



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

Finance Director
Laura Rotchford
lrotchford@emeraldisle-nc.org



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MEMO TO: Frank A. Rush, Jr., Town Manager
FROM: Laura Rotchford, Finance Director
SUBJECT: June 30, 2015 Financial Audit

I am pleased to present the draft version of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2015. 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 2015. This is the fifth 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 on September 30th, with a presentation to the Town's Audit Committee.

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, 2015, "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 \$2,697,635 of cash and cash equivalents on hand as of June 30, 2015. The Town also had net receivables of \$40,522 and \$290,737 of restricted cash and cash equivalents as of June 30, 2015. Additionally, a total of \$668,753 was due from other governments, which is primarily comprised of sales and utility taxes earned during the 4th quarter.
- The Town had total capital assets, net of depreciation of \$21,730,220 as of June 30, 2015. The bulk of these assets are land, buildings, and other improvements in the community. During FY 2015 the Town acquired two vacant lots and completed several capital construction projects, adding to our total net assets.
- The Town's total liabilities as of June 30, 2015 were \$4,186,988. Accounts payable and accrued liabilities represent \$288,801 of this amount, which included \$111,180 payable for the new construction of the Welcome Center project. A total of \$3,534,306 of this amount is the Town's outstanding debt as of June 30, 2015.

- The Town had an officially reported net position of \$21,003,943 as of June 30, 2015. Total net position increased by \$2,213,878. This is attributed to a significant increase in the net investment in capital assets, as well as the annual increase to the Future Beach Nourishment Fund, through the collection of special district property taxes held for the purpose of future beach nourishment.
- The Town had total revenues of \$9,984,762 across all funds during FY 2015, and issued \$86,077 of installment financing debt for the purchase of vacant land. The Town had total expenditures of \$10,072,152 across all funds during FY 2015, resulting in a minimal overall decrease in fund balance of \$1,313. The Future Beach Nourishment's fund balance increased by \$686,953 which is associated with reserve funds for future beach nourishment activities. Decreases in fund balance were anticipated in the General Fund, primarily due to the purchase of a vacant lot adjacent to the Town Administration building. Additional fund balances decreased in the non-major capital project funds due to the completion of several capital construction projects.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,420,934, an decrease of \$1,313 in comparison with the prior year. Although, the Future Beach Nourishment's fund balance increased by \$686,953, the sum of decreases in the Capital Project Funds and General Fund offset that increase, resulting in a slight decrease overall.
- The General Fund, the Town's primary annual operating fund, had total revenues of \$8,797,572 and total expenditures of \$8,377,091 during FY 2015. After transfers to other funds for capital projects (\$40,117) and for the Future Beach Nourishment Fund (\$450,000) the Town's General Fund balance decreased by \$69,637.
- As of June 30, 2015, the Town's General Fund had a total fund balance of \$2,080,608, of which a total of \$1,385,327 is classified as unassigned fund balance.
- The total General Fund balance of \$2,080,608 is equal to 23.5% of total General Fund expenditures during FY 2015 (\$8,867,508, including transfers out). This percentage is down from the previous year (25.9%), due to key factors; 1) the approval to appropriate and spend a portion of fund balance for the purchase of a vacant lot adjacent to the Town Administration building, and 2) the FY 2015 budgeted transfer to the Future Beach Nourishment Fund, which results in increase in the transfer expense category. Total General Fund balance represents 23.4% percent of the FY 15-16 adopted budget of \$8,902,435 (including transfers out).
- The total unassigned General Fund balance amount of \$1,385,327 is equal to 15.6% of total General Fund expenditures during FY 2015 (\$8,867,508, including transfers out). Unassigned General Fund balance also represents 15.6% of the FY 15-16 adopted budget of \$8,902,434 (including transfers out).
- The Town's Future Beach Nourishment Fund had a year-end fund balance of \$1,391,580, as the Town collected another year of special district property taxes that are reserved for future beach nourishment activities.
- The Town's Total outstanding debt at June 30, 2015 is \$3,534,306. This includes three (3) existing installment purchase agreements, and the issuance of new debt of \$86,077 for the purchase of vacant land, as part of a capital project for the Public Boat Launching Facility. The Town's total outstanding debt is equal to approximately 0.12% of the Town's total assessed valuation at June 30, 2015, which remains a very low percentage.
- The Town established an interfund loan from the Future Beach Nourishment Fund to the Welcome Center Capital Project in the amount of \$276,000 for the construction of the new Welcome Center. The Welcome Center is being leased by the Carteret County Tourism Development Authority, and the monthly lease payments will be used to repay the interfund loan.

Finally, during Fiscal Year 2015, as required by the Governmental Accounting Standards Board (GASB) Statement #68 – *Accounting and Financial Reporting for Pensions*, the Town implemented new reporting and financial statement presentation requirements to disclose the Town's proportionate share of the Local Government Employees' Retirements System's (LGERS) Pension Plan. The Town is a participating employer in the statewide LGERS plan, a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. A detailed explanation of the plan and the Town's proportionate share of the plan can be found in the Notes to the Financial Statements within the CAFR, as well, as the Required Supplemental Financial Data section of the CAFR. Overall, the effect on the Town's Statement of Net Position includes a decrease of our beginning net position of \$411,806. Although, the new GASB Statement provides full disclosure and transparency of the plans the Town participates in, decisions regarding the plan are made by the administrators of the pension plan, and not by the Town's management or commissioners.