/A
12/31/2006	-	N/A	N/A	N/A	N/A	N/A
12/31/2007	-	N/A	N/A	N/A	N/A	N/A
12/31/2008	-	N/A	N/A	N/A	N/A	N/A
12/31/2009	-	N/A	N/A	N/A	N/A	N/A
12/31/2010	-	N/A	N/A	N/A	N/A	N/A
12/31/2011	-	N/A	N/A	N/A	N/A	N/A
12/31/2012	-	N/A	N/A	N/A	N/A	N/A
12/31/2013	-	N/A	N/A	N/A	N/A	N/A
12/31/2014	-	N/A	N/A	N/A	N/A	N/A
12/31/2015	-	N/A	N/A	N/A	N/A	N/A

Analysis of the dollar amounts of net assets available for benefits, pension obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provided one indication of funding status in a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employees' Retirement System, (PERS). Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension obligation as a percentage of the annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulated sufficient assets to pay benefits due. Generally, the smaller this percentage, the stronger the PERS.

The Town has not elected to fund the Law Enforcement Officers' Special Separation Allowance in each of the last two years.

**Town of Caswell Beach, North Carolina**  
**Town of Caswell Beach's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Three Fiscal Years\***

**Local Government Employees' Retirement System**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Caswell Beach's proportion of the net pension liability (asset) (%)	0.00814%	0.00794%	0.00840%
Caswell Beach's proportion of the net pension liability (asset) (\$)	\$ 36,532	\$ (46,825)	\$ 101,252
Caswell Beach's covered-employee payroll	\$ 496,545	\$ 498,654	\$ 476,065
Caswell Beach's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.36%	-9.39%	21.27%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

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

**Town of Caswell Beach, North Carolina**  
**Town of Caswell Beach's Contributions**  
**Required Supplementary Information**  
**Last Three Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 32,171	\$ 35,801	\$ 35,657
Contributions in relation to the contractually required contribution	32,171	35,801	35,657
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Caswell Beach's covered-employee payroll	\$ 467,319	\$ 496,545	\$ 498,654
Contributions as a percentage of covered-employee payroll	6.88%	7.21%	7.15%



## **Individual Fund Statements and Schedules**

**Town of Caswell Beach**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

	2016		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues</b>			
Ad Valorem Taxes			
Current Year	\$ 590,210	\$ 605,567	\$ 15,357
Prior Year	350	257	(93)
Penalties and Interest	500	346	(154)
Total	<u>591,060</u>	<u>606,170</u>	<u>15,110</u>
Unrestricted Intergovernmental			
Local Option Sales Tax	125,000	106,957	(18,043)
Utilities Sales Tax	69,000	71,053	2,053
Beer and Wine Tax	1,200	1,870	670
Cable TV Franchise Tax	1,700	2,236	536
Total	<u>196,900</u>	<u>182,116</u>	<u>(14,784)</u>
Restricted Intergovernmental			
Solid Waste Disposal Tax	500	275	(225)
Mosquito Grant	2,200	810	(1,390)
Total	<u>2,700</u>	<u>1,085</u>	<u>(1,615)</u>
Licenses and Permits			
Building Permits and Inspection Fees	35,000	40,355	5,355
Total	<u>35,000</u>	<u>40,355</u>	<u>5,355</u>
Sales & Service			
Total			
Investment Earnings	6,000	2,689	(3,311)
Other Revenues			
Miscellaneous Revenues	8,114	6,331	(1,783)
Total	<u>8,114</u>	<u>6,331</u>	<u>(1,783)</u>
Fund Transfers	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>839,774</u>	<u>838,746</u>	<u>(1,028)</u>

**Town of Caswell Beach  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2016**

	2016		Variance Positive (Negative)
	Budget	Actual	
<b>Expenditures</b>			
General Government			
Governing Board			
Salaries and Employee Benefits	7,833	6,674	1,159
Insurance	106	92	14
Other Operating Expenses	4,305	3,875	430
Total Governing Board	<u>12,244</u>	<u>10,641</u>	<u>1,603</u>
Administration			
Salaries and Employee Benefits	321,161	318,106	3,055
Bank Charges	4,962	2,434	2,528
Dues & Donations	5,108	2,253	2,855
Collection Fees	4,650	4,944	(294)
Insurance	6,603	7,842	(1,239)
Municipal Codification	3,074	1,221	1,853
Office Supplies	6,704	5,698	1,006
Professional Services	28,379	32,005	(3,626)
Other Operating Expenditures	6,355	7,952	(1,597)
Total Administration	<u>386,996</u>	<u>382,455</u>	<u>4,541</u>
Communications			
Salaries and Employee Benefits	-	-	-
Other Operating Expenditures	19,173	18,075	1,098
Capital Outlay	-	-	-
	<u>19,173</u>	<u>18,075</u>	<u>1,098</u>
Travel and Training			
Travel/Training/Schools	7,322	6,940	382
Public Works			
Salaries and Employee Benefits	48,720	53,362	(4,642)
Insurance	3,799	6,509	(2,710)
Other Operating Expenses	33,359	39,166	(5,807)
Capital Outlay	872,711	626,984	245,727
Total Public Works	<u>958,589</u>	<u>726,021</u>	<u>232,568</u>
Total General Government	<u>1,384,324</u>	<u>1,144,132</u>	<u>240,192</u>

**Town of Caswell Beach  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2016**

	2016		Variance Positive (Negative)
	Budget	Actual	
Public Safety			
Police Department			
Salaries and Employee Benefits	340,650	348,897	(8,247)
Insurance	12,259	11,029	1,230
Other Operating Expenditures	77,903	45,587	32,316
Capital Outlay	-	-	-
Total	<u>430,812</u>	<u>405,513</u>	<u>25,299</u>
Inspections			
Salaries and Employee Benefits	23,212	20,737	2,475
Other Operating Expenditures	7,035	7,403	(368)
Total	<u>30,247</u>	<u>28,140</u>	<u>2,107</u>
Total Public Safety	<u>461,059</u>	<u>433,653</u>	<u>27,406</u>
Environmental Protection			
Solid Waste			
Recycling	43,238	49,184	(5,946)
Summer Pickup	6,540	454	6,086
Cardboard Bin	1,500	807	693
Stormwater			
Stormwater	21,831	20,234	1,597
Capital Outlay	-	-	-
Total Environmental Protection	<u>73,109</u>	<u>70,679</u>	<u>2,430</u>
Economic and Physical Development			
Beach Maintenance	4,210	3,923	287
Capital Outlay	-	-	-
Total Economic and Physical Development	<u>4,210</u>	<u>3,923</u>	<u>287</u>
Parks and Recreation			
Park Maintenance	18,810	17,912	898
Capital Outlay	-	-	-
Total Parks and Recreation	<u>18,810</u>	<u>17,912</u>	<u>898</u>
Total Expenditures	<u>1,941,512</u>	<u>1,670,299</u>	<u>271,213</u>

**Town of Caswell Beach  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2016**

	2016		Variance Positive (Negative)
	Budget	Actual	
Revenues Over (Under) Expenditures	(1,101,738)	(831,553)	270,185
Other Financing Sources (Uses):			
Appropriated Fund Balance	85,000	-	(85,000)
Loan Proceeds BEMC	712,000	712,000	-
Transfer to Capital Reserve Fund	(10,007)	(10,000)	7
Transfer from Special Revenue Fund	170,000	160,000	(10,000)
Transfer from Water Sewer Fund	10,245	436,156	
Transfer from Capital Reserve Fund	134,500	118,717	(15,783)
Total Other Financing Sources (Uses)	1,101,738	1,416,873	(110,776)
Net change in fund balance	\$ -	585,320	\$ 159,409
Fund balances, beginning		606,770	
Fund balances, ending		\$ 1,192,090	

**Town of Caswell Beach  
Beach Renourishment Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2016**

	2016		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Accommodations Tax	\$ 95,000	\$ 92,992	\$ (2,008)
Interest Earned	800	1,807	1,007
Total Revenues	<u>95,800</u>	<u>94,799</u>	<u>(1,001)</u>
Expenditures			
Beach Renourishment	15,000	770	14,230
Total Expenditures	<u>15,000</u>	<u>770</u>	<u>14,230</u>
Revenues Over (Under) Expenditures	<u>80,800</u>	<u>94,029</u>	<u>13,229</u>
Other Financing Sources (Uses)			
Appropriated Fund Balance	(80,800)	-	80,800
Transfer From (To) General Fund	-	-	-
Total Other Financing Sources (Uses)	<u>(80,800)</u>	<u>-</u>	<u>80,800</u>
Net change in fund balance	\$ <u>-</u>	94,029	\$ <u>94,029</u>
Fund balance, beginning		<u>1,541,646</u>	
Fund balance, ending		\$ <u><u>1,635,675</u></u>	

**Town of Caswell Beach  
Accommodations Tax Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2016**

	2016		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Accommodations Tax	\$ 185,000	\$ 185,964	\$ 964
Interest Earned	-	6	6
Total Revenues	<u>185,000</u>	<u>185,970</u>	<u>970</u>
Expenditures:			
Brunswick County Accommodations Tax	45,000	45,784	(784)
Total Expenditures	<u>45,000</u>	<u>45,784</u>	<u>(784)</u>
Revenue Over (Under) Expenditures	<u>140,000</u>	<u>140,186</u>	<u>186</u>
Other Financing Sources (Uses):			
Transfer to General Fund	(160,000)	(160,000)	-
Appropriated Fund Balance	20,000	-	(20,000)
Total Other Financing Sources (Uses)	<u>(140,000)</u>	<u>(160,000)</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	(19,814)	\$ <u>186</u>
Fund balance, beginning		<u>188,582</u>	
Fund balance, ending		<u>\$ 168,768</u>	

**Town of Caswell Beach**  
**Non-Major Governmental Funds**  
**Combining Balance Sheet**  
**For the Fiscal Year Ended June 30, 2016**

<b>Assets</b>	<u>Neighbors Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Non-Major Governmental Funds</u>
Cash and Cash Equivalents	\$ 1,186	\$ 10,328	\$ 11,514
Restricted Cash		36,409	36,409
Accounts Receivable, Net	-	-	-
Total Assets	<u>1,186</u>	<u>46,737</u>	<u>47,923</u>
 <b>Liabilities and Fund Balances</b>			
Liabilities:			
Due to General Fund	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted:			
Streets	-	36,409	36,409
Committed:			
Community Projects and Future Capital Projects	<u>1,186</u>	<u>10,328</u>	<u>11,514</u>
Total Fund Balances	<u>1,186</u>	<u>46,737</u>	<u>47,923</u>
Total Liabilities and Fund Balan	<u>\$ 1,186</u>	<u>\$ 46,737</u>	<u>\$ 47,923</u>



**Town of Caswell Beach**  
**Non-Major Governmental Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2016**

	Neighbors Fund	Capital Reserve Fund	Total Non-Major Governmental Funds
Revenues:			
Committee Revenue	\$ -	\$ -	\$ -
Powell Bill Receipts	-	8,812	8,812
Interest Income	2	264	266
Total Revenues	<u>2</u>	<u>9,076</u>	<u>9,078</u>
Expenditures			
Maintenance	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>2</u>	<u>9,076</u>	<u>9,078</u>
Other Financing Sources (Uses)			
Transfer to General Fund	-	(118,717)	(118,717)
Transfer From General Fund	-	10,000	10,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>(108,717)</u>	<u>(108,717)</u>
Net change in fund balance	<u>2</u>	<u>(99,641)</u>	<u>(99,639)</u>
Fund balance, beginning	<u>1,184</u>	<u>146,378</u>	<u>147,562</u>
Fund balance, ending	<u>\$ 1,186</u>	<u>\$ 46,737</u>	<u>\$ 47,923</u>

**Town of Caswell Beach  
Neighbors Fund  
Schedule of Revenues and Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2016**

	2016		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Committee Revenue	\$ -	\$ -	\$ -
Interest Income	1	2	1
Total Revenues	<u>1</u>	<u>2</u>	<u>1</u>
Expenditures:			
Committee Expenses	1	-	1
Total Expenditures	<u>1</u>	<u>-</u>	<u>1</u>
Revenue Over (Under) Expenditures	<u>-</u>	<u>2</u>	<u>2</u>
Other Financing Sources (Uses)			
Transfer From General Fund	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u><u>-</u></u>	2	\$ <u><u>2</u></u>
Fund balance, beginning		<u>1,184</u>	
Fund balance, ending		\$ <u><u>1,186</u></u>	

**Town of Caswell Beach**  
**Capital Reserve Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2016**

	2016		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Powell Bill Receipts	\$ 8,900	\$ 8,812	(88)
Interest Earned	12	264	252
Total	<u>8,912</u>	<u>9,076</u>	<u>164</u>
Expenditures			
Maintenance	10,007	-	10,007
Capital Outlay	-	-	-
Total	<u>10,007</u>	<u>-</u>	<u>10,007</u>
Revenues Over Expenditures	<u>(1,095)</u>	<u>9,076</u>	<u>10,171</u>
Other Financing Sources (Uses)			
Appropriated Fund Balance	134,000	-	(134,000)
Transfer to General Fund	(142,905)	(118,717)	24,188
Transfer From General Fund	10,000	10,000	-
Total Other Financing Sources (Uses)	<u>1,095</u>	<u>(108,717)</u>	<u>(109,812)</u>
Net change in fund balance	\$ <u>-</u>	(99,641)	\$ <u>(99,641)</u>
Fund balance, beginning		<u>146,378</u>	
Fund balance, ending		\$ <u><u>46,737</u></u>	

**Town of Caswell Beach**  
**Enterprise Fund - Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**

	2016		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Operating Revenues			
Water and Sewer Charges	\$ 810,011	\$ 247,116	\$ (562,895)
Water and Sewer Taps	804	2,480	1,676
Penalties, Permits, and Reconnect	1,609	816	(793)
Total	<u>812,424</u>	<u>250,412</u>	<u>(562,012)</u>
Nonoperating Revenues			
Interest on Investments	500	698	198
Sales Tax Refund	-	-	-
Capital Recovery	1,000	-	(1,000)
Miscellaneous	-	-	-
Total Non-Operating Revenues	<u>1,500</u>	<u>698</u>	<u>(802)</u>
Total Revenues	<u>813,924</u>	<u>251,110</u>	<u>(562,814)</u>
Expenditures			
Water and Sewer Administration			
Salaries and Employee Benefits	77,512	37,237	40,275
Audit	2,200	5,759	(3,559)
Legal	-	-	-
Other Departmental Expenses	29,479	16,495	12,984
Total Water and Sewer Administration	<u>109,191</u>	<u>59,491</u>	<u>49,700</u>
Water and Sewer Operations			
Salaries and Employee Benefits	-	-	-
Water Purchases	90,895	59,919	30,976
Water Testing	1,913	873	1,040
Water Tap Service	-	715	(715)
Sewer Operations	251,265	48,536	202,729
Water Operations	23,036	587	22,449
Total Water Operations	<u>367,109</u>	<u>110,630</u>	<u>256,479</u>
Debt Service:			
Interest and fees	-	-	-
Principal retirement	75,400	-	75,400
Capital Charge - Oak Island	262,224	88,271	173,953
Total debt service	<u>337,624</u>	<u>88,271</u>	<u>249,353</u>
Total Expenditures	<u>813,924</u>	<u>258,392</u>	<u>555,532</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>(7,282)</u>	<u>(7,282)</u>

**Town of Caswell Beach**  
**Enterprise Fund - Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2016**

	2016		Variance Positive (Negative)
	Budget	Actual	
Other Financing Sources (Uses)			
Appropriated Fund Balance	10,245	-	(10,245)
Transfer out	<u>(10,245)</u>	<u>(436,156)</u>	<u>(425,911)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(436,156)</u>	<u>(436,156)</u>
Revenues and other sources over (under) expenditures and other uses	\$ <u>-</u>	<u>(443,438)</u>	\$ <u>(443,438)</u>
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Sources Over (Under) Expenditures		\$ (443,438)	
Reconciling Items:			
Depreciation		(33,294)	
Principal payment		-	
Transfer of Water and Sewer System to Brunswick County		(4,973,159)	
Capital Outlay		-	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		-	
pension Expense		<u>-</u>	
Total Reconciling Items		<u>(5,006,453)</u>	
Change in Net Position		\$ <u>(5,449,891)</u>	

## **Other Schedules**

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This section includes additional information on property taxes.

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



**Town of Caswell Beach  
Analysis of Current Tax Levy  
For the Fiscal Year Ended June 30, 2016**

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property Tax	\$ 275,730,455	0.22	\$ 606,607	\$ 594,521	\$ 12,086
Totals	<u>\$ 275,730,455</u>		<u>\$ 606,607</u>	<u>\$ 594,521</u>	<u>\$ 12,086</u>
Less: Uncollected taxes at June 30, 2016			<u>4,458</u>	<u>3,598</u>	<u>860</u>
Current year's taxes collected			<u>\$ 602,149</u>	<u>\$ 590,923</u>	<u>\$ 11,226</u>
Current levy collection percentage			<u>99.27%</u>	<u>99.39%</u>	<u>92.88%</u>