



Nice Matters!

**Town of Emerald Isle**  
7500 Emerald Drive  
Emerald Isle, NC 28594

252-354-8550 voice  
252-354-5068 fax

[www.emeraldisle-nc.org](http://www.emeraldisle-nc.org)

**Finance Director**  
Laura Rotchford  
[lrotchford@emeraldisle-nc.org](mailto:lrotchford@emeraldisle-nc.org)



November 8, 2016

**MEMO TO:** Frank A. Rush, Jr., Town Manager  
**FROM:** Laura Rotchford, Finance Director  
**SUBJECT:** June 30, 2016 Financial Audit

I am pleased to present the draft version of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2016. The draft version is attached for your review. I do not anticipate any changes to the report, however, our auditors have requested the version remain in draft form, until approval from the Local Government Commission (LGC) has been received. Once the LGC has provided their final approval, we will release the final version for publication and submit the report to the Government Finance Officers Association for application to the Certificate of Achievement for Excellence in Financial Reporting award program.

As you are aware, Williams Scarborough Smith Gray, LLP (WSSG) conducted the audit along with the compilation of the financial statements for FY 2016. This is the sixth year the Town has engaged with WSSG for these services, and this year has, again, been an efficient and smooth working relationship with the Town staff and the staff of WSSG. The auditors began their field work in June, and have concluded their work, effectively at the end of September, with a presentation to the Town's Audit Committee on October 18th.

The Audit was conducted in accordance with generally accepted auditing standards, which are standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. As in prior years, we have received an unmodified opinion (or a "clean opinion") from the auditors. As stated in the Auditor's Report, the Town's financial statements for the fiscal year ended, June 30, 2016, "present fairly, in all material respects..."

There are several financial highlights which can be found in the detail of the CAFR, and are briefly mentioned below:

- The Town had \$3,585,232 of cash and cash equivalents on hand as of June 30, 2016. The Town also had net receivables of \$41,126 and \$75,724 of restricted cash and cash equivalents as of June 30, 2016. Additionally, a total of \$717,135 was due from other governments, which is primarily comprised of sales and utility taxes earned during the 4<sup>th</sup> quarter.
- The Town had total capital assets, net of depreciation of \$21,458,729 as of June 30, 2016. The bulk of these assets are land, buildings, and other improvements in the community. During FY 2016 the Town completed construction of the New Welcome Center project, the Senator Jean Preston Memorial Park & Playground, and acquired several replacement vehicles and equipment, adding to total net capital assets.
- The Town's total liabilities as of June 30, 2016 were \$3,709,447. Accounts payable and accrued liabilities represent \$191,363 of this amount. A total of \$2,938,381 of this amount is the Town's outstanding loans as of June 30, 2016.

- The Town had an officially reported net position of \$22,498,263 as of June 30, 2016. Total net position increased by \$1,430,565. The increase is attributed to the annual payment of principal on the installment purchase obligations related to capital assets, as well as the annual increase to the Beach Nourishment Fund, through the collection of special district property taxes held for the purpose of future beach renourishment.
- The Town had total revenues of \$9,701,639 across all funds during FY 2016. The Town had total expenditures of \$8,954,059 across all funds during FY 2016, resulting in an overall increase in fund balance of \$747,580. Additions to the Future Beach Nourishment's fund balance of \$705,884 are associated with reserve funds for future beach nourishment activities, however, the Future Beach Nourishment Fund transferred \$276,000 to the Capital Project Fund for the completion of the New Welcome Center. This transfer of fund balance will be repaid to the Future Beach Nourishment Fund annually by the Carteret County Tourism Development Authority over a ten-year period for the construction of the New Welcome Center.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,232,270, an increase in comparison to the prior year. Overall increases to fund balance were related to lower than anticipated expenditures in the General Fund, as well as the annual increase in the Future Beach Nourishment Fund from the collection of special district property taxes held for the purpose of future beach renourishment. The General Fund, the Town's primary annual operating fund, had total revenues of \$9,057,830 and total expenditures of \$8,503,304 during FY 2016. After transfers to other funds for capital projects of (\$25,814) and for the Future Beach Nourishment Fund of (\$402,429) the Town's General Fund balance increased by \$134,451.
- As of June 30, 2016, the Town's General Fund had a total fund balance of \$2,278,814, of which a total of \$1,517,455 is classified as unassigned fund balance.
- The total General Fund balance of \$2,278,814 is equal to 25.5% of total General Fund expenditures during FY 2016 (\$8,931,547, including transfers out). This percentage is up from the previous year (23.5%), due to two key factors; 1) lower than anticipated expenditures overall, and 2) slightly higher than anticipated revenues in the area of permits and fees. Total General Fund balance represents 25.0% percent of the FY 16-17 adopted budget of \$9,103,200 (including transfers out).
- The total unassigned General Fund balance amount of \$1,517,455 is equal to 16.98% of total General Fund expenditures during FY 2016 (\$8,931,547, including transfers out). Unassigned General Fund balance represents 16.67% of the FY 16-17 adopted budget of \$9,103,200 (including transfers out).
- The Town's Future Beach Nourishment Fund had a year-end fund balance of \$1,821,465, as the Town collected another year of special district property taxes that are reserved for future beach nourishment activities.
- The Town's total loans outstanding at June 30, 2016 is \$2,938,381. This includes four (4) existing installment purchase agreements. The Town's total outstanding debt is equal to approximately 0.11% of the Town's total assessed valuation at June 30, 2016, which remains a very low percentage.

Finally, each year the Governmental Accounting Standards Board (GASB) issues new pronouncements on key accounting standards and financial reporting. As you recall, during FY 2015 the Town implemented GASB Statement #68 – *Accounting and Financial Reporting for Pensions*. This statement requires the Town to disclose the Town's proportionate share of the Local Government Employees' Retirements System's (LGERS) Pension Plan, in both the face of the financial statements, as well as the notes. From year to year the Town's share of the Pension Plan may result in a net pension asset or net pension liability, depending on the performance of the plan and the results of the actuarial studies. During FY 2016, the Town recorded a net pension liability for its share of the LGERS Pension Plan in the amount of \$215,288.

Also during FY 2016, the Town implemented GASB Statement #73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68*. This pronouncement effectively changed the way we had previously reported our participation in the Law Enforcement Officers Special Separation Allowance. Previously, we had reported our assets held for this purpose in a separate Fiduciary Fund, however, during FY 2016 in accordance with the new Standard, we have recorded those assets in the amount of \$63,954 in the General Fund as Committed Fund Balance. This fund balance has been committed by the Board for the purpose of making contributions to our retired law enforcement officers who meet the criteria of the plan. During FY 2016, the Town also recognized the corresponding net pension liability for this plan in the amount of \$162,931 on the Statement of Net Position.

I look forward to discussing the results of the financial statements with you further, and I am happy to answer any questions you may have.