

TOWN OF BRUNSWICK, NORTH CAROLINA

Report of Audit

For the Fiscal Year Ended June 30, 2019

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Financial Section

Independent Auditor's Report

To the Honorable Mayor
And the Board of Commissioners
Brunswick, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Brunswick, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Brunswick's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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. The financial statements of Brunswick ABC Board were not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Brunswick, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Brunswick, 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. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2020 on our consideration Town of Brunswick's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Brunswick's internal control over financial reporting and compliance.

W Greene PLLC

Whiteville, North Carolina
January 23, 2020

As management of the Town of Brunswick, we offer readers of the Town of Brunswick's financial statements this narrative overview and analysis of the financial activities of the Town of Brunswick for the fiscal year ended June 30, 2019. 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

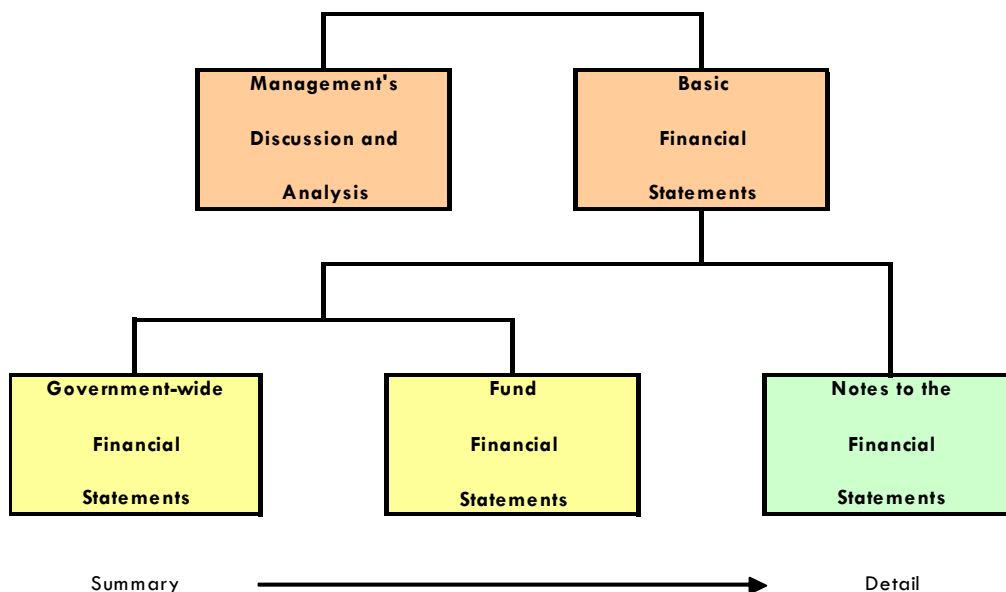
- The assets and deferred outflows of resources of the Town of Brunswick exceeded its liabilities and deferred inflows at the close of the fiscal year by \$3,803,037 (net position).
- The government's total net position increased by \$267,431 primarily due to an increase in revenues in the both governmental activities and business-type activities.
- As of the close of the current fiscal year, the Town of Brunswick's governmental funds reported combined ending fund balances of \$1,159,006 with a net change of \$141,735 in fund balance. Approximately 6.06 percent of this total amount, or \$70,181, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,088,825, or 292.95 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 Brunswick's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Brunswick.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 18 through 21) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (pages 22 through 31) 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 it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into 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 administration, streets and highways, and public safety. 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 Brunswick. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

The government-wide financial statements are on pages 18 through 21 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 Brunswick, 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 Brunswick 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. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 32 through 53 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 56 of this report.

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

Government-Wide Financial Analysis

Town of Brunswick's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,168,596	\$ 1,027,466	\$ 170,329	\$ 130,343	\$ 1,338,925	\$ 1,157,809
Capital assets	275,800	282,948	2,191,574	2,097,587	2,467,374	2,380,535
Deferred outflows of resources	25,857	18,837	-	-	25,857	18,837
Total assets and deferred outflows of resources	1,470,253	1,329,251	2,361,903	2,227,930	3,832,156	3,557,181
Long-term liabilities outstanding	23,193	15,570	-	-	23,193	15,570
Other liabilities	5,070	4,475	3	-	5,073	4,475
Deferred inflows of resources	853	1,530	-	-	853	1,530
Total liabilities and deferred inflows of resources	29,116	21,575	3	-	29,119	21,575
Net position:						
Net investment in capital assets	275,800	282,948	2,191,574	2,097,587	2,467,374	2,380,535
Restricted	70,181	70,560	-	-	70,181	70,560
Unrestricted	1,095,156	954,168	170,326	130,343	1,265,482	1,084,511
Total net position	\$ 1,441,137	\$ 1,307,676	\$ 2,361,900	\$ 2,227,930	\$ 3,803,037	\$ 3,535,606

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 Brunswick exceeded liabilities and deferred inflows by \$3,803,037 as of June 30, 2019. The Town's net position increased by \$267,431 for the fiscal year ended June 30, 2019. However, the largest portion (64.88%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Brunswick uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Brunswick's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Brunswick's net position, \$70,181, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,265,482 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.01%.

The Town of Brunswick's Changes in Net Position

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 77,517	\$ 76,180	\$ 142,174	\$ 139,844	\$ 219,691	\$ 216,024
Operating grants and contributions	34,797	35,447	-	-	34,797	35,447
Capital grants and contributions	-	-	143,260	-	143,260	-
General Revenues						
Property taxes	91,544	92,942	-	-	91,544	92,942
Grants and Contributions not restricted	-	-	-	-	-	-
Other taxes	307,490	303,015	-	-	307,490	303,015
Other	7,900	245	-	-	7,900	245
Total revenues	519,248	507,829	285,434	139,844	804,682	647,673
Expenses:						
Governing Body	16,027	14,879	-	-	16,027	14,879
Administration	187,312	174,562	-	-	187,312	174,562
Elections	-	2,908	-	-	-	2,908
Police Department	63,400	72,280	-	-	63,400	72,280
Fire Department	100	786	-	-	100	786
Street Department	73,564	66,773	-	-	73,564	66,773
Environmental Protection	38,348	37,061	-	-	38,348	37,061
Powell Bill	-	-	-	-	-	-
Non-Departmental	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-
Water and Sewer	-	-	158,500	165,056	158,500	165,056
Total expenses	378,751	369,249	158,500	165,056	537,251	534,305
Increase(Decrease) in net position before transfers	140,497	138,580	126,934	(25,212)	267,431	113,368
Transfers	(7,036)	(500)	7,036	500	-	-
Change in net position	133,461	138,080	133,970	(24,712)	267,431	113,368
Net position, July 1	1,307,676	1,169,596	2,227,930	2,252,642	3,535,606	3,422,238
Net position, June 30	\$ 1,441,137	\$ 1,307,676	\$ 2,361,900	\$ 2,227,930	\$ 3,803,037	\$ 3,535,606

Governmental activities. Governmental activities increased the Town's net position by \$133,461, thereby accounting for 49.90% of the total increase in the net position of the Town of Brunswick. Key element of this increase is as follows:

- Increase in revenues.

Business-type activities. Business-type activities increased the Town of Brunswick's net position by \$133,970, thereby accounting for 50.10% of the total increase in net position of the Town of Brunswick. Key elements of this increase are as follows:

- Increase in charges for services and capital grants and contributions.
- Decrease in total expenditures.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Brunswick's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Brunswick's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Brunswick. At the end of the current fiscal year, Town of Brunswick's fund balance available in the General fund was \$1,088,825, while total fund balance reached \$1,159,006. The Town currently has an available fund balance of 292.95% of general fund expenditures, while the total balance represents 311.83% of the same amount.

At June 30, 2019, the governmental funds of Town of Brunswick reported a combined fund balance of \$1,159,006 with a net increase in fund balance of \$141,735.

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

Revenues were more than budgeted amounts primarily due to more intergovernmental revenues than anticipated. Although expenditures were held in check overall to comply with its budgetary requirements, the Town did amend the budget in the General Fund to account for unexpected expenditures.

Proprietary Funds. The Town of Brunswick's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$170,326. The total change in net position for the water and sewer fund was an increase of \$133,970. The change in net position in the Water and Sewer Fund is a result of a decrease in expenditures compared to the prior fiscal year and an increase in revenues.

Capital Asset and Debt Administration

Capital assets. The Town of Brunswick's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$2,467,374 (net of accumulated depreciation). These assets include buildings, land, construction in progress, vehicles, infrastructure, and equipment.

There were no major capital asset acquisitions during the current fiscal year.

The Town of Brunswick's Capital Assets
Figure 4

(Net of depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Land	\$ 5,500	\$ 5,500	\$ 4,610	\$ 4,610	\$ 10,110	\$ 10,110
Construction in Progress	-	-	150,296	-	150,296	-
Buildings	270,300	277,433	-	-	270,300	277,433
Vehicles	-	-	-	-	-	-
Equipment	-	15	-	60	-	75
Plant and Distribution	-	-	2,036,668	2,092,917	2,036,668	2,092,917
Total	\$ 275,800	\$ 282,948	\$ 2,191,574	\$ 2,097,587	\$ 2,467,374	\$ 2,380,535

Additional information on the Town's capital assets can be found in Note II of the Basic Financial Statements.

Long-term Debt. As of June 30, 2019, the Town of Brunswick had total long-term obligations outstanding of \$23,193. Of this, \$0- is debt backed by the full faith and credit of the Town of Brunswick.

The Town of Brunswick's Outstanding Debt
Figure 5

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Installment purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences	2,554	2,126	-	-	2,554	2,126
Pension related debt (LGERS)	20,639	13,444	-	-	20,639	13,444
General Obligation Bonds	-	-	-	-	-	-
Total	\$ 23,193	\$ 15,570	\$ -	\$ -	\$ 23,193	\$ 15,570

Town of Brunswick Outstanding Debt

The Town of Brunswick's total debt increased by \$7,623 during the fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Brunswick is \$1,565,091. The Town of Brunswick does not have any authorized but un-issued debt at June 30, 2019.

Additional information regarding the Town of Brunswick's long-term debt can be found beginning on page 51 in the Notes to the Financial Statements.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Budgeted revenues in the General Fund are expected to increase slightly.

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

Requests for Information

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

**Cheryl Clewis
Finance Officer
Town of Brunswick
Post Office Box 68
Brunswick, North Carolina 28424**

Basic Financial Statements

TOWN OF BRUNSWICK, NORTH CAROLINA

Statement of Net Position

June 30, 2019

	Primary Government			Brunswick ABC Board
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,093,895	\$ 152,418	\$ 1,246,313	\$ 76,896
Receivables (net):				
Ad Valorem Taxes	3,466	-	3,466	-
Interest	1,054	-	1,054	-
Sanitation	4,985	17,911	22,896	-
Other	-	-	-	-
Due from Other Governments	54,202	-	54,202	-
Due from Component Unit	10,994	-	10,994	-
Inventories	-	-	-	88,356
Restricted Cash and Cash Equivalents	-	-	-	-
Total Current Assets	1,168,596	170,329	1,338,925	165,252
Noncurrent Assets:				
Capital Assets				
Land, Nondepreciable Improvements, and Construction in Progress	5,500	154,906	160,406	-
Other Capital Assets, Net of Depreciation	270,300	2,036,668	2,306,968	2,708
Total Noncurrent Assets	275,800	2,191,574	2,467,374	2,708
Total Assets	1,444,396	2,361,903	3,806,299	167,960
DEFERRED OUTFLOWS OF RESOURCES				
Pension Deferrals	25,857	-	25,857	-
Total Deferred Outflows of Resources	\$ 25,857	\$ -	\$ 25,857	\$ -

TOWN OF BRUNSWICK, NORTH CAROLINA

Statement of Net Position (Continued)

June 30, 2019

	Primary Government			Brunswick ABC Board
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 5,070	\$ 3	\$ 5,073	\$ 13,883
Due to Primary Government	-	-	-	10,994
Due to Other Governments	-	-	-	7,182
Customer Deposits	-	-	-	-
Current Portion of Long-Term Liabilities	-	-	-	-
Total Current Liabilities	5,070	3	5,073	32,059
Long-Term Liabilities:				
Due in More Than One year	2,554	-	2,554	-
Net Pension Liability	20,639	-	20,639	-
Total Long-Term Liabilities	23,193	-	23,193	-
Total Liabilities	28,263	3	28,266	32,059
DEFERRED INFLOWS OF RESOURCES				
Pension Deferrals	853	-	853	-
Total Deferred Inflows of Resources	853	-	853	-
NET POSITION				
Net Investment in Capital Assets	275,800	2,191,574	2,467,374	2,708
Restricted for:				
Transportation	-	-	-	-
Stabilization by State Statute	70,181	-	70,181	-
Capital Improvements	-	-	-	10,000
Working Capital	-	-	-	15,636
Unrestricted	1,095,156	170,326	1,265,482	107,557
Total Net Position	\$ 1,441,137	\$ 2,361,900	\$ 3,803,037	\$ 135,901

TOWN OF BRUNSWICK, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Governing Body	\$ 16,027	\$ 33,882	\$ -	\$ -
Administration	187,312	-	-	-
Elections	-	-	-	-
Police Department	63,400	-	9,600	-
Fire Department	100	-	-	-
Street Department	73,564	-	-	-
Environmental Protection	38,348	43,635	663	-
Powell Bill	-	-	24,534	-
Non-Departmental	-	-	-	-
Interest on long-term debt	-	-	-	-
Total Governmental Activities	378,751	77,517	34,797	-
Business-Type Activities:				
Water and Sewer	158,500	142,174	-	143,260
Total Business-Type Activities	158,500	142,174	-	143,260
Total Primary Government	537,251	219,691	34,797	143,260
Component Unit				
ABC Board	535,401	524,638	-	-
Total Component Unit	\$ 535,401	\$ 524,638	\$ -	\$ -

TOWN OF BRUNSWICK, NORTH CAROLINA

Statement of Activities (Continued)

For the Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Functions/Programs	Governmental Activities	Business-Type Activities	Totals	Brunswick ABC Board
Primary Government:				
Governmental Activities:				
Governing Body	\$ 17,855	\$ -	\$ 17,855	\$ -
Administration	(187,312)	-	(187,312)	-
Elections	-	-	-	-
Police Department	(53,800)	-	(53,800)	-
Fire Department	(100)	-	(100)	-
Street Department	(73,564)	-	(73,564)	-
Environmental Protection	5,950	-	5,950	-
Powell Bill	24,534	-	24,534	-
Non-Departmental	-	-	-	-
Interest on long-term debt	-	-	-	-
Total Governmental Activities	(266,437)	-	(266,437)	-
Business-Type Activities:				
Water and Sewer	-	126,934	126,934	-
Total Business-Type Activities	-	126,934	126,934	-
Total Primary Government	(266,437)	126,934	(139,503)	-
Component Unit				
ABC Board	-	-	-	(10,763)
Total Component Unit	-	-	-	(10,763)
General Revenues:				
Property Taxes, Levied for General Purpose	91,544	-	91,544	-
Other Taxes and Licenses	307,490	-	307,490	-
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-
Investment Earnings	348	-	348	5
Miscellaneous	7,552	-	7,552	3,150
Transfers	(7,036)	7,036	-	-
Total General Revenues and Transfers	399,898	7,036	406,934	3,155
Change in Net Position	133,461	133,970	267,431	(7,608)
Net Position - Beginning of Year	1,307,676	2,227,930	3,535,606	143,509
Net Position - End of Year	\$ 1,441,137	\$ 2,361,900	\$ 3,803,037	\$ 135,901

TOWN OF BRUNSWICK, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2019

	Major Funds	
	General	Total Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 1,093,895	\$ 1,093,895
Restricted Cash	-	-
Receivables (net):		
Ad Valorem Taxes	3,466	3,466
Sanitation	4,985	4,985
Due from Other Governments	54,202	54,202
Due from Component Unit	10,994	10,994
Total Assets	\$ 1,167,542	\$ 1,167,542
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 5,070	\$ 5,070
Total Liabilities	5,070	5,070
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Receivable	3,466	3,466
Total Deferred Inflows of Resources	3,466	3,466
FUND BALANCES		
Restricted		
Stabilization by State Statute	70,181	70,181
Streets	-	-
Assigned		
Subsequent Year's Expenditures	-	-
Unassigned	1,088,825	1,088,825
Total Fund Balances	1,159,006	1,159,006
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,167,542	\$ 1,167,542

TOWN OF BRUNSWICK, NORTH CAROLINA

Balance Sheet (Continued)

Governmental Funds

June 30, 2019

		Total Governmental Funds
<hr/>		
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total Governmental Fund Balance		\$ 1,159,006
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical costs	471,115	
Accumulated depreciation	<u>(195,315)</u>	275,800
Deferred outflows of resources related to pensions are not reported in the funds		
	<u>25,857</u>	25,857
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred		
Accrued interest - taxes	<u>1,054</u>	1,054
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Ad valorem taxes	<u>3,466</u>	3,466
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Installment purchases	-	
Compensated absences	(2,554)	
Net Pension Liability	<u>(20,639)</u>	(23,193)
Deferred inflows of resources related to pensions are not reported in the funds		
	<u>(853)</u>	(853)
Net position of governmental activities.		<u><u>\$ 1,441,137</u></u>

TOWN OF BRUNSWICK, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended June 30, 2019

	Major Funds	
	General Fund	Total Governmental Funds
Revenues		
Ad Valorem Taxes	\$ 92,744	\$ 92,744
Other Taxes and Licenses	50	50
Unrestricted Intergovernmental	307,440	307,440
Restricted Intergovernmental	34,797	34,797
Permits and Fees	33,882	33,882
Sales and Services	43,635	43,635
Investment Earnings	348	348
Miscellaneous	7,552	7,552
Total Revenues	520,448	520,448
Expenditures		
Current		
Governing Body	16,027	16,027
Administration	187,271	187,271
Elections	-	-
Police Department	63,400	63,400
Fire Department	100	100
Environmental Protection	38,348	38,348
Street Department	66,531	66,531
Powell Bill	-	-
Non-Departmental	-	-
Total Expenditures	371,677	371,677
Excess (Deficiency) of Revenues Over Expenditures	148,771	148,771
Other Financing Sources (Uses)		
Transfers from Other Funds	-	-
Transfers to Other Funds	(7,036)	(7,036)
Total Other Financing Sources (Uses)	(7,036)	(7,036)
Net Change in Fund Balance	141,735	141,735
Fund Balance - Beginning of Year	1,017,271	1,017,271
Fund Balance - End of Year	\$ 1,159,006	\$ 1,159,006

TOWN OF BRUNSWICK, NORTH CAROLINA

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

Governmental Funds

For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds	\$	141,735
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay expenditures which were capitalized	-	
Depreciation expense	(7,148)	(7,148)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		
	8,170	8,170
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Change in unavailable revenue for tax revenues	(1,010)	
Interest earned on ad valorem taxes	(190)	(1,200)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issuance	-	
Debt retirement	-	-
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:		
Compensated absences	(428)	
Pension Expense	(7,668)	(8,096)
Total changes in net position of governmental activities	\$	<u>133,461</u>

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TOWN OF BRUNSWICK, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2019

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Ad Valorem Taxes	\$ 78,365	\$ 85,865	\$ 92,744	\$ 6,879
Other Taxes and Licenses	30	30	50	20
Unrestricted Intergovernmental	278,903	286,403	307,440	21,037
Restricted Intergovernmental	24,679	24,679	34,797	10,118
Permits and Fees	200	200	33,882	33,682
Sales and Services	43,458	43,458	43,635	177
Investment Earnings	-	-	348	348
Miscellaneous	37,034	37,034	7,552	(29,482)
Total Revenues	462,669	477,669	520,448	42,779
Expenditures				
Governing Body	17,800	17,800	16,027	1,773
Administration	237,961	242,961	187,271	55,690
Elections	-	-	-	-
Police Department	81,534	81,534	63,400	18,134
Fire Department	1,000	1,000	100	900
Environmental Protection	46,924	46,924	38,348	8,576
Street Department	75,224	85,224	66,531	18,693
Powell Bill	2,226	2,226	-	2,226
Non-Departmental	-	-	-	-
Total Expenditures	462,669	477,669	371,677	105,992
Revenues Over (Under) Expenditures	-	-	148,771	148,771
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	-	(7,036)	(7,036)
Total Other Financing Sources (Uses)	-	-	(7,036)	(7,036)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	141,735	141,735
Appropriated Fund Balance	-	-	-	-
Net Change in Fund Balance	\$ -	\$ -	141,735	\$ 141,735
Fund Balance - Beginning of Year			1,017,271	
Fund Balance - End of Year			\$ 1,159,006	

TOWN OF BRUNSWICK, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Fund
June 30, 2019

	Water and Sewer Fund
ASSETS	
Current Assets	
Cash and Investments	\$ 152,418
Accounts Receivable (net)	17,911
Due from Other Governments	-
Total Current Assets	<u>170,329</u>
Noncurrent Assets	
Capital Assets	
Land, Nondepreciable Improvements, and Construction in Progress	154,906
Other Capital Assets, Net of Depreciation	2,036,668
Total Noncurrent Assets	<u>2,191,574</u>
Total Assets	<u><u>2,361,903</u></u>
LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Liabilities	3
Customer Deposits	-
General Obligation Bonds Payable	-
Total Current Liabilities	<u>3</u>
Noncurrent Liabilities	
General Obligation Bonds	-
Total Noncurrent Liabilities	<u>-</u>
Total Liabilities	<u>3</u>
NET POSITION	
Net Investment in Capital Assets	2,191,574
Unrestricted	170,326
Total Net Position	<u><u>\$ 2,361,900</u></u>

TOWN OF BRUNSWICK, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Fund

For the Year Ended June 30, 2019

	Water and Sewer Fund
	<hr/>
Operating Revenues	
Water Charges	\$ 59,914
Sewer Charges	72,365
Reconnection Fees	1,425
Penalties and Interest	8,020
Miscellaneous Income	450
Total Operating Revenues	<hr/> 142,174 <hr/>
Operating Expenses	
Administration	24,419
Water Treatment and Distribution	77,772
Depreciation	56,309
Total Operating Expenses	<hr/> 158,500 <hr/>
Operating Income (Loss)	<hr/> (16,326) <hr/>
Nonoperating Revenues (Expenses)	
Interest Expense	-
Total Nonoperating Revenues (Expenses)	<hr/> - <hr/>
Total Income (Loss) Before Contributions and Transfers	<hr/> (16,326) <hr/>
Capital Contributions	143,260
Transfers from Other Funds	<hr/> 7,036 <hr/>
Change in Net Position	133,970
Total Net Position - Beginning of Year	<hr/> 2,227,930 <hr/>
Total Net Position - End of Year	<hr/> \$ 2,361,900 <hr/>

TOWN OF BRUNSWICK, NORTH CAROLINA

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2019

	Water and Sewer Fund
Cash Flows from Operating Activities	
Cash Received from Customers and Users	\$ 141,405
Cash Paid for Goods and Services	(78,064)
Cash Paid to Employees for Services	(24,124)
Customer Deposits Received	-
Customer Deposits Returned	-
Net Cash Provided(Used) by Operating Activities	<u>39,217</u>
Cash Flows from Noncapital Financing Activities	
Transfers from Other Funds	<u>7,036</u>
Net Cash Provided(Used) by Noncapital Financing Activities	<u>7,036</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(150,296)
Capital Contributions	143,260
Interest Paid on Bond Maturities and Equipment Contracts	-
Principal Paid on Bond Maturities and Equipment Contracts	-
Net Cash Provided(Used) by Capital and Related Financing Activities	<u>(7,036)</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>-</u>
Net Increase(Decrease) in Cash and Cash Equivalents	39,217
Cash and Cash Equivalents - Beginning of Year	<u>113,201</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 152,418</u></u>

TOWN OF BRUNSWICK, NORTH CAROLINA

Statement of Cash Flows (Continued)

Proprietary Fund

For the Year Ended June 30, 2019

	Water and Sewer Fund
	<hr/>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	\$ (16,326)
	<hr/>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	56,309
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(769)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	3
Increase (Decrease) in Customer Deposits	-
	<hr/>
Total Adjustments	55,543
	<hr/>
Net Cash Provided(Used) by Operating Activities	\$ 39,217
	<hr/>

TOWN OF BRUNSWICK, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting policies of the Town of Brunswick and its discretely presented component unit 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 Brunswick is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Brunswick ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Brunswick ABC Board, Highway 130, Post Office Box 7, Brunswick, NC 28424.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. 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.

TOWN OF BRUNSWICK, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation – Fund Accounting (Continued)

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 fund:

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.

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. A Sewer Capital Project Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Sewer Capital Project Fund has been included in the supplemental information.

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.

TOWN OF BRUNSWICK, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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 revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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. Issuance 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. Sales taxes are considered a shared revenue for the Town of Brunswick because the tax is levied by Columbus County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

TOWN OF BRUNSWICK, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Enterprise Capital Project Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the 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 and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board 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 and the ABC Board 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 and ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT – Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT – Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

TOWN OF BRUNSWICK, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)****3. Restricted Assets**

Powell Bill funds are 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 Brunswick Restricted Cash	
Governmental Activities	
General Fund	
Streets	\$ -
Total Governmental Activities	-
Total Restricted Cash	\$ -

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The Town does not maintain any inventories. The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market.

The inventories of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when held for resale rather than when purchased.

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

TOWN OF BRUNSWICK, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)****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. Due to very limited capital asset acquisition, minimum capitalization costs are \$500 for all items. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. There were no general infrastructure assets acquired prior to July 1, 2003. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Buildings and Improvements	10-40
Equipment	7-10

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable and pension deferrals.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the period in which they occur. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

Full-time employees of the Town earn five days' vacation per calendar year, while ABC Board employees earn five days' vacation during their first year of employment and ten days' vacation per year thereafter. This vacation leave is considered fully vested when earned. However, the vacation policies of the Town and the ABC Board do not provide for accumulation of earned vacation leave.

Full-time employees of the Town earn twelve days' sick leave per calendar year, while the ABC Board employees earn five days' sick leave per calendar year. The Town's sick leave policies provide for the accumulation of earned sick leave up to thirty (30) days, while the ABC Board's policies do not permit the accumulation of sick leave or the carryover of unused sick leave from one calendar year to the next. 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 purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

TOWN OF BRUNSWICK, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Position/Fund Balances (Continued)

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 Brunswick's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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.

The Town of Brunswick has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, Town funds. For purposes of fund balance classification, expenditures are to be spent from the restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Brunswick has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the general fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

TOWN OF BRUNSWICK, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

12. Defined Benefit Cost-Sharing Plans

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

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town and ABC Board 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 or ABC Board'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 and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board'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, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board 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. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$1,246,213 and a bank balance of \$1,262,351. Of the bank balance, \$341,605 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$76,896 and the bank balance was \$77,821. All of the bank balance was covered by the federal depository insurance. At June 30, 2019, the petty cash fund on hand totaled \$100 and \$800 for the Town and the ABC Board respectively.

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

2. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of the following allowances for doubtful accounts:

Fund	06/30/2019
General Fund:	
Taxes Receivable	\$ 4,000
Accounts Receivable	3,000
Total General Fund	7,000
Water and Sewer Fund:	
Accounts Receivable	8,000
Total Water and Sewer Fund	8,000
Total	\$ 15,000

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,500	\$ -	\$ -	\$ 5,500
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	5,500	-	-	5,500
Capital assets being depreciated:				
Buildings and Improvements	401,242	-	-	401,242
Equipment	17,809	-	-	17,809
Vehicles	46,564	-	-	46,564
Infrastructure	-	-	-	-
Total capital assets being depreciated	465,615	-	-	465,615
Less accumulated depreciation for:				
Buildings and Improvements	123,809	7,133	-	130,942
Equipment	17,794	15	-	17,809
Vehicles	46,564	-	-	46,564
Infrastructure	-	-	-	-
Total accumulated depreciation	188,167	7,148	-	195,315
Total capital assets being depreciated, net	277,448			270,300
Governmental activity capital assets, net	\$ 282,948			\$ 275,800

TOWN OF BRUNSWICK, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**A. Assets (Continued)****3. Capital Assets (Continued)**

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

Administration	\$ -
Street Department	7,148
Total	<u>\$ 7,148</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 4,610	\$ -	\$ -	\$ 4,610
Construction in Progress	-	150,296	-	150,296
Total capital assets not being depreciated	4,610	150,296	-	154,906
Capital assets being depreciated:				
Plant and Distribution System	2,646,453	-	-	2,646,453
Equipment	2,131	-	-	2,131
Total capital assets being depreciated	2,648,584	-	-	2,648,584
Less accumulated depreciation for:				
Plant and Distribution System	553,536	56,249	-	609,785
Equipment	2,071	60	-	2,131
Total accumulated depreciation	555,607	56,309	-	611,916
Total capital assets being depreciated, net	2,092,977			2,036,668
Water and Sewer Fund capital assets, net	<u>\$ 2,097,587</u>			<u>\$ 2,191,574</u>

TOWN OF BRUNSWICK, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**A. Assets (Continued)****3. Capital Assets (Continued)****Discretely Presented Component Unit**

Activity for the ABC Board for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	-
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Buildings and Improvements	11,510	-	-	11,510
Equipment	42,829	-	-	42,829
Furniture and Fixtures	4,994	-	-	4,994
Total capital assets being depreciated	59,333	-	-	59,333
Less accumulated depreciation for:				
Buildings and Improvements	11,509	-	-	11,509
Equipment	38,962	1,160	-	40,122
Furniture and Fixtures	4,994	-	-	4,994
Total accumulated depreciation	55,465	1,160	-	56,625
Total capital assets being depreciated, net	3,868			2,708
ABC Board capital assets, net	\$ 3,868			\$ 2,708

B. Liabilities**1. Pension Plan Obligations****a. Local Governmental Employees' Retirement System**

Plan Description. The Town of Brunswick is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is 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, by calling (919) 981-5454, or at www.osc.nc.gov.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Brunswick employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Brunswick's contractually required contribution rate for the year ended June 30, 2019, was 7.75% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Brunswick were \$8,170 for the year ended June 30, 2019.

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

At June 30, 2019, the Town reported a liability of \$20,639 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018 (measurement date), the Town's proportion was 0.00087%, which was a decrease of .00001% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$7,671. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,184	\$ 107
Changes of assumptions	5,477	-
Net difference between projected and actual earnings on pension plan investments	2,833	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,193	746
Town contributions subsequent to the measurement date	8,170	-
Total	<u>\$ 25,857</u>	<u>\$ 853</u>

\$8,170 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ 6,959
2021	4,912
2022	2,325
2023	2,638
2024	-
Thereafter	-

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment Rate of Return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

TOWN OF BRUNSWICK, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****a. Local Governmental Employees' Retirement System (Continued)**

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 49,578	\$ 20,639	\$ (3,542)

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

TOWN OF BRUNSWICK, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****a. Local Governmental Employees' Retirement System (Continued)*****Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions***

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	Total
Pension Expense	\$ 7,671	\$ 7,671
Pension Liability	20,639	20,639
Proportionate share of the net pension liability	.00087%	.00087%
Deferred Outflows of Resources		
Differences between expected and actual experience	3,184	3,184
Changes of assumptions	5,477	5,477
Net difference between projected and actual earnings on plan investments	2,833	2,833
Changes in proportion and differences between contributions and proportionate share of contributions	6,193	6,193
Benefit payments and administrative costs paid subsequent to the measurement date	8,170	8,170
Deferred Inflows of Resources		
Differences between expected and actual experience	107	107
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	746	746

TOWN OF BRUNSWICK, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****2. Deferred Outflows and Inflows of Resources**

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

Contributions to Pension Plan in Current Fiscal Year	\$	8,170
Differences between expected and actual experience		3,184
Changes of assumptions		5,477
Net difference between projected and actual		2,833
Changes in proportion and differences between employer contributions and proportionate share of contributions		6,193
Total	\$	<u>25,857</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable (General Fund)	-	3,466
Changes in assumptions	-	-
Differences between expected and actual experience	107	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	746	-
Total	\$ 853	\$ 3,466

TOWN OF BRUNSWICK, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****3. 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 self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance value of the property policy, and workers' compensation coverage up to the statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property liability in excess of \$500,000 and \$1,000,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000.

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 does not have flood insurance, as they are not considered to be in a high risk area.

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/Town Clerk is bonded for \$50,000.

4. Claims, Judgements, and Contingent Liabilities

At June 30, 2019, the Town did not have any litigation pending.

5. Long-Term Obligations**a. Changes in Long-Term Liabilities**

	Balance 07/01/18	Increases	Decreases	Balance 06/30/19	Current Portion of Balance
Governmental activities:					
Installment Purchases	\$ -	\$ -	\$ -	\$ -	-
Compensated absences	2,126	428	-	2,554	-
Net Pension Liability (LGERS)	13,444	7,195	-	20,639	-
Governmental activity long-term liabilities	<u>\$ 15,570</u>	<u>\$ 7,623</u>	<u>\$ -</u>	<u>\$ 23,193</u>	<u>-</u>
Business-type activities:					
Installment Purchases	\$ -	\$ -	\$ -	\$ -	-
General Obligation Bonds	-	-	-	-	-
Compensated absences	-	-	-	-	-
Business-type activity long-term liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

Compensated absences typically have been liquidated in the General Fund.

At June 30, 2019, the Town of Brunswick had a legal debt margin of \$1,565,091.

TOWN OF BRUNSWICK, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**C. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2019, consist of the following:

From the General Fund to the Sewer Capital Project Fund	\$ 7,036
Total	<u>\$ 7,036</u>

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

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 275,800	\$ 2,191,574
less: long-term debt	-	-
Add: unexpended debt proceeds	-	-
Net Investment in Capital Assets	<u>\$ 275,800</u>	<u>\$ 2,191,574</u>

E. Fund Balance

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

<i>Total fund balance – General Fund</i>	\$ 1,159,006
Less:	
Stabilization by State Statute	70,181
Streets	-
Appropriated Fund Balance in 2019-2020 budget	-
Remaining Fund Balance	1,088,825

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

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

TOWN OF BRUNSWICK, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

III. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**Federal and State Assisted Programs**

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

IV. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 23, 2020, which is the date the financial statements were available to be issued.

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Required Supplementary

Financial Data

TOWN OF BRUNSWICK, NORTH CAROLINA
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years*

Local Government Employees' Retirement System						
	2019	2018	2017	2016	2015	2014
Brunswick's proportion of the net pension liability (asset) (%)	0.00087%	0.00088%	0.00090%	0.00198%	0.00198%	0.00170%
Brunswick's proportion of the net pension liability (asset) (\$)	\$ 20,639	\$ 13,444	\$ 19,101	\$ 8,886	\$ (11,677)	\$ 20,492
Brunswick's covered-employee payroll	\$ 124,437	\$ 104,695	\$ 93,966	\$ 91,061	\$ 93,541	\$ 88,891
Brunswick's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	16.59%	12.84%	20.33%	9.76%	(12.48%)	23.05%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

TOWN OF BRUNSWICK, NORTH CAROLINA

Town of Brunswick's Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System						
	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 8,170	\$ 9,333	\$ 7,590	\$ 9,292	\$ 9,208	\$ 9,457
Contributions in relation to the contractually required contribution	8,170	9,333	7,590	9,292	9,208	9,457
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Brunswick's covered employee payroll	\$ 105,421	\$ 124,437	\$ 104,695	\$ 93,966	\$ 91,061	\$ 93,541
Contributions as a percentage of covered-employee payroll	7.75%	7.50%	7.25%	9.89%	10.11%	10.11%

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Major Governmental Funds

General Fund

TOWN OF BRUNSWICK, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Taxes		\$ 91,076	
Penalties and Interest		1,668	
Total Ad Valorem Taxes	\$ 85,865	92,744	\$ 6,879
Other Taxes and Licenses			
Privilege Licenses		50	
Total Other Taxes and Licenses	30	50	20
Unrestricted Intergovernmental			
Local Option Sales Tax		270,055	
Utility Sales Tax		17,962	
Telecommunications Tax		3,856	
Video Franchise Tax		2,928	
ABC Profit Distribution		7,813	
Beer and Wine Tax		4,826	
Total Unrestricted Intergovernmental	286,403	307,440	21,037
Restricted Intergovernmental			
Powell Bill Allocation		24,534	
ABC Law Enforcement		9,600	
Solid Waste Disposal Tax		663	
Disaster Recovery Grant - FEMA		-	
Total Restricted Intergovernmental	24,679	34,797	10,118
Permits and Fees			
Zoning Permits		3,775	
Miscellaneous		30,107	
Total Permits and Fees	200	33,882	33,682
Sales and Services			
Solid Waste		43,635	
Video Franchise Fees		-	
Total Sales and Services	43,458	43,635	177
Investment Earnings			
General		348	
Total Investment Earnings	-	348	348
Miscellaneous			
Other		7,552	
Total Miscellaneous	37,034	7,552	(29,482)
Total Revenues	\$ 477,669	\$ 520,448	\$ 42,779

TOWN OF BRUNSWICK, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
Governing Body			
Salaries and Wages		\$ 16,027	
Total Governing Body	\$ 17,800	16,027	\$ 1,773
Administration			
Salaries and Wages		123,351	
Operating Expenditures		63,920	
Capital Outlay		-	
Total Administration	242,961	187,271	55,690
Elections			
Operating Expenditures		-	
Total Elections	-	-	-
Police Department			
Operating Expenditures		63,400	
Total Police	81,534	63,400	18,134
Fire Department			
Operating Expenditures		100	
Total Fire Department	1,000	100	900
Environmental Protection			
Operating Expenditures		38,348	
Total Environmental Protection	46,924	38,348	8,576
Street Department			
Salaries and Wages		44,388	
Operating Expenditures		22,143	
Capital Outlay		-	
Total Street Department	85,224	66,531	18,693
Powell Bill			
Salaries and Wages		-	
Operating Expenditures		-	
Total Powell Bill	2,226	-	2,226
Non-Departmental			
Operating Expenditures		-	
Total Non-Departmental	-	-	-
Total Expenditures	\$ 477,669	\$ 371,677	\$ 105,992

TOWN OF BRUNSWICK, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ 148,771	\$ 148,771
Other Financing Sources (Uses)			
Transfers In:			
Water and Sewer Fund	-	-	-
Transfers Out:			
Sewer Capital Project Fund	-	(7,036)	(7,036)
Total Other Financing Sources (Uses)	-	(7,036)	(7,036)
Fund Balance Appropriated	-	-	-
Net Change in Fund Balance	\$ -	141,735	\$ 141,735
Fund Balance - Beginning of Year		1,017,271	
Fund Balance - End of Year		\$ 1,159,006	

Enterprise Funds

TOWN OF BRUNSWICK, NORTH CAROLINA

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating Revenue			
Water Charges		\$ 59,914	
Sewer Charges		72,365	
Tap Fees		-	
Reconnection Fees		1,425	
Penalties and Interest		8,020	
Total Operating Revenue	\$ 131,632	141,724	\$ 10,092
Miscellaneous			
Other		450	
Total Miscellaneous	-	450	450
Total Revenues	131,632	142,174	10,542
Expenditures			
Administration			
Salaries and Employee Benefits		24,124	
Other Expenditures		295	
Total Administration	33,632	24,419	9,213
Water Treatment and Distribution			
Repairs and Maintenance		-	
Other Expenditures		77,772	
Total Water Treatment and Distribution	98,000	77,772	20,228
Debt Service			
Principal Retirement		-	
Interest Expense		-	
Total Debt Service	-	-	-
Total Expenditures	131,632	102,191	29,441
Revenues Over (Under) Expenditures	-	39,983	39,983
Other Financing Sources (Uses)			
Transfers	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Appropriated Fund Balance	-	-	-
Revenues and Other Sources Over Expenditures and Other Uses	\$ -	\$ 39,983	\$ 39,983

TOWN OF BRUNSWICK, NORTH CAROLINA
Water and Sewer Fund
Schedule of Revenues and Expenditures (Continued)
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Sources Over Expenditures and Other Uses		<u>\$ 39,983</u>	
Reconciling Items:			
Depreciation Expense		(56,309)	
Transfer to Sewer Capital Project Fund		7,036	
Principal Retirement		-	
Capital Contributions		<u>143,260</u>	
Total Reconciling Items		<u>93,987</u>	
Change in Net Position		<u><u>\$ 133,970</u></u>	

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TOWN OF BRUNSWICK, NORTH CAROLINA

Sewer Capital Project Fund - 2016 CDBG Sewer Project

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

From Inception and for the Fiscal Year Ended June 30, 2019

	Actual				
	Project Authorization	Prior Year	Current Year	Totals to Date	Variance Positive Positive (Negative)
Revenues					
Restricted Intergovernmental					
Federal Grant	\$ 1,276,000	\$ -	\$ 143,260	\$ 143,260	\$ (1,132,740)
Total Revenues	1,276,000	-	143,260	143,260	(1,132,740)
Expenditures - Sewer Project					
Administration - Professional Fees	130,100	-	150,296	150,296	(20,196)
Sewer Improvements	1,118,400	-	-	-	1,118,400
Housing Rehab - Sewer	52,500	-	-	-	52,500
Total Expenditures	1,301,000	-	150,296	150,296	1,150,704
Excess (Deficiency) of Revenues					
Over Expenditures	(25,000)	-	(7,036)	(7,036)	17,964
Other Financing Sources (Uses)					
Transfers in:					
General Fund	25,000	500	7,036	7,536	(17,464)
Transfers out:					
General Fund	-	-	-	-	-
Total Other Financing					
Sources (Uses)	25,000	500	7,036	7,536	(17,464)
Revenues and Other Sources					
Over Expenditures and					
Other Uses	\$ -	\$ 500	-	\$ 500	\$ 500

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Other Schedules

TOWN OF BRUNSWICK, NORTH CAROLINA

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2019

Fiscal Year	Uncollected Balance 7-1-18	Additions and Adjustments	Collections and Credits	Uncollected Balance 6-30-19
2018-19	\$ -	\$ 91,019	\$ 88,293	\$ 2,726
2017-18	2,414	-	1,899	515
2016-17	692	-	571	121
2015-16	226	-	107	119
2014-15	163	-	50	113
2013-14	821	720	30	1,511
2012-13	1,572	-	654	918
2011-12	1,002	30	30	1,002
2010-11	1,050	-	856	194
2009-10	282	-	35	247
2008-09	254	-	254	-
	<u>\$ 8,476</u>	<u>\$ 91,769</u>	<u>\$ 92,779</u>	<u>7,466</u>

Less: Allowance for Uncollectible Accounts:

General Fund

4,000

Ad Valorem Taxes Receivable - Net

\$ 3,466Reconciliation with Revenues

Ad Valorem Taxes - General Fund

92,744

Reconciling Items:

Interest and Penalties Collected

(1,668)

Taxes Released

1,449

Taxes Written Off

254

Total Collections and Credits

\$ 92,779

TOWN OF BRUNSWICK, NORTH CAROLINA

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2019

	Town-Wide		Total Levy	
	Property Valuation	Rate Per \$100	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:				
Property Taxed at				
Current Year's Rate	\$ 19,563,636	0.45	\$ 90,979	\$ 69,874
Penalties	-		40	40
	<u>19,563,636</u>		<u>91,019</u>	<u>69,914</u>
Discoveries:				
Current Year Taxes	-	0.45	-	-
Penalties	-		-	-
	<u>-</u>		<u>-</u>	<u>-</u>
Abatements:				
Property Taxes -				
Current Year's Rate	-	0.45	\$ -	-
	<u>-</u>		<u>-</u>	<u>-</u>
Total Property Valuations	<u>\$ 19,563,636</u>			
Net Levy			91,019	69,914
Uncollected Taxes at June 30, 2019			2,726	2,726
Current Year's Taxes Collected			<u>\$ 88,293</u>	<u>\$ 67,188</u>
Current Levy Collection Percentage			<u>97.01%</u>	<u>96.10%</u>

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Compliance

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Commissioners
Town of Brunswick, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Brunswick, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Brunswick's basic financial statements, and have issued our report thereon dated January 23, 2020. The financial statements of the Brunswick ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

W Greene, PLLC

Whiteville, North Carolina
January 23, 2020

TOWN OF BRUNSWICK, NORTH CAROLINA

Schedule of Findings and Responses

For the Fiscal Year Ended June 30, 2019

SECTION I. SUMMARY OF AUDITOR'S RESULTS
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Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant Deficiency(s)

_____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

TOWN OF BRUNSWICK, NORTH CAROLINA

Schedule of Findings and Responses

For the Fiscal Year Ended June 30, 2019

SECTION II. FINANCIAL STATEMENT FINDINGS

None Reported

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