

Town of Caswell Beach, North Carolina
Caswell Beach, North Carolina
Financial Statements
June 30, 2014

**Town of Caswell Beach, North Carolina
Financial Statements
June 30, 2014**

Mayor

Harry Q. Simmons Jr.

Town Council

Deborah G. Ahlers

Martha J. Hardy

Daniel J. O'Neill

George F. Kassler

Audrey L. Ellinger

Town Administrator/Finance Officer

Chad Hicks

Assistant Finance Officer

Christy L. Fox

Town Clerk

Linda C. Bethune

Town of Caswell Beach, North Carolina
Table of Contents
June 30, 2014

Exhibit

Financial Section:

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements:

Government-wide Financial Statements:

1 Statement of Net Position

2 Statement of Activities

Fund Financial Statements:

3 Balance Sheet – Governmental Funds With Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

4-1 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

5 Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General and Major Special Revenue Funds

6 Statement of Fund Net Position – Proprietary Funds

7 Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

8 Statement of Cash Flows – Proprietary Funds

Exhibit

Notes to the Financial Statements

Required Supplementary Financial Data:

A Law Enforcement Officers' Special Separation Allowance - Schedule of Funding Progress and Schedule of Employer Contributions

Individual Fund Statements and Schedules:

B-1 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund

B-2 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Beach Renourishment Fund

- B-3 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Accommodations Tax Fund
- C-1 Combining Balance Sheet for Non-Major Governmental Funds
- C-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for Non-Major Governmental Funds
- C-3 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Neighbors Fund
- C-4 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Capital Reserve Fund
- D-1 Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Water and Sewer Fund

Other Schedules:

- E-1 Schedule of Ad Valorem Taxes Receivable
- E-2 Analysis of Current Tax Levy – Town-Wide Levy

Financial Section



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, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2014, 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 and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress on Exhibit A 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 performed 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, PA.

Thompson, Price, Scott, Adams & Co, PA
November 24, 2014

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, 2014. 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.

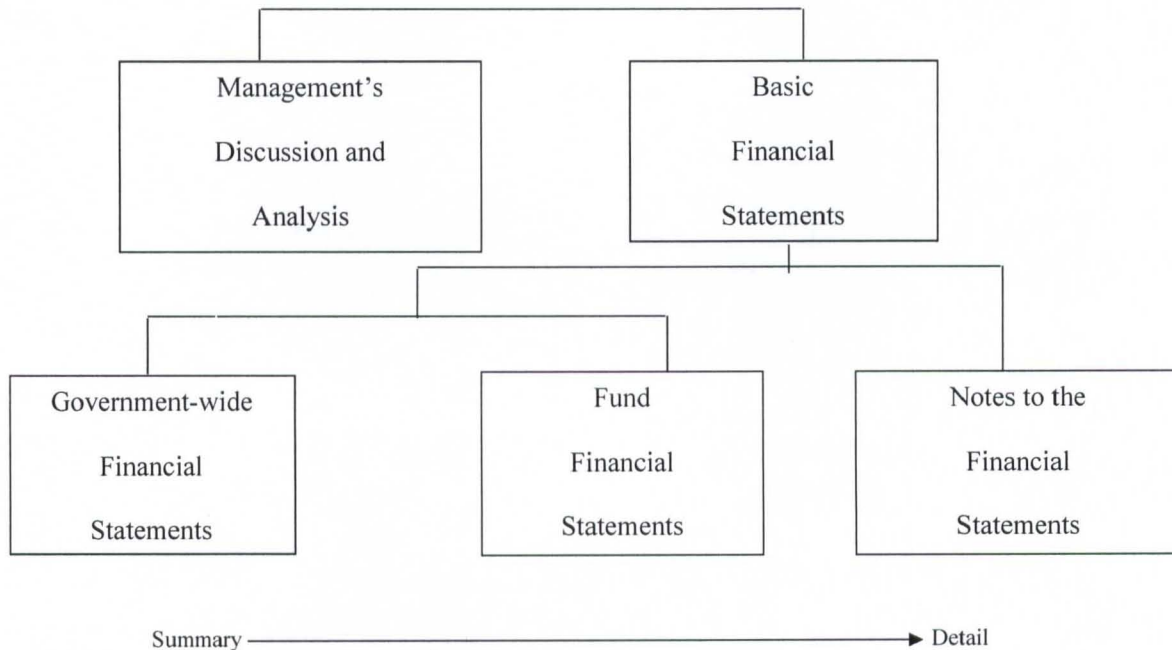
Financial Highlights

- 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 \$12,966,988 (net position).
- The government's total net position decreased by \$172,973 due to an increase in the governmental-type activities net position and a decrease in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Caswell Beach's governmental funds reported combined ending fund balances of \$2,536,551, an increase of \$266,062 in comparison with the prior year. Approximately 18 percent of this total amount, or \$443,926, 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 \$443,926 or approximately 46 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**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 2,697,175	\$ 2,377,025	\$ 838,449	\$ 1,179,174	\$ 3,535,624	\$ 3,556,199
Capital assets	4,887,541	4,958,199	6,023,208	6,156,387	10,910,749	11,114,586
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	<u>7,584,716</u>	<u>7,335,224</u>	<u>6,861,657</u>	<u>7,335,561</u>	<u>14,446,373</u>	<u>14,670,785</u>
Long-term liabilities outstanding	36,228	35,544	1,276,636	1,351,687	1,312,864	1,387,231
Other liabilities	102,021	48,431	64,500	95,162	166,521	143,593
Deferred inflows of resources	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	<u>138,249</u>	<u>83,975</u>	<u>1,341,136</u>	<u>1,446,849</u>	<u>1,479,385</u>	<u>1,530,824</u>
Net position:						
Net investment in capital assets	4,887,541	4,958,199	4,748,208	4,806,387	9,635,749	9,764,586
Restricted	128,931	123,902	-	-	128,931	123,902
Unrestricted	2,429,995	2,169,148	772,313	1,082,325	3,202,308	3,251,473
Total net position	<u>\$ 7,446,467</u>	<u>\$ 7,251,249</u>	<u>\$ 5,520,521</u>	<u>\$ 5,888,712</u>	<u>\$ 12,966,988</u>	<u>\$ 13,139,961</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Caswell Beach exceeded liabilities and deferred inflows by \$12,966,988 as of June 30, 2014. The Town's net position decreased by \$172,973 for the fiscal year ended June 30, 2014. However, the largest portion \$9,635,749 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 \$128,931 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,251,473 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 99.01%, which is higher than the statewide average of 97.34%.

Town of Caswell Beach Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 37,469	\$ 33,588	\$ 829,635	\$ 841,556	\$ 867,104	\$ 875,144
Operating grants and contributions	8,795	11,341	-	-	8,795	11,341
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	561,839	565,671	-	-	561,839	565,671
Other taxes	403,197	384,616	-	-	403,197	384,616
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Donated Capital Asset	-	-	-	-	-	-
Other	41,841	19,650	2,789	6,810	44,630	26,460
Total revenues	1,053,141	1,014,866	832,424	848,366	1,885,565	1,863,232
Expenses:						
General government	568,571	465,722	-	-	568,571	465,722
Public safety	390,408	380,598	-	-	390,408	380,598
Transportation	9,072	7,153	-	-	9,072	7,153
Economic Development	5,566	5,579	-	-	5,566	5,579
Environmental Protection	180,256	141,200	-	-	180,256	141,200
Culture and Recreation	4,050	12,018	-	-	4,050	12,018
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	900,615	949,644	900,615	949,644
Total expenses	1,157,923	1,012,270	900,615	949,644	2,058,538	1,961,914
Increase in net position before transfers	(104,782)	2,596	(68,191)	(101,278)	(172,973)	(98,682)
Transfers	300,000	5,200	(300,000)	(5,200)	-	-
Increase (decrease) in net position	195,218	7,796	(368,191)	(106,478)	(172,973)	(98,682)
Net position, July 1	7,251,249	7,243,453	5,888,712	5,995,190	13,139,961	13,238,643
	7,446,467	7,251,249	5,520,521	5,888,712	12,966,988	13,139,961
Prior period adjustment	-	-	-	-	-	-
Net position, June 30	\$ 7,446,467	\$ 7,251,249	\$ 5,520,521	\$ 5,888,712	\$ 12,966,988	\$ 13,139,961

Governmental Activities: Governmental activities increased the Town's net position by \$195,218, 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 Water and Sewer Fund transferred \$300,000 for upcoming construction on the Town's new public services facility.
- The Town maintained a very high collection rate for property taxes assessed.

Business-type activities: Business-type activities decreased the Town of Caswell Beach's net position by \$368,191, accounting for 100% of the total decrease in the government's net position. Key elements of this increase are as follows:

- Depreciation expense for the capital assets in the enterprise fund totaled \$133,178 for the year.
- The Water and Sewer Fund transferred \$300,000 for upcoming construction on the Town's new public services facility.

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 \$443,926, while total fund balance reached \$511,167. The Town currently has an available fund balance of 46% of general fund expenditures, while total fund balance represents 53% of the same amount.

At June 30, 2014, the governmental funds of Town of Caswell Beach reported a combined fund balance of \$2,536,551, with a net increase in fund balance of \$266,062. Included in this change in fund balance are increases in fund balance in all governmental funds, with the exception of the General Fund, mainly due to operating transfers not being made in the current fiscal year.

General Fund Budgetary Highlights: During the fiscal year, the Town had few budgetary amendments. 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 13-14 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 \$772,313. The total decrease in net position was \$368,191. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Caswell Beach's business-type activities.

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, 2014, totals \$10,910,749 (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 (there were no significant demolitions or disposals):

- 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	
	2014	2013	2014	2013	2014	2013
Land, including Easements	\$3,563,803	\$ 3,563,803	\$ 33,029	\$ 33,029	\$ 3,596,832	\$ 3,596,832
Construction in Progress	22,396	-	-	-	22,396	-
Buildings and Systems	860,472	883,000	-	-	860,472	883,000
Plant and Distribution Systems	-	-	5,990,179	6,123,358	5,990,179	6,123,358
Infrastructure and Other Improvements	305,946	317,480	-	-	305,946	317,480
Equipment	54,583	65,769	-	-	54,583	65,769
Vehicles and motorized equipment	80,341	128,147	-	-	80,341	128,147
Total	<u>\$4,887,541</u>	<u>\$ 4,958,199</u>	<u>\$ 6,023,208</u>	<u>\$ 6,156,387</u>	<u>\$ 10,910,749</u>	<u>\$ 11,114,586</u>

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, 2014, the Town of Caswell Beach had debt of \$1,275,000, which consisted of a Revolving Loan.

Economic Factors and Next Year's Budgets and Rates

The primary factors impacting the FY 2014-2015 budget are as follows:

- A slight increase in salaries and wages and its related expenses due to a cost of living adjustment given to employees of the Town.
- Ad Valorem revenue will increase slightly due to new construction. We expect taxes and collections to remain at a high collection rate.
- The construction of a new public services facility will have some impact on the FY 2014-2015 budget, depending on its completion time.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Tax Rate. The town tax rate will be remain at \$.17 per \$100 of valuation.

Economic Outlook. The general outlook for the local economy is improving. New construction has been increasing on Caswell Beach. The tourism activity should also increase as the economy continues to recover.

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 or send an email to financeofficer@caswellbeach.org for more information.

Basic Financial Statements

Town of Caswell Beach, North Carolina
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 2,458,895	\$ 757,817	\$ 3,216,712
Restricted Cash and Cash Equivalents	88,518	1,045	89,563
Taxes Receivable (Net)	7,820	-	7,820
Accrued Interest Receivable on Taxes	210	-	210
Accounts Receivable	50,573	79,587	130,160
Due From County	49,073	-	49,073
Due From Other Governments	39,468	-	39,468
Prepaid Items	2,618	-	2,618
Total Current Assets	<u>2,697,175</u>	<u>838,449</u>	<u>3,535,624</u>
Capital Assets:			
Land, Non-Depreciable Improvements, and Construction in Progress	3,586,199	33,029	3,619,228
Other Capital Assets, Net of Depreciation	1,301,342	5,990,179	7,291,521
Total Capital Assets	<u>4,887,541</u>	<u>6,023,208</u>	<u>10,910,749</u>
Total Assets	<u>7,584,716</u>	<u>6,861,657</u>	<u>14,446,373</u>
Deferred Outflows of Resources			
Charge on Refunding	-	-	-
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	91,850	63,455	155,305
Customer Deposits	-	1,045	1,045
Clean-up Bonds	10,171	-	10,171
Current Portion of Long-Term Liabilities	5,988	75,409	81,397
Accounts Payable from Restricted Assets	-	-	-
Total Current Liabilities	<u>108,009</u>	<u>139,909</u>	<u>247,918</u>
Long-Term Liabilities:			
Due in More Than One Year	30,240	1,201,227	1,231,467
Total Liabilities	<u>138,249</u>	<u>1,341,136</u>	<u>1,479,385</u>
Deferred Inflows of Resources			
Prepaid Taxes	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Net Investment in Capital Assets	4,887,541	4,748,208	9,635,749
Restricted For:			
Stabilization by State Statute	40,413	-	40,413
Other Functions	88,518	-	88,518
Unrestricted	2,429,995	772,313	3,202,308
Total Net Position	<u>\$ 7,446,467</u>	<u>\$ 5,520,521</u>	<u>\$ 12,966,988</u>

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

Town of Caswell Beach, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2014

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	
Primary government:							
Governmental Activities:							
General Government	\$ 568,571	\$ 5,738	\$ -	\$ -	\$ (562,833)	\$ -	\$ (562,833)
Cultural and Recreation	4,050	-	-	-	(4,050)	-	(4,050)
Public Safety	390,408	31,731	-	-	(358,677)	-	(358,677)
Economical and Physical Development	5,566	-	-	-	(5,566)	-	(5,566)
Environmental Protection	180,256	-	-	-	(180,256)	-	(180,256)
Transportation	9,072	-	8,795	-	(277)	-	(277)
Interest Expense	-	-	-	-	-	-	-
Total Governmental Activities	1,157,923	37,469	8,795	-	(1,111,659)	-	(1,111,659)
Business-Type Activities:							
Water and Sewer Services	900,615	829,635	-	-	-	(70,980)	(70,980)
Total Business-Type Activities	900,615	829,635	-	-	-	(70,980)	(70,980)
Total Primary Government	\$ 2,058,538	\$ 867,104	\$ 8,795	\$ -	(1,111,659)	(70,980)	(1,182,639)
General Revenues:							
Taxes:							
Property Taxes, Levied For General Purpose					561,839	-	561,839
Other Taxes					403,197	-	403,197
Unrestricted Investment Earnings					5,651	1,059	6,710
Miscellaneous					36,190	1,730	37,920
Donated Assets					-	-	-
Transfers					300,000	(300,000)	-
Total General Revenues and Transfers					1,306,877	(297,211)	1,009,666
Change in Net Position					195,218	(368,191)	(172,973)
Net Position, Beginning					7,251,249	5,888,712	13,139,961
Prior Period Adjustment					-	-	-
Net Position, Ending					\$ 7,446,467	\$ 5,520,521	\$ 12,966,988

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

Town of Caswell Beach, North Carolina
Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds				
	General Fund	Beach Renourishment Fund	Accommodations Tax Fund	Total Non- Major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	559,740	1,466,146	151,428	281,581	2,458,895
Restricted Cash	-	-	-	88,518	88,518
Receivables, Net:					
Taxes	7,820	-	-	-	7,820
Accounts	50,573	-	-	-	50,573
Interest	-	-	-	-	-
Due From County	941	16,044	32,088	-	49,073
Due From Other Governments	39,468	-	-	-	39,468
Prepaid Expenses	2,618	-	-	-	2,618
Total Assets	661,160	1,482,190	183,516	370,099	2,696,965
LIABILITIES					
Accounts Payable and Accrued Liabilities	81,429	1,867	8,554	-	91,850
Clean-up Bonds	10,171	-	-	-	10,171
Total Liabilities	91,600	1,867	8,554	-	102,021
DEFERRED INFLOWS OF RESOURCES					
Property Taxes Receivable	7,820	-	-	-	7,820
Stormwater Receivable	50,573	-	-	-	50,573
Total Deferred Inflows of Resources	58,393	-	-	-	58,393
FUND BALANCES					
Non Spendable					
Prepays	2,618	-	-	-	2,618
Restricted					
Stabilization by State Statute	40,413	-	-	-	40,413
Streets	-	-	-	88,518	88,518
Committed					
Community Projects and Future Capital Projects	-	-	-	281,581	281,581
Assigned					
Beach Renourishment	-	1,480,323	-	-	1,480,323
Tourism	-	-	174,962	-	174,962
Subsequent Year's Expenditures	24,210	-	-	-	24,210
Unassigned	443,926	-	-	-	443,926
Total Fund Balances	511,167	1,480,323	174,962	370,099	2,536,551
Total Liabilities, Deferred Inflows of Resources and Fund Balances	661,160	1,482,190	183,516	370,099	2,696,965

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

Total Fund Balance, Governmental Funds	2,536,551
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,887,541
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.	210
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	58,393
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(36,228)
Net position of governmental activities	<u>\$ 7,446,467</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, 2014

	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General Fund	Beach Renourishment Fund	Accommodations Tax Fund		
REVENUES					
Ad Valorem Taxes	\$ 563,234	\$ -	\$ -	\$ -	\$ 563,234
Other Taxes and Licenses	5,738	86,524	173,048	-	265,310
Unrestricted Intergovernmental	141,481	-	-	-	141,481
Restricted Intergovernmental	252	-	-	8,795	9,047
Permits and Fees	31,731	-	-	-	31,731
Investment Earnings	2,589	2,694	8	360	5,651
Other Revenue	36,190	-	-	-	36,190
Total Revenues	781,215	89,218	173,056	9,155	1,052,644
EXPENDITURES					
Current:					
General Government	522,009	-	-	-	522,009
Public Safety	380,444	-	-	-	380,444
Environmental Protection	51,471	81,389	43,262	-	176,122
Economic and Physical Development	4,846	-	-	-	4,846
Cultural and Recreational	3,160	-	-	-	3,160
Transportation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Total Expenditures	961,930	81,389	43,262	-	1,086,581
Excess (Deficiency) of Revenues Over Expenditures	(180,715)	7,829	129,794	9,155	(33,937)
OTHER FINANCING SOURCES (USES)					
Transfers From/(To) Other Funds	20,000	-	-	280,000	300,000
Total Other Financing Sources (Uses)	20,000	-	-	280,000	300,000
Net Change in Fund Balance	(160,715)	7,829	129,794	289,155	266,063
Fund balances, beginning	671,882	1,472,494	45,168	80,944	2,270,488
Prior period adjustments	-	-	-	-	-
Fund balances, beginning as restated	671,882	1,472,494	45,168	80,944	2,270,488
Fund balances, ending	\$ 511,167	\$ 1,480,323	\$ 174,962	\$ 370,099	\$ 2,536,551

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, 2014

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

Net changes in fund balances - total governmental funds	\$	266,063
Change in fund balance due to change in reserve for inventory		-

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	22,396		
Depreciation expense for governmental assets	(65,366)		
Disposal of assets (Net)	<u>(27,689)</u>		(70,659)

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	<u>498</u>		498
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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	-		
Principal payments on long-term debt	<u>-</u>		-

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		-	
Compensated absences & related liabilities		<u>(684)</u>	

Total changes in net position of governmental activities	<u>\$</u>	<u>195,218</u>
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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, 2014

	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)
Revenues:												
Ad Valorem Taxes	\$ 562,900	\$ 562,900	\$ 563,234	\$ 334	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Taxes and Licenses	5,000	5,000	5,738	738	90,000	90,000	86,524	(3,476)	180,000	180,000	173,048	(6,952)
Unrestricted Intergovernmental	139,200	139,200	141,481	2,281	-	-	-	-	-	-	-	-
Restricted Intergovernmental	2,750	2,750	252	(2,498)	-	-	-	-	-	-	-	-
Permits and Fees	28,000	28,000	31,731	3,731	-	-	-	-	-	-	-	-
Investment Earnings	6,400	6,400	2,589	(3,811)	3,000	3,000	2,694	(306)	-	-	8	8
Other Revenue	4,200	4,200	36,190	31,990	5,000	5,000	-	(5,000)	-	-	-	-
Total Revenues	748,450	748,450	781,215	32,765	98,000	98,000	89,218	(8,782)	180,000	180,000	173,056	(6,944)
Expenditures:												
Current:												
General Government	492,415	521,115	522,009	(894)	-	-	-	-	45,000	45,000	43,262	1,738
Public Safety	405,225	395,225	380,444	14,781	-	-	-	-	-	-	-	-
Environmental Protection	46,500	48,500	51,471	(2,971)	-	-	-	-	-	-	-	-
Economic and Physical Development	6,100	6,100	4,846	1,254	-	-	-	-	-	-	-	-
Cultural and Recreational	14,800	12,800	3,160	9,640	79,000	79,000	81,389	(2,389)	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:												
Principal Retirement	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	965,040	983,740	961,930	21,810	79,000	79,000	81,389	(2,389)	45,000	45,000	43,262	1,738
Revenues Over (Under) Expenditures	(216,590)	(235,290)	(180,715)	54,575	19,000	19,000	7,829	(11,171)	135,000	135,000	129,794	(5,206)
Other Financing Sources (Uses):												
Operating Transfers In (Out) - Net	147,000	152,000	20,000	(132,000)	(12,000)	(12,000)	-	12,000	(135,000)	(135,000)	-	135,000
Fund Balance Appropriated	69,590	83,290	-	(83,290)	(7,000)	(7,000)	-	7,000	-	-	-	-
Total Other Financing Sources (Uses)	216,590	235,290	20,000	(215,290)	(19,000)	(19,000)	-	19,000	(135,000)	(135,000)	-	135,000
Net Change in Fund Balance	\$ -	\$ -	(160,715)	(160,715)	\$ -	\$ -	7,829	7,829	\$ -	\$ -	129,794	129,794
Fund balances beginning as previously reported			671,882				1,472,494				45,168	
Prior period adjustments			-				-				-	
Fund balances, beginning as restated			671,882				1,472,494				45,168	
Fund balances, ending		\$	511,167			\$	1,480,323			\$	174,962	

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

Town of Caswell Beach, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2014

	Major Enterprise Fund Water and Sewer Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 757,817
Restricted Cash and Cash Equivalents	1,045
Prepaid Items	-
Accounts Receivable (Net) - Billed	76,663
Accounts Receivable - Other	2,924
Total	<u>838,449</u>
Noncurrent Assets:	
Capital Assets:	
Land, Non-Depreciable Improvements, Construction in Progress	33,029
Other Capital Assets, Net of Depreciation	5,990,179
Capital Assets (Net)	<u>6,023,208</u>
Total Noncurrent Assets	<u>6,023,208</u>
Total Assets	<u><u>6,861,657</u></u>
Deferred Outflows of Resources	
Charge on refunding	-
Total Deferred Outflows of Resources	<u>-</u>
Liabilities	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	63,455
Customer Deposits	1,045
Revolving Loan Payable	75,000
Accounts Payable from Restricted Assets	-
Compensated Absences - Current	409
Total Current Liabilities	<u>139,909</u>
Noncurrent Liabilities:	
Compensated Absences - Noncurrent	1,227
Revolving Loan Payable - Noncurrent	1,200,000
Total Noncurrent Liabilities	<u>1,201,227</u>
Total Liabilities	<u>1,341,136</u>
Net Position	
Net investment in capital assets	4,748,208
Unrestricted	772,313
Total Net Position of Business - Type Activities	<u><u>\$ 5,520,521</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, 2014

	Major Enterprise Fund Water and Sewer Fund
Operating Revenues	
Water and Sewer Charges	\$ 821,695
Water and Sewer Taps	6,170
Penalties, Permits, and Reconnect	1,770
Total Operating Revenues	<u>829,635</u>
Operating Expenses	
Administration	164,055
Water and Sewer Operations	330,816
Depreciation	133,178
Total Operating Expense	<u>628,049</u>
Operating Income (Loss)	<u>201,586</u>
Nonoperating Revenues (Expenses)	
Interest on Investments	1,059
Sales Tax Refund	-
Capital Recovery	1,720
Miscellaneous	10
Capital Charge - Oak Island	<u>(272,566)</u>
Total Nonoperating Revenues (Expenses)	<u>(269,777)</u>
Income (Loss) Before Transfers and Contributions	(68,191)
Transfers In (Out)	(300,000)
Capital Contributions	<u>-</u>
Change in Net Position	(368,191)
Total net position, beginning	5,888,712
Prior Period Adjustment	<u>-</u>
Total net position, ending	<u>\$ 5,520,521</u>

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

Town of Caswell Beach, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	Major Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash Received From Customers	\$ 838,407
Cash Paid for Goods and Services	(390,146)
Cash Paid to Employees for Services	(134,147)
Customer Deposits Received (Returned)	-
Net Cash Provided by Operating Activities	<u>314,114</u>
Cash Flows From Noncapital Financing Activities:	
Transfers From (to) Other Funds	<u>(300,000)</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(300,000)</u>
Cash Flows From Capital Related Financing Activities:	
Principal paid on Revolving Loan	(75,000)
Capital Charge - Oak Island	(272,566)
Miscellaneous	<u>1,730</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(345,836)</u>
Cash Flows From Investing Activities:	
Interest on Investments and Assessments	<u>1,059</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(330,663)
Cash and Cash Equivalents:	
Balances, beginning	<u>1,089,525</u>
Balances, ending	<u>\$ 758,862</u>

Town of Caswell Beach, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	Major Enterprise Fund <u>Water and Sewer Fund</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income(Loss)	\$ <u>201,586</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	133,178
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	8,772
(Increase) Decrease in Prepaid Items	1,290
Increase (Decrease) in Accounts Payable & Accrued Liabilities	(30,661)
Increase (Decrease) in Compensated Absences	(51)
Increase (Decrease) in Deposits	-
Total Adjustments	<u>112,528</u>
Net Cash Provided by Operating Activities	\$ <u><u>314,114</u></u>

Notes to Financial Statements

Town of Caswell Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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 nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies 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 is used to account for the Town's water and sewer operations.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating 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 financing sources.

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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 as determined by quoted market prices. The securities of the NCCMT - Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, 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>\$ 88,518</u>
Total governmental activities		<u>88,518</u>
Business-type Activities		
Water and Sewer Fund	Customer Deposits	<u>\$ 1,045</u>
Total Business-type Activities		<u>1,045</u>
Total Restricted Cash		<u><u>\$ 89,563</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, 2012.

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 are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<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 does not have any items that meet this criterion. 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 stormwater receivable.

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 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. Any changes or removal of specific purpose requires majority action by the governing body.

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.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

According to G.S. 159-32, each officer and employee of a local government whose duty it is to collect or receive any taxes or other moneys shall deposit these collections and receipts daily. During the audit procedures, it was discovered that funds were not deposited on the date the money was received. This is a violation of state statute. Management will more closely monitor the daily deposits of money received to assure a deposit is made if over \$250.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2014, the expenditures made in several departments in the General Fund exceeded the authorized appropriations made by the governing board. Total General Government exceeded the authorized appropriations by \$894 and Environmental Protection exceeded the authorized appropriations by \$2,971. The Town's Beach Renourishment Fund also exceeded the authorized appropriations made by the governing board for its beach renourishment expenditures by \$2,389. Management and the Board will more closely review the budget reports to ensure compliance in future years.

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, 2014, the Town's deposits had a carrying amount of \$3,097,510 and a bank balance of \$3,115,769. Of the bank balance, \$301,935 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2013, the Town's petty cash fund totaled \$300.

2. Investments

At June 30, 2014, the Town of Caswell Beach had \$208,465 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	\$ -	\$ 76,663
Miscellaneous Accounts Receivable	-	2,924
Account Receivable - Stormwater	50,573	-
Total Accounts Receivable	<u>\$ 50,573</u>	<u>\$ 79,587</u>

Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2014 is net of the following allowances for doubtful accounts:

General Fund:

Taxes Receivable \$ 7,820

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,563,803	\$ -	\$ -	\$ 3,563,803
Construction in Progress	-	22,396	-	22,396
Total capital assets not being depreciated	<u>3,563,803</u>	<u>22,396</u>	<u>-</u>	<u>3,586,199</u>
Capital assets being depreciated:				
Buildings	1,126,419	-	-	1,126,419
Other Improvements	299,981	-	-	299,981
Infrastructure	121,400	-	-	121,400
Equipment	132,556	-	-	132,556
Vehicles and motorized equipment	202,608	-	43,150	159,458
Total capital assets being depreciated	<u>1,882,964</u>	<u>-</u>	<u>43,150</u>	<u>1,839,814</u>
Less accumulated depreciation for:				
Buildings	243,419	22,528	-	265,947
Other Improvements	21,349	6,678	-	28,027
Infrastructure	82,552	4,856	-	87,408
Equipment	66,787	11,186	-	77,973
Vehicles and motorized equipment	74,461	20,118	15,462	79,117
Total accumulated depreciation	<u>488,568</u>	<u>\$ 65,366</u>	<u>\$ 15,462</u>	<u>538,472</u>
Total capital assets being depreciated, net	<u>1,394,396</u>			<u>1,301,342</u>
Governmental activity capital assets, net	<u>\$ 4,958,199</u>			<u>\$ 4,887,541</u>

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

General Government	\$ 39,874
Public Safety	10,676
Transportation	9,072
Environmental Protection/Stormwater	4,134
Parks and Recreation	890
Economic and Physical Development	720
Total Depreciation Expense	<u>\$ 65,366</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water Fund				
Capital assets not being depreciated:				
Construction in Process	\$ -	\$ -	\$ -	\$ -
Easements	33,029	-	-	33,029
Total capital assets not being depreciated	33,029	-	-	33,029
Capital assets being depreciated:				
Plant and distribution systems	6,590,894	-	1	6,590,893
Total capital assets being depreciated	6,590,894	-	1	6,590,893
Less accumulated depreciation for:				
Plant and distribution systems	467,536	133,178	-	600,714
Total accumulated depreciation	467,536	\$ 133,178	\$ -	600,714
Total capital assets being depreciated, net	6,123,358			5,990,179
Water fund capital assets, net	6,156,387			6,023,208
Business-type activities capital assets, net	<u>\$ 6,156,387</u>			<u>\$ 6,023,208</u>

Construction Commitments

The government did not have any active construction projects as of June 30, 2014.

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Caswell Beach contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Caswell Beach is established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$35,657, \$32,142, and \$44,967, respectively. The contributions made by the Town equaled the required contributions for each year.

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, 2013, the Separation Allowance's membership consisted of:

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

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, 2014 were \$13,315 which consisted of \$9,526 from the Town and \$3,789 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, 2014 were \$16,883, which consisted of \$15,588 from the Town and \$1,295 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. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources is the deferred amount for loss on defeasance of debt.

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

	Unavailable Revenue	Unearned Revenue
Taxes Receivable (General Fund), less penalties	\$ 7,820	\$ -
Stormwater Loan (General Fund)	50,573	-
Total	<u>\$ 58,393</u>	<u>\$ -</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.

6. Long-Term Obligations

a. General Obligation Indebtedness

There were no general obligation bonds financed by the governmental funds at June 30, 2014.

At June 30, 2014, the Town of Caswell Beach had no bonds authorized or unissued and had a legal debt margin of \$26,439,482.

b. Revolving Loan

In September 2009, the Town was approved for a \$3,000,000 Wastewater - American Recovery and Reinvestment Act of 2009 (AARA) Revolving Loan. One half of the principal amount will be forgiven and the interest rate for the loan is zero percent. The term of the loan is scheduled for 20 years with annual principal payments of \$75,000 due May 1st of each year. As of June 30, 2014, the Town had drawn a total of \$3,000,000, half of which is forgiven. The amount due at June 30, 2014 was \$1,275,000.

Current annual debt service requirements to maturity for the revolving loan is as follows:

Year Ending June 30	Principal
2015	\$ 75,000
2016	75,000
2017	75,000
2018	75,000
2019	75,000
2020-2024	375,000
2025-2029	375,000
2030-2034	150,000
	<u>\$ 1,275,000</u>

c. Changes in Long-Term Liabilities

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 20,338	\$ 529	\$ -	\$ 20,867	\$ 5,217
Accrued payroll expenses on compensated absences	2,929	155		3,084	771
Net pension obligation	12,277	-	-	12,277	-
Governmental activity long-term liabilities	<u>\$ 35,544</u>	<u>\$ 684</u>	<u>\$ -</u>	<u>\$ 36,228</u>	<u>\$ 5,988</u>

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
Business-type Activities:					
Water and Sewer Fund					
Compensated absences	\$ 1,475	\$ -	\$ 49	\$ 1,426	\$ 357
Accrued payroll expenses on compensated absences	212	-	2	210	53
Revolving Loan	1,350,000	-	75,000	1,275,000	75,000
Business-type activities long-term liabilities	<u>\$ 1,351,687</u>	<u>\$ -</u>	<u>\$ 75,051</u>	<u>\$ 1,276,636</u>	<u>\$ 75,409</u>

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

C. Interfund Balances and Activity

Balances Due to/from Other Funds

There were no balances due to/from other funds at June 30, 2014.

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2014, consist of the following:

From the General Fund to the Capital Reserve Fund	\$ 10,000
From the Capital Reserve Fund to the General Fund	\$ (30,000)
From the Enterprise Fund to the Capital Reserve Fund	300,000
Total	<u>\$ 280,000</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided for matching funds for various grant programs. All of the transfers were made in efforts to save funds for future capital acquisitions and capital projects of the Town.

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-Type</u>
Capital Assets	4,887,541	6,023,208
Less: Long-Term Debt	-	1,275,000
Add: Unexpended Debt Proceeds	-	-
Net Investment in Capital Assets	<u>\$ 4,887,541</u>	<u>\$ 4,748,208</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 Balance - General Fund	\$ 511,167
Less:	
Non Spendable - Prepaids	\$ 2,618
Stabilization by State Statute	40,413
Streets - Powell Bill	-
Appropriated Fund Balance in 2015 Budget	24,210
Working Capital / Fund Balance Policy	-
Remaining Fund Balance	443,926

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 \$386 to the Council during the fiscal year ended June 30, 2014.

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, 2014.

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, 2014, the Town of Caswell Beach paid the Town of Oak Island a base rate (capital charge) in the amount of \$272,566.

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. Significant Effects of Subsequent Events

On November 13, 2014, the Town stripped the Mayor of all duties and re-assigned them to the Mayor Pro-Tem after a lengthy discussion of the Town's involvement with the Brunswick Beaches Consortium and the issues that had arisen.

Required Supplementary Financial Data

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance

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

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.

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, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Ad Valorem Taxes			
Current Year	\$ 561,900	\$ 556,398	\$ (5,502)
Prior Year	-	5,598	5,598
Penalties and Interest	1,000	1,238	238
Total	562,900	563,234	334
Other Taxes and Licenses			
Privilege Licenses	5,000	5,738	738
Total	5,000	5,738	738
Unrestricted Intergovernmental			
Local Option Sales Tax	90,000	91,826	1,826
Franchise Tax	40,000	47,848	7,848
Beer and Wine Tax	1,500	1,807	307
Cable TV Franchise Tax	1,400	-	(1,400)
Tax Refunds	6,300	-	(6,300)
Total	139,200	141,481	2,281
Restricted Intergovernmental			
Solid Waste Disposal Tax	250	252	2
Mosquito Grant	2,500	-	(2,500)
Total	2,750	252	(2,498)
Licenses and Permits			
Building Permits and Inspection Fees	28,000	31,731	3,731
Total	28,000	31,731	3,731
Investment Earnings	6,400	2,589	(3,811)
Other Revenues			
Miscellaneous Revenues	4,200	36,190	31,990
Total	4,200	36,190	31,990
Total Revenues	748,450	781,215	32,765

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, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Expenditures			
General Government			
Governing Board			
Salaries and Employee Benefits	22,500	20,130	2,370
Insurance	125	98	27
Other Operating Expenses	25,650	22,575	3,075
Total Governing Board	48,275	42,803	5,472
Administration			
Salaries and Employee Benefits	280,200	294,439	(14,239)
Bank Charges	4,500	1,520	2,980
Dues & Donations	1,500	603	897
Collection Fees	4,500	4,389	111
Insurance	7,500	5,678	1,822
Municipal Codification	1,500	1,797	(297)
Office Supplies	4,000	5,971	(1,971)
Professional Services	12,250	10,674	1,576
Other Operating Expenditures	11,440	9,889	1,551
Total Administration	327,390	334,960	(7,570)
Communications			
Salaries and Employee Benefits	-	-	-
Other Operating Expenditures	28,400	27,407	993
Capital Outlay	-	-	-
	28,400	27,407	993
Travel and Training			
Travel/Training/Schools	27,850	18,160	9,690
Public Works			
Salaries and Employee Benefits	28,200	32,438	(4,238)
Insurance	9,050	5,972	3,078
Other Operating Expenses	34,450	37,873	(3,423)
Capital Outlay	17,500	22,396	(4,896)
Total Public Works	89,200	98,679	(9,479)
Total General Government	521,115	522,009	(894)

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, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Public Safety			
Police Department			
Salaries and Employee Benefits	319,600	317,287	2,313
Insurance	12,000	10,521	1,479
Other Operating Expenditures	34,200	27,585	6,615
Capital Outlay	-	-	-
Total	365,800	355,393	10,407
Inspections			
Salaries and Employee Benefits	22,300	17,897	4,403
Building Inspector Contract	-	-	-
Other Operating Expenditures	7,125	7,154	(29)
Total	29,425	25,051	4,374
Total Public Safety	395,225	380,444	14,781
Environmental Protection			
Solid Waste			
Recycling	30,500	39,246	(8,746)
Landfill Tipping Fees	100	-	100
Summer Pickup	13,000	7,383	5,617
Cardboard Bin	800	766	34
Other Operating Expenditures	100	-	100
Stormwater			
Stormwater	4,000	4,076	(76)
Capital Outlay	-	-	-
Total Environmental Protection	48,500	51,471	(2,971)
Economic and Physical Development			
Beach Maintenance	6,100	4,846	1,254
Capital Outlay	-	-	-
Total Economic and Physical Development	6,100	4,846	1,254
Parks and Recreation			
Park Maintenance	4,800	3,160	1,640
Capital Outlay	8,000	-	8,000
Total Parks and Recreation	12,800	3,160	9,640
Payments on Long-Term Debt			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	983,740	961,930	21,810

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, 2014

	2014		Variance
	Budget	Actual	Positive (Negative)
Revenues Over (Under) Expenditures	(235,290)	(180,715)	54,575
Other Financing Sources (Uses):			
Appropriated Fund Balance	83,290	-	(83,290)
Transfer to Capital Reserve Fund	(10,000)	(10,000)	-
Transfer from Special Revenue Fund	135,000	30,000	(105,000)
Transfer from Capital Reserve Fund	15,000	-	(15,000)
Transfer from Beach Fund	12,000	-	(12,000)
Total Other Financing Sources (Uses)	235,290	20,000	(215,290)
Net change in fund balance	\$ -	(160,715)	\$ (160,715)
Fund balances, beginning as previously reported		671,882	
Prior period adjustment		-	
Fund balances, beginning as restated		671,882	
Fund balances, ending		\$ 511,167	

**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, 2014**

	2014		Variance
	Budget	Actual	Positive (Negative)
Revenues			
Accommodations Tax	\$ 90,000	\$ 86,524	\$ (3,476)
Interest Earned	3,000	2,694	(306)
Miscellaneous	5,000	-	(5,000)
Total Revenues	<u>98,000</u>	<u>89,218</u>	<u>(8,782)</u>
Expenditures			
Beach Renourishment	79,000	81,389	(2,389)
Total Expenditures	<u>79,000</u>	<u>81,389</u>	<u>(2,389)</u>
Revenues Over (Under) Expenditures	<u>19,000</u>	<u>7,829</u>	<u>(11,171)</u>
Other Financing Sources (Uses)			
Appropriated Fund Balance	(7,000)	-	7,000
Transfer From (To) General Fund	<u>(12,000)</u>	<u>-</u>	<u>12,000</u>
Total Other Financing Sources (Uses)	<u>(19,000)</u>	<u>-</u>	<u>19,000</u>
Net change in fund balance	<u>\$ -</u>	<u>7,829</u>	<u>\$ 7,829</u>
 Fund balance, beginning as previously reported		1,472,494	
Prior period adjustment		<u>-</u>	
Fund balance, beginning as restated		1,472,494	
Fund balance, ending		<u>\$ 1,480,323</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, 2014

	2014		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Accommodations Tax	\$ 180,000	\$ 173,048	\$ (6,952)
Interest Earned	-	8	8
Total Revenues	<u>180,000</u>	<u>173,056</u>	<u>(6,944)</u>
Expenditures:			
Brunswick County Accommodations Tax	<u>45,000</u>	<u>43,262</u>	<u>1,738</u>
Total Expenditures	<u>45,000</u>	<u>43,262</u>	<u>1,738</u>
Revenue Over (Under) Expenditures	<u>135,000</u>	<u>129,794</u>	<u>(5,206)</u>
Other Financing Sources (Uses):			
Transfer to General Fund	(135,000)	-	135,000
Transfer From Other Funds	-	-	-
Total Other Financing Sources (Uses)	<u>(135,000)</u>	<u>-</u>	<u>135,000</u>
Net change in fund balance	\$ <u>-</u>	129,794	\$ <u>129,794</u>
Fund balance, beginning		45,168	
Fund balance, ending		<u>\$ 174,962</u>	

Town of Caswell Beach
Non-Major Governmental Funds
Combining Balance Sheet
For the Fiscal Year Ended June 30, 2014

Assets	<u>Neighbors Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Non-Major Governmental Funds</u>
Cash and Cash Equivalents	\$ 1,182	\$ 368,917	\$ 370,099
Accounts Receivable, Net	-	-	-
Total Assets	<u>1,182</u>	<u>368,917</u>	<u>370,099</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable and Accrued Liabilities	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted:			
Streets	-	88,518	88,518
Committed:			
Community Projects and Future Capital Projects	<u>1,182</u>	<u>280,399</u>	<u>281,581</u>
Total Fund Balances	<u>1,182</u>	<u>368,917</u>	<u>370,099</u>
Total Liabilities and Fund Balances	<u>\$ 1,182</u>	<u>\$ 368,917</u>	<u>\$ 370,099</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, 2014

	Neighbors Fund	Capital Reserve Fund	Total Non-Major Governmental Funds
Revenues:			
Committee Revenue	\$ -	\$ -	\$ -
Powell Bill Receipts	-	8,795	8,795
Interest Income	2	358	360
Total Revenues	<u>2</u>	<u>9,153</u>	<u>9,155</u>
Expenditures			
Maintenance	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>2</u>	<u>9,153</u>	<u>9,155</u>
Other Financing Sources (Uses)			
Transfer to General Fund	-	(30,000)	(30,000)
Transfer From Other Funds	-	310,000	310,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>280,000</u>	<u>280,000</u>
Net change in fund balance	<u>2</u>	<u>289,153</u>	<u>289,155</u>
Fund balance, beginning	<u>1,180</u>	<u>79,764</u>	<u>80,944</u>
Fund balance, ending	\$ <u><u>1,182</u></u>	\$ <u><u>368,917</u></u>	\$ <u><u>370,099</u></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, 2014

	2014		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Committee Revenue	\$ -	\$ -	\$ -
Interest Income	-	2	2
Total Revenues	-	2	2
Expenditures:			
Committee Expenses	-	-	-
Total Expenditures	-	-	-
Revenue Over (Under) Expenditures	-	2	2
Other Financing Sources (Uses)			
Transfer From General Fund	-	-	-
Net change in fund balance	\$ -	2	\$ 2
Fund balance, beginning		1,180	
Fund balance, ending		\$ 1,182	

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, 2014

	2014		Variance
	Budget	Actual	Positive (Negative)
Revenues			
Powell Bill Receipts	\$ -	\$ 8,795	8,795
Interest Earned	-	358	358
Total	-	9,153	9,153
Expenditures			
Maintenance	-	-	-
Capital Outlay	-	-	-
Total	-	-	-
Revenues Over Expenditures	-	9,153	9,153
Other Financing Sources (Uses)			
Appropriated Fund Balance	-	-	-
Transfer to General Fund	(15,000)	(30,000)	(15,000)
Transfer From General Fund	-	10,000	10,000
Transfer From Water and Sewer Fund	15,000	300,000	285,000
Total Other Financing Sources (Uses)	-	280,000	280,000
Net change in fund balance	\$ -	289,153	\$ 289,153
Fund balance, beginning		79,764	
Fund balance, ending		\$ 368,917	

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, 2014

	2014		Variance
	Budget	Actual	Positive (Negative)
Revenues			
Operating Revenues			
Water and Sewer Charges	\$ 854,600	\$ 821,695	\$ (32,905)
Water and Sewer Taps	2,000	6,170	4,170
Penalties, Permits, and Reconnect	3,100	1,770	(1,330)
Total	859,700	829,635	(30,065)
Nonoperating Revenues			
Interest on Investments	800	1,059	259
Sales Tax Refund	1,200	-	(1,200)
Capital Recovery	1,000	1,720	720
Miscellaneous	-	10	10
Total Non-Operating Revenues	3,000	2,789	(211)
Total Revenues	862,700	832,424	(30,276)
Expenditures			
Water and Sewer Administration			
Salaries and Employee Benefits	151,400	134,096	17,304
Audit	2,250	2,175	75
Legal	3,000	-	3,000
Other Departmental Expenses	172,650	27,784	144,866
Total Water and Sewer Administration	329,300	164,055	165,245
Water and Sewer Operations			
Salaries and Employee Benefits	-	-	-
Water Purchases	125,000	101,623	23,377
Water Testing	2,500	3,056	(556)
Water Tap Service	2,100	-	2,100
Sewer Operations	265,850	215,707	50,143
Water Operations	13,850	10,430	3,420
Total Water Operations	409,300	330,816	78,484
Debt Service:			
Interest and fees	-	-	-
Principal retirement	75,000	-	75,000
Capital Charge - Oak Island	272,544	272,566	(22)
Total debt service	347,544	272,566	74,978

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, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Capital Outlay			
System Improvements	-	-	-
Total Capital Outlay	-	-	-
Total Expenditures	1,086,144	767,437	318,707
Revenues Over (Under) Expenditures	(223,444)	64,987	288,431
Other Financing Sources (Uses)			
Appropriated Fund Balance	523,444	-	(523,444)
Transfer To Capital Reserve Fund	(300,000)	(300,000)	-
Total Other Financing Sources (Uses)	223,444	(300,000)	(523,444)
Revenues and other sources over (under) expenditures and other uses	\$ -	(235,013)	\$ (235,013)
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Sources Over (Under) Expenditures		\$ (235,013)	
Reconciling Items:			
Depreciation		(133,178)	
Capital Outlay		-	
Total Reconciling Items		(133,178)	
Change in Net Position		\$ (368,191)	

Other Schedules

This section includes additional information on property taxes.

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

Town of Caswell Beach
Schedule of Ad Valorem Taxes Receivable
June 30, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 561,839	\$ 556,257	\$ 5,582
2012-2013	4,895	509	3,447	1,957
2011-2012	1,269	-	1,229	40
2010-2011	346	-	292	54
2009-2010	327	-	315	12
2008-2009	110	-	31	79
2007-2008	32	-	-	32
2006-2007	73	-	49	24
2005-2006	11	-	5	6
2004-2005	34	-	-	34
2003-2004	178	-	178	-
Totals	\$ <u>7,275</u>	\$ <u>562,348</u>	\$ <u>561,803</u>	\$ <u>7,820</u>
Less Allowance for Doubtful Accounts				<u>-</u>
Net Taxes Receivable				\$ <u>7,820</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 563,234
Reconciling Items				
Taxes Released/Written Off				244
Adjustments				(437)
Penalties and Interest Collected				<u>(1,238)</u>
Total Collections and Credits				\$ <u>561,803</u>

Town of Caswell Beach
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2014

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property Tax	\$ 330,493,529	0.17	\$ 561,839	\$ 554,422	\$ 7,417
Totals	<u>\$ 330,493,529</u>		<u>\$ 561,839</u>	<u>\$ 554,422</u>	<u>\$ 7,417</u>
Less: Uncollected taxes at June 30, 2014			<u>5,582</u>	<u>5,335</u>	<u>247</u>
Current year's taxes collected			<u>\$ 556,257</u>	<u>\$ 549,087</u>	<u>\$ 7,170</u>
Current levy collection percentage			<u>99.01%</u>	<u>99.04%</u>	<u>96.67%</u>