

REVIEWED

By SLGFD at 4:07 pm, Jan 04, 2022

Town of Brunswick, North Carolina

Report of Independent Certified Public Accountants

Financial Statements and Schedules

For the Fiscal Year Ended

June 30, 2021

Nancy Hill, Mayor

Commissioners

Jacqueline Williams-Rowland, Mayor Pro Tempore

Alonzo McArthur

Everlene Davis

Shirley Moore

Town Planner

Al Leonard, Jr.

Town Clerk/Finance Officer

Cheryl N. Clewis

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Town of Brunswick, North Carolina
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June 30, 2021

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June 30, 2021

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Financial Section

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- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Enterprise Funds**



Patterson & Associates, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
American Institute of CPAs
NC Association of CPAs

Independent Auditor's Report

October 25, 2021

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, 2021, 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 did not audit the financial statements of the Town of Brunswick ABC Board. Those statements were audited by another auditor whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Brunswick ABC Board, is based solely on the reports of another auditor. 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 the Town of Brunswick ABC Board were not audited in accordance with *Government Auditing Standards*.

**Independent Auditor's Report
For the Year Ending
June 30, 2021**

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 and the reports of the other auditors, 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 units, each major fund, and the aggregate remaining fund information of the Town of Brunswick, North Carolina as of June 30, 2021, 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.

Emphasis of Matter

As discussed in Note 6 to the financial statements, effective July 1, 2020, the entity adopted new accounting guidance promulgated in GASB Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on page 45 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 and the other auditors 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.

**Independent Auditor's Report
For the Year Ending
June 30, 2021**

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, 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, 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 October 25, 2021, on our consideration of Town of Brunswick's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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.

Patterson & Associates, PLLC
Lumberton, NC

Town of Brunswick, North Carolina
Management's Discussion and Analysis
June 30, 2021

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, 2021. 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.

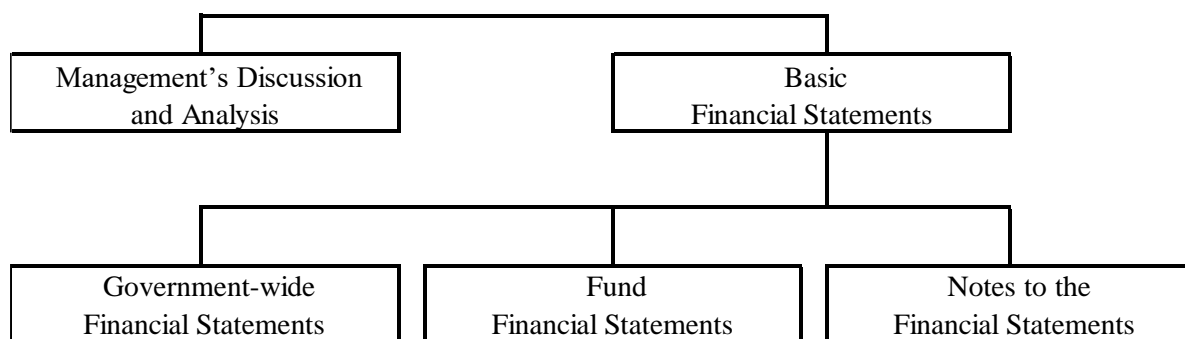
Financial Highlights

- The assets and deferred outflows of resources of the Town of Brunswick exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,065,413 (net position).
- The government's total net position increased by \$72,957, primarily due to operating grants in the proprietary fund and local option sales tax in the governmental fund.
- As of the close of the current fiscal year, the Town of Brunswick's governmental funds reported combined ending fund balances of \$1,460,673. Approximately 96.24% percent of this total amount, or \$1,405,731, is available for spending at the government's discretion, known as unreserved fund balance. This unreserved fund balance represents 311.28% of total general fund expenditures for the fiscal year.
- The Town of Brunswick's legal debt limit is \$1,638,524, which is 8.00% of the Town's assessed property tax valuation of \$20,481,550. The total legal indebtedness of the Town is \$0, which represents 0.00% of assessed property valuation.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the 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. 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 the Annual Financial Report



Town of Brunswick, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Basic Financial Statements

The first two statements 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 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 general administration, public safety, and streets and highways. 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 units. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over Board and the Board is required to distribute its profits to the Town.

Fund Financial Statements

The fund financial statements 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 the Town of Brunswick can be divided into two categories: governmental funds and proprietary funds.

Town of Brunswick, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds

The 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. The fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 24-44 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 of Brunswick's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 45 of this report.

Town of Brunswick, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-Wide Financial Analysis

The Town of Brunswick's Net Position

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets and deferred						
outflows of resources						
Current assets	\$ 1,535,536	\$ 1,341,477	\$ 231,834	\$ 201,362	\$ 1,767,370	\$ 1,542,839
Capital assets	261,538	268,669	3,136,012	3,216,900	3,397,550	3,485,569
Deferred outflows of resources	38,546	33,127	4,540	3,904	43,086	37,031
Total assets and deferred						
outflows of resources	<u>1,835,620</u>	<u>1,643,273</u>	<u>3,372,386</u>	<u>3,422,166</u>	<u>5,208,006</u>	<u>5,065,439</u>
Liabilities and deferred						
inflows of resources						
Net pension liability	57,228	42,806	6,736	4,722	63,964	47,528
Other liabilities	71,236	2,710	4,279	288	75,515	2,998
Deferred inflows of resources	3,114	22,421	-	36	3,114	22,457
Total liabilities and deferred						
inflows of resources	<u>131,578</u>	<u>67,937</u>	<u>11,015</u>	<u>5,046</u>	<u>142,593</u>	<u>72,983</u>
Net position						
Net investment in						
capital assets	261,538	268,669	3,136,012	3,216,900	3,397,550	3,485,569
Restricted	54,942	66,387	-	-	54,942	66,387
Undesignated	1,387,562	1,240,280	225,359	200,220	1,612,921	1,440,500
Total net position	<u>\$ 1,704,042</u>	<u>\$ 1,575,336</u>	<u>\$ 3,361,371</u>	<u>\$ 3,417,120</u>	<u>\$ 5,065,413</u>	<u>\$ 4,992,456</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Brunswick exceeded liabilities and deferred inflows of resources by \$5,065,413 as of June 30, 2021. The Town's Net Position increased by \$72,957 for the fiscal year ended June 30, 2021.

However, the largest portion of the Town's net position (67.07%) reflects its 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 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.

The restricted portion of net position, \$54,942, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$1,612,921 may be used to meet the Town's ongoing obligations to the citizens and creditors.

Town of Brunswick, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Governmental activities

Town of Brunswick Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 76,209	\$ 78,551	\$ 143,746	\$ 145,119	\$ 219,955	\$ 223,670
Operating grants	33,406	34,041	50,000	-	83,406	34,041
Capital grants	-	-	-	1,089,541	-	1,089,541
General revenues:						
Property taxes	99,235	99,051	-	-	99,235	99,051
Other taxes and licenses	350,127	313,843	-	-	350,127	313,843
Other	40,350	11,446	-	-	40,350	11,446
Total revenues	599,327	536,932	193,746	1,234,660	78,357,241	73,111,945
Expenses:						
Governing body	18,114	17,034	-	-	18,114	17,034
Administration	244,019	187,444	-	-	244,019	187,444
Police department	77,834	83,129	-	-	77,834	83,129
Street department	71,191	74,986	-	-	71,191	74,986
Powell bill	2,021	2,681	-	-	2,021	2,681
Sanitation	39,790	41,460	-	-	39,790	41,460
CARES Act	17,652	-	-	-	17,652	-
Non-departmental	-	3,965	-	-	-	3,965
Water and sewer	-	-	249,495	171,474	249,495	171,474
Total expenses	470,621	410,699	249,495	171,474	75,332,474	69,875,541
Increase in net position before transfers	128,706	126,233	(55,749)	1,063,186	72,957	1,189,419
Transfers	-	7,966	-	(7,966)	-	-
Increase in net position	128,706	134,199	(55,749)	1,055,220	72,957	1,189,419
Net position, July 1	1,575,336	1,441,137	3,417,120	2,361,900	4,992,456	3,803,037
Net position, June 30	\$1,704,042	\$1,575,336	\$3,361,371	\$3,417,120	\$5,065,413	\$4,992,456

Governmental activities increased the Town's net position by \$128,706. Key elements of this increase are Local Option Sales Tax and Ad Valorem taxes.

Business type activities' decreased the Town's net position by -\$55,749. Operating revenues decreased by -\$1,040,914 and operating expenses increased by \$78,021, respectively. Key elements of this change are a decrease in capital grant contributions revenues and an increase in contracted services expense and depreciation expense.

Town of Brunswick, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Financial Analysis of the Town of Brunswick'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'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, unreserved 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, unreserved fund balance of the General Fund was \$1,387,562, while total fund balance reached \$1,704,042. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 32.55% of total General Fund expenditures.

At June 30, 2021, the governmental funds of the Town of Brunswick reported a combined fund balance of \$1,704,042, an increase of \$128,706 from last year.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the governmental wide financial statements, but in more detail.

Unrestricted net position in the Water and Sewer Fund decreased by -\$55,749 from the prior fiscal year. This was due mainly to decreased funding in operating grant money.

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 the budgeted amounts primarily because Local Option Sales Tax and Ad Valorem taxes were higher than expected. Expenditures increased primarily due to administration costs cuts. See page 19 for a detailed comparison of original budgeted amounts to final budgeted amounts.

Proprietary Funds

The Town'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 \$225,359. The total change in net position was -\$55,749. This decrease is a result of increased depreciation expense and reduced capital contribution grants.

Town of Brunswick, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

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, 2021, is summarized below. These assets include Land, buildings, distribution systems, and construction in progress.

Capital Assets (net of depreciation)						
	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 5,500	\$ 5,500	\$ 4,610	\$ 4,610	\$ 10,110	\$ 10,110
Buildings	256,038	263,169	-	-	256,038	263,169
Distribution system	-	-	-	-	-	-
Work in progress	-	-	3,131,402	3,212,290	3,131,402	3,212,290
Total	\$ 261,538	\$ 268,669	\$3,136,012	\$3,216,900	\$3,397,550	\$3,485,569

There were no major capital asset transactions during the year. Additional information on the Town's capital assets can be found starting on page 34 in the Notes to the Financial Statements.

Long-term Debt

As of June 30, 2021, the Town of Brunswick had long term debt outstanding of \$63,964. Of this debt, none is backed by the full faith and credit of the Town of Brunswick.

Town of Brunswick's Outstanding Debt

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Compensated absences	\$ -	\$ 2,741	\$ -	\$ -	\$ -	\$ 2,741
Pension related debt	57,228	40,065	6,736	4,722	63,964	44,787
Total	\$ 57,228	\$ 42,806	\$ 6,736	\$ 4,722	\$ 63,964	\$ 47,528

The Town of Brunswick's total debt increased by \$16,436 during the past fiscal year due to increases in pension related debt.

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 \$1,638,524. The Town of Brunswick does not have any authorized but unissued debt at June 30, 2021.

Additional information pertaining to the Town of Brunswick's long-term debt can be found starting on page 43 in the Notes to the Financial Statements.

Town of Brunswick, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town:

- The Town of Brunswick's property tax rate decreased from \$.45 per \$100 to \$.42 per \$100 in the 2021-2022 FY Budget.
- Occupancy rates on office and retail space in the Town remain stable.
- Sewer rates increased \$1.00 per 1,000 gallons in the 2021-2022 FY Budget.
- Unemployment rates remain constant.

Requests for Information

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

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, 2021

	Primary Government			Component
	Governmental	Business	Total	Unit
<u>Assets</u>	<u>Activities</u>	<u>Type</u> <u>Activities</u>	<u>Total</u>	<u>Brunswick</u> <u>ABC</u> <u>Board</u>
Current assets				
Cash and cash equivalents	\$ 1,453,065	\$ 198,997	\$ 1,652,062	\$ 93,647
Taxes receivable, net	5,014	-	5,014	-
Ad Valorem taxes	3,115	-	3,115	-
Accounts receivable - net	3,583	13,437	17,020	-
Due from other governments	60,182	19,400	79,582	-
Inventory	-	-	-	100,404
Due from component unit	10,577	-	10,577	-
Total current assets	<u>1,535,536</u>	<u>231,834</u>	<u>1,767,370</u>	<u>194,051</u>
Capital assets				
Land and other non-depreciable assets	5,500	4,610	10,110	-
Other capital assets, net of depreciation	256,038	3,131,402	3,387,440	4,621
Total capital assets	<u>261,538</u>	<u>3,136,012</u>	<u>3,397,550</u>	<u>4,621</u>
Total assets	<u>1,797,074</u>	<u>3,367,846</u>	<u>5,164,920</u>	<u>198,672</u>
<u>Deferred Outflows of Resources</u>				
Pension deferrals	38,546	4,540	43,086	-
Total deferred outflows of resource	<u>38,546</u>	<u>4,540</u>	<u>43,086</u>	<u>-</u>

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

Town of Brunswick, North Carolina
Statement of Net Position (continued)
June 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Tabor City ABC Board
<u>Liabilities</u>				
Current liabilities				
Accounts payable and accrued liabilities	48,633	4,279	52,912	16,691
Due to other funds	19,400	-	19,400	-
Due to primary government	-	-	-	10,577
Due to other governments	-	-	-	8,473
Current portion of long-term liabilities	3,203	-	3,203	-
Total current liabilities	71,236	4,279	75,515	35,741
Long-term liabilities				
Net pension liability	57,228	6,736	63,964	-
Total long term liabilities	57,228	6,736	63,964	-
Total liabilities	128,464	11,015	139,479	35,741
<u>Deferred Inflows of Resources</u>				
Deferred revenue	3,114	-	3,114	-
Total deferred inflows of resources	3,114	-	3,114	-
<u>Net Position</u>				
Net investment in capital assets	261,538	3,136,012	3,397,550	4,621
Restricted for:				
Stabilization by State Statute	54,942	-	54,942	-
Working capital	-	-	-	17,633
Capital projects	-	-	-	10,000
Unrestricted	1,387,562	225,359	1,612,921	130,677
Total net position	\$ 1,704,042	\$ 3,361,371	\$ 5,065,413	\$ 162,931

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

Town of Brunswick, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position			Brunswick ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary government								
Governmental activities								
Governing body	\$ 18,114	\$ 32,608	\$ -	\$ -	\$ 14,494	\$ -	\$ 14,494	\$ -
Administration	244,019	-	-	-	(244,019)	-	(244,019)	-
Police department	77,834	-	9,600	-	(68,234)	-	(68,234)	-
Street department	71,191	-	-	-	(71,191)	-	(71,191)	-
Powell bill	2,021	-	22,992	-	20,971	-	20,971	-
Sanitation	39,790	43,601	814	-	4,625	-	4,625	-
CARES Act	17,652	-	-	-	(17,652)	-	(17,652)	-
Total governmental activities	470,621	76,209	33,406	-	(361,006)	-	(361,006)	-
Business type activities								
Water and Sewer	249,495	143,746	50,000	-	-	(55,749)	(55,749)	-
Total business type activities	249,495	143,746	50,000	-	-	(55,749)	(55,749)	-
Total primary government	\$ 720,116	\$ 219,955	\$ 83,406	\$ -	(361,006)	(55,749)	(416,755)	-
Component unit, Brunswick ABC Board	\$ 573,745	\$ 587,375	\$ -	\$ -				13,630
General revenues and transfers								
Ad Valorem taxes					99,235	-	99,235	-
Other taxes and licenses					350,127	-	350,127	-
Miscellaneous					40,350	-	40,350	2
Total general revenues and transfers					489,712	-	489,712	2
Change in net position					128,706	(55,749)	72,957	13,632
Net position, beginning					1,575,336	3,417,120	4,992,456	-
Net position, ending					\$ 1,704,042	\$ 3,361,371	\$ 5,065,413	\$ 13,632

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

Town of Brunswick, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	<u>Major Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Governmental</u>
<u>Assets</u>		<u>Funds</u>
Cash and cash equivalents	\$ 1,453,065	\$ 1,453,065
Taxes receivable, net	4,413	4,413
Sanitation receivable, net	3,583	-
Due from other governments	60,182	60,182
Due from component unit	10,577	10,577
Total assets	<u>\$ 1,531,820</u>	<u>\$ 1,528,237</u>
<u>Liabilities</u>		
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$ 48,633	\$ 48,633
Due to other funds	19,400	19,400
Total liabilities	<u>68,033</u>	<u>68,033</u>
<u>Deferred Inflows of Resources</u>		
Property taxes receivable	3,114	3,114
Total deferred inflows of resources	<u>3,114</u>	<u>3,114</u>
<u>Fund Balances</u>		
Restricted - Stabilization by State Statute	54,942	54,942
Unassigned	1,405,731	1,405,731
Total fund balances	<u>1,460,673</u>	<u>1,460,673</u>
Total liabilities, deferred inflows of		
resources and fund balances	<u>\$ 1,531,820</u>	<u>\$ 1,531,820</u>

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

Town of Brunswick, North Carolina
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2021

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

Total Fund Balance, Governmental Funds	\$ 1,460,673
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Gross capital assets at historical cost	471,115	
Accumulated depreciation	<u>(209,577)</u>	261,538

Deferred outflows of resources that are not reported in the funds:

Pension deferrals	38,546	38,546
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Other long-term assets are not available to pay for current period expenditures and are therefore deferred:

Accrued interest, taxes	601	601
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Deferred inflows of resources that are not reported in the funds:

Ad valorem taxes	3,115	3,115
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Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:

Compensated absences	(3,203)	
Other	<u>-</u>	(3,203)

Pension related deferrals	<u>(57,228)</u>
Net position of governmental activities	<u><u>\$ 1,704,042</u></u>

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

Town of Brunswick, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2021

	<u>Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
Revenues		Funds
Ad valorem taxes	\$ 100,357	\$ 100,357
Other taxes and licenses	50	50
Unrestricted intergovernmental	350,077	350,077
Restricted intergovernmental	70,660	70,660
Permits and fees	32,608	32,608
Sales and services	43,601	43,601
Miscellaneous	3,097	3,097
Total revenues	<u>600,450</u>	<u>600,450</u>
Expenditures		
Current:		
Governing body	18,114	18,114
Administration	224,990	224,990
Police department	77,834	77,834
Street department	71,191	71,191
Powell bill	2,021	2,021
Sanitation	39,790	39,790
CARES Act	17,652	17,652
Total expenditures	<u>451,592</u>	<u>451,592</u>
Net change in fund balances	148,858	148,858
Fund balances, beginning	<u>1,311,815</u>	<u>1,311,815</u>
Fund balances, ending	<u><u>\$ 1,460,673</u></u>	<u><u>\$ 1,460,673</u></u>

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

Town of Brunswick, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of Governmental Funds to the Statement of Activities
Governmental Funds
For the Fiscal Year Ended June 30, 2021

Amounts reported for governmental activities in the statement of net

Net changes in fund balances - total governmental funds \$ 148,858

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay expenditures which were capitalized	-	
Depreciation expense for governmental assets	<u>(7,131)</u>	(7,131)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		5,419
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	(1,123)	
Interest earned on ad valorem taxes	<u>-</u>	(1,123)

The issuance of long-term debt provides current financial resources

funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

New long-term debt issued	-	
Principal payments on long-term debt	<u>-</u>	-

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(462)	
Pension (expense) benefit	<u>(16,855)</u>	<u>(17,317)</u>

Total changes in net position of governmental activities		<u>\$ 128,706</u>
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The notes to the financial statements are an integral part of this statement.

Town of Brunswick, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

General Fund

For the Fiscal Year Ended June 30, 2021

	General Fund			Variance with
	Budgeted Amounts			Final Budget
	Original	Final	Actual	Positive
Revenues				(Negative)
Ad valorem taxes	\$ 75,580	\$ 91,646	\$ 100,357	\$ 8,711
Other taxes and licenses	30	50	50	-
Unrestricted intergovernmental	245,323	311,941	350,077	38,136
Restricted intergovernmental	27,230	30,192	70,660	40,468
Permits and fees	200	1,000	32,608	31,608
Sales and services	43,180	43,250	43,601	351
Investment earnings	-	-	-	-
Miscellaneous	43,646	59,127	3,097	(56,030)
Total revenues	435,189	537,206	600,450	63,244
Expenditures				
Current:				
General government				
Governing body	22,465	26,780	18,114	8,666
Administration	241,968	253,068	224,990	28,078
Police department	83,534	83,534	77,834	5,700
Street department	84,800	94,400	71,191	23,209
Powell bill	3,000	3,000	2,021	979
Sanitation	45,424	45,424	39,790	5,634
CARES Act	-	18,000	17,652	348
Non-departmental	1,500	1,500	-	1,500
Capital outlay	11,500	11,500	-	11,500
Total general government	494,191	537,206	451,592	85,614
Fund balance appropriated	59,002	-		-
Net change in fund balances	\$ -	\$ -	148,858	\$ 148,858
Fund balances, beginning			1,311,815	
Fund balances, ending			\$ 1,460,673	

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

Town of Brunswick, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2021

	<u>Water and Sewer Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 198,997
Accounts receivable - net	13,437
Due from other funds	19,400
Total current assets	<u>231,834</u>
Capital assets	
Non depreciable assets	4,610
Other capital assets, net of depreciation	3,131,402
Total capital assets	<u>3,136,012</u>
Total non-current assets	<u>3,136,012</u>
Total assets	<u>3,367,846</u>
<u>Deferred Outflows of Resources</u>	
Contributions to pension plan	4,540
Total deferred outflows of resources	<u>4,540</u>
<u>Liabilities</u>	
Current liabilities	
Accounts payable and accrued liabilities	4,279
Total current liabilities	<u>4,279</u>
Non-current liabilities	
Net pension liability	6,736
Non-current portion - long-term debt	-
Total non-current liabilities	<u>6,736</u>
Total liabilities	<u>11,015</u>
<u>Deferred Inflows of Resources</u>	
Total deferred inflows of resources	<u>-</u>
<u>Net Position</u>	
Net investment in capital assets	3,136,012
Unrestricted	225,359
Total net position	<u><u>\$ 3,361,371</u></u>

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

Town of Brunswick, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

	<u>Water and Sewer Fund</u>
Operating revenues	
Charges for services	\$ 136,937
Other operating revenue	6,809
Total operating revenues	<u>143,746</u>
Operating expenses	
Salaries and benefits	30,490
Utilities	13,471
Maintenance and repairs	6,083
Department supplies	3,440
Contracted services	52,920
Sewer charges	59,744
Other operating expenditures	2,460
Depreciation and amortization	80,887
Total operating expenses	<u>249,495</u>
Operating income (loss)	<u>(105,749)</u>
Non-operating revenues (expenses)	
Intergovernmental revenues	50,000
Total non-operating revenues (expenses)	<u>50,000</u>
Change in net position	(55,749)
Total net position, beginning	<u>3,417,120</u>
Total net position, ending	<u><u>\$ 3,361,371</u></u>

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

Town of Brunswick, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

	<u>Water and Sewer Fund</u>
Operating Activities	
Cash received from customers	\$ 138,190
Cash paid to employees	(28,115)
Cash paid to suppliers	(135,159)
Increase (decrease) in customer deposits	-
Miscellaneous income	6,809
Net cash provided (used) by operating activities	<u>(18,275)</u>
Noncapital Financing Activities	
Due to (from) other funds	-
Transfers from other funds	-
Transfers to other funds	(19,400)
Other non capital transactions	-
Net cash provided (used) by noncapital financing activities	<u>(19,400)</u>
Capital And Related Financing Activities	
Loan proceeds	-
Principal paid on capital debt	-
Interest paid on capital debt	-
Capital grants	50,000
Acquisition of capital assets	-
Net cash provided (used) by capital and related financing activities	<u>50,000</u>
Investing Activities	
Interest earnings	-
Net cash provided (used) by investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	12,325
Cash and cash equivalents	
Beginning of period	<u>186,672</u>
End of period	<u><u>\$ 198,997</u></u>

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

Town of Brunswick, North Carolina
Statement of Cash Flows (continued)
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

	<u>Water and Sewer Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	\$ (105,749)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	80,887
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	1,253
(Increase) decrease in deferred outflows of resources for pensions	(636)
Increase (decrease) in	
Increase (decrease) in accounts payable and accrued liabilities	3,992
Increase (decrease) in net pension liability	2,014
Increase (decrease) in deferred inflows of resources for pensions	(36)
Total adjustments	<u>87,474</u>
Net cash provided (used) by operating activities	<u><u>\$ (18,275)</u></u>

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

Notes to the Financial Statements

Town of Brunswick, North Carolina
Notes to the Financial Statements
June 30, 2021

Note 1 - Summary of Significant Accounting Policies

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

Discretely Presented Component Unit

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, PO 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.

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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 Town has no fiduciary funds to report. 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 non-major funds.

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

The Town reports the following major governmental 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 administration, police, and streets.

The Town reports the following major enterprise funds:

Water and Sewer Fund – This fund is used to account for the Town's water and sewer operations.

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements

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

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

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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's 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. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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 and the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town 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 by general revenues.

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 1 - 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 Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the the Water and Sewer Capital Projects Fund, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations. The governing board must approve all amendments.

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

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 the ABC Board's investments are reported at fair value. Non-participating interest earning investment 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. 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.

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)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

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

Ad Valorem Taxes Receivable

In accordance with State laws [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.

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.

Inventory and Prepaid Items

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

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

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 acquisitions, minimum capitalization costs are \$500 for all items. Donated capital assets received prior to June 15, 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 the asset's lives are not capitalized.

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

Asset Class	<u>Estimated Useful Lives</u>
Infrastructure	25 years
Buildings	50 years
Improvements	25 years
Vehicles	5 years
Furniture and fixtures	10 years
Computer equipment	3 years

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

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

Capital Assets (continued)

Capital assets of the ABC Board are depreciated using the straight-line method over their useful lives:

Asset Class	<u>Estimated Useful Lives</u>
Buildings	10-40 years
Equipment	7-10 years

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, contributions made to the pension plan in the 2021 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 several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and pension deferrals.

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 reporting period in which they are incurred. 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.

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

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

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 for the Town and 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.

Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt; 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:

Non-spendable 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 – This portion of fund balance is not an available resource because it represents the year-end balance of ending inventories, which is not a spendable resource.

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

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

Net Position/Fund Balances (continued)

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.

Committed Fund Balance – This portion of fund balance can only be used for specific purposes imposed by majority vote by a quorum of the Town'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 – This portion of fund balance represents the amount the Town intends to use for specific purposes.

Subsequent year's expenditures – This portion of fund balance 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 – This portion of fund balance has not been restricted, committed, or assigned to specific purposes or other funds.

The Town 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-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from 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.

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

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

Net Position/Fund Balances (continued)

The Town 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.

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, 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 this period in which the contributions are due. The Town's employer contributions are recognized when due and the Town 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.

Note 2 - Stewardship, Compliance, and Accountability

For the fiscal year ended June 30, 2020, the expenditures made in the City's General Fund exceeded the authorized appropriations made by the governing board for Police by \$595 and for non departmental expenditures by \$3,965. During fiscal year ended June 30, 2021, the Town did not have over-expenditures of budgeted dollars. Management and the Board will continue to closely review the budget reports to ensure compliance in future years.

Note 3 - Detailed Notes on All Funds

A. Assets

Deposits

All the deposits of the Town and the 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 the 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.

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

A. Assets

Deposits

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 and 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. 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 and the ABC Board have 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 and the ABC Board comply with the provisions of state statute 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, 2021, the Town's deposits had a carrying amount of \$1,652,062 and a bank balance of \$1,660,974. Of the bank balance, \$342,202 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2021, the ABC Board's deposits had a carrying amount of \$93,647 and the bank balance was \$105,290. Of the bank balance, \$105,290 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2021, the Town and ABC Board had petty cash on hand totaling \$100 and \$800, respectively.

Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021, are net of the following allowances for doubtful accounts:

	General Fund	Water and Sewer Fund	Total
Allowance for uncollectible accounts for:			
Property taxes	\$ 4,000	\$ -	\$ 4,000
Accounts receivable	3,000	8,000	11,000
Total	<u>\$ 7,000</u>	<u>\$ 8,000</u>	<u>\$ 15,000</u>

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

A. Assets (continued)

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

<u>Governmental activities</u>	Beginning Balances	Increases	Decreases/ Transfers	Ending Balances
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	401,242	-	-	401,242
Equipment	17,809	-	-	17,809
Vehicles	46,564	-	-	46,564
Total capital assets being depreciated	465,615	-	-	465,615
Less accumulated depreciation				
Buildings	(138,073)	(7,131)	-	(145,204)
Equipment	(17,809)	-	-	(17,809)
Vehicles	(46,564)	-	-	(46,564)
Total accumulated depreciation	(202,446)	(7,131)	-	(209,577)
Total capital assets being depreciated, net	263,169	(7,131)	-	256,038
Governmental activity capital assets, net	<u>\$ 268,669</u>	<u>\$ (7,131)</u>	<u>\$ -</u>	<u>\$ 261,538</u>

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

Street department	<u>\$ 7,131</u>
Total depreciation expense	<u><u>\$ 7,131</u></u>

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

A. Assets (continued)

Capital Assets

<u>Water and Sewer Fund</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land	\$ 4,610	\$ -	\$ -	\$ 4,610
Work in progress	-	-	-	-
Total capital assets not being depreciated	<u>4,610</u>	<u>-</u>	<u>-</u>	<u>4,610</u>
Capital assets being depreciated				
Distribution system	3,878,325	-	-	3,878,325
Furniture and equipment	<u>2,131</u>	<u>-</u>	<u>-</u>	<u>2,131</u>
Total capital assets being depreciated	<u>3,880,456</u>	<u>-</u>	<u>-</u>	<u>3,880,456</u>
Less accumulated depreciation				
Distribution system	(666,035)	(80,888)	-	(746,923)
Furniture and equipment	<u>(2,131)</u>	<u>-</u>	<u>-</u>	<u>(2,131)</u>
Total accumulated depreciation	<u>(668,166)</u>	<u>(80,888)</u>	<u>-</u>	<u>(749,054)</u>
Water and Sewer Fund capital assets, net	<u>\$ 3,216,900</u>	<u>\$ (80,888)</u>	<u>\$ -</u>	<u>\$ 3,136,012</u>

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

A. Assets (continued)

Capital Assets

Discretely presented component units

Property and equipment are stated at cost and are being depreciated over their useful lives on a straight line basis as follows:

<u>ABC Board</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Buildings and improvements	11,510	-	-	11,510
Equipment	42,829	-	-	42,829
Furniture and fixtures	9,974	-	-	9,974
Total capital assets being depreciated	<u>64,313</u>	<u>-</u>	<u>-</u>	<u>64,313</u>
Less accumulated depreciation				
Land improvements	(11,510)	-	-	(11,510)
Buildings	(41,281)	(1,160)	-	(42,441)
Furniture and equipment	(5,243)	(498)	-	(5,741)
Total accumulated depreciation	<u>(58,034)</u>	<u>(1,658)</u>	<u>-</u>	<u>(59,692)</u>
Total capital assets being depreciated, net	<u>6,279</u>	<u>(1,658)</u>	<u>-</u>	<u>4,621</u>
ABC Board capital assets, net	<u>\$ 6,279</u>	<u>\$ (1,658)</u>	<u>\$ -</u>	<u>\$ 4,621</u>

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System

Plan Description. The Town 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 included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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.

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 services or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$12,562 for the year ended June 30, 2021.

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.

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

At June 30, 2021, the Town reported a liability of \$63,964 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021, the Town's proportion was 0.00164% which was an increase of 0.00015% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$25,340. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,078	\$ -
Changes of assumptions	4,760	-
Net difference between projected and actual earnings on plan investments	9,001	-
Change in proportion and differences between contributions and proportionate share of contributions	8,685	-
Employer contributions subsequent to the measurement date	12,562	-
	<u>\$ 43,086</u>	<u>\$ -</u>

\$43,086 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, 2022. Other amounts reported as deferred inflows of resources related to pensions total \$0. No amount will be recognized in pension expense.

Actuarial Assumptions. The total pension liability in the December 31, 2019 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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore no 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	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	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 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.

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 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%)
City's proportionate share of the net pension liability (asset)	\$ 129,777	\$ 63,964	\$ 9,270

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.

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:

	<u>LGERS</u>	<u>Total</u>
Pension expense	\$ 25,340	\$ 25,340
Pension liability	63,964	63,964
Proportionate share of the net pension liability	0.00179%	
Deferred of Outflows of Resources		
Differences between expected and actual experience	\$ 8,078	8,078
Changes of assumptions	4,760	4,760
Net difference between projected and actual earnings on plan investments	9,001	9,001
Change in proportion and differences between contributions and proportionate share of contributions	8,685	8,685
Employer contributions subsequent to the measurement date	12,562	12,562

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities

Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year end is comprised of the following:

Deferred Outflows of Resources

Differences between expected and actual experience	\$	8,078
Changes of assumptions		4,760
Net difference between projected and actual earnings on plan investments		9,001
Change in proportion and differences between contributions and proportionate share of contributions		8,685
Employer contributions subsequent to the measurement date		12,562
	\$	<u>43,086</u>

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

Deferred Inflows of Resources

Deferred revenue	\$	3,114
	\$	<u>3,114</u>

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 two 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 up to \$1 million per occurrence, property coverage up to the total insurance value of the property policy, and workers' compensation coverage up to 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 and 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 state statute G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are performance bonded in the amounts of \$350,000 and \$50,000, respectively.

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities

Claims, Judgments and Contingent Liabilities

At June 30, 2021, the Town did not have any litigation pending.

Long-Term Obligations

Changes in long term liabilities at June 30, 2021, consist of the following:

Governmental activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
General fund					
Accrued vacation	\$ 2,741	\$ -	\$ (2,741)	\$ -	\$ -
Net pension liability	<u>40,065</u>	<u>17,163</u>	<u>-</u>	<u>57,228</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 42,806</u>	<u>\$ 17,163</u>	<u>\$ (2,741)</u>	<u>\$ 57,228</u>	<u>\$ -</u>
Business type activities					
Water and Sewer Fund	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Net pension liability	\$ 4,722	\$ 2,014	\$ -	\$ 6,736	\$ -
Business type activities long term liabilities	<u>\$ 4,722</u>	<u>\$ 2,014</u>	<u>\$ -</u>	<u>\$ 6,736</u>	<u>\$ -</u>

Compensated absences typically have been liquidated in the General Fund.

At June 30, 2021, the Town had a legal debt margin of \$1,638,524.

C. Net Investment in Capital Assets

The calculation for Net Investment in Capital Assets is shown as follows:

<u>Assets</u>	Governmental Activities	Business Type Activities	Total
Capital assets			
Land and non-depreciable assets	\$ 5,500	\$ 4,610	\$ 10,110
Other capital assets, net of depreciation	<u>256,038</u>	<u>3,131,402</u>	<u>3,387,440</u>
Total capital assets	<u>261,538</u>	<u>3,136,012</u>	<u>3,397,550</u>
<u>Liabilities and Adjustments</u>			
Related liabilities	-	-	-
Total liabilities and adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Net investment in capital assets	<u>\$ 261,538</u>	<u>\$ 3,136,012</u>	<u>\$ 3,397,550</u>

Town of Brunswick, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

D. Fund Balance

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

	<u>Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
		<u>Funds</u>
Restricted - Stabilization by State Statute	\$ 54,942	\$ 54,942
Unassigned	1,405,731	1,405,731
Total fund balances	<u>\$ 1,460,673</u>	<u>\$ 1,460,673</u>

Note 4 – 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 monies.

Note 5 – Subsequent Events

In preparing these statements, the Town has evaluated events and transactions for potential disclosure through October 25, 2021, the date the financial statements were issued.

Note 6 - Change in Accounting Principle

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

As part of implementing the statement, the Town performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. As a result, the Town determined no material modifications to the enclosed financial statements were necessary.

Required Supplementary Financial Data

- **Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System**
- **Schedule of Contributions to Local Government Employees' Retirement System**

Town of Brunswick, North Carolina
Required Supplemental Financial Data
Local Government Employees' Retirement System
June 30, 2021

Schedule of Proportionate

Share of Net Pension Liability (Asset)	2021	2020	2019	2018	2017	2016	2015	2014
Brunswick's proportion of the Net pension liability (asset) (%)	0.00179%	0.00164%	0.00087%	0.00088%	0.00090%	0.00198%	0.00198%	0.00170%
Net pension liability (asset) (\$)	\$ 63,964	\$ 44,787	\$ 20,639	\$ 13,444	\$ 19,101	\$ 8,886	\$ (11,677)	\$ 20,492
Brunswick's covered-employee payroll	\$123,767	\$105,421	\$124,437	\$104,695	\$ 93,966	\$ 91,061	\$ 93,541	\$ 88,891
Net pension liability (asset) as a percentage of its covered-employee payroll	51.68%	42.48%	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%	90.86%	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.

Schedule of Employer Contributions

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 12,562	\$ 10,490	\$ 8,170	\$ 9,333	\$ 7,590	\$ 9,292	\$ 9,208	\$ 9,457
Contributions in relation to the contractually required contribution	<u>12,562</u>	<u>10,490</u>	<u>8,170</u>	<u>9,333</u>	<u>7,590</u>	<u>9,292</u>	<u>9,208</u>	<u>9,457</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Brunswick's covered-employee payroll	\$118,926	\$123,767	\$105,421	\$124,437	\$104,695	\$ 93,966	\$ 91,061	\$ 93,541
Contributions as a percentage of covered-employee payroll	10.15%	9.95%	6.57%	8.91%	8.08%	10.20%	9.84%	10.11%

Detailed Financial Statements and Schedules

- **Major Governmental Funds – General Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund

- **Enterprise Funds – Water and Sewer Fund**

Schedule of Revenues, Expenditures, and Changes in Net Position - Budget and Actual - Water and Sewer Fund

Town of Brunswick, North Carolina**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual****General Fund****For the Fiscal Year Ended June 30, 2021**

			Variance Positive (Negative)
Revenues	Budget	Actual	
Ad Valorem Taxes			
Taxes	\$	\$ 97,653	\$
Interest		2,704	
Total	91,646	100,357	8,711
Other taxes and licenses			
Privilege license and fees		50	
Total	50	50	-
Unrestricted intergovernmental			
Utility franchise tax		21,646	
Telecommunications tax		566	
Beer and wine tax		4,586	
Local option sales tax		312,702	
ABC profit distribution		10,577	
Total	311,941	350,077	38,136
Restricted intergovernmental			
Powell bill		22,992	
ABC law enforcement		9,600	
Solid waste disposal tax		814	
CARES Act		37,254	
Total	30,192	70,660	40,468
Permits and fees			
Permits		1,040	
Fees		31,568	
Total	1,000	32,608	31,608
Sales and service			
Sanitation		43,601	
Total	43,250	43,601	351
Miscellaneous revenue			
Tax refunds		2,173	
Other		924	
Total miscellaneous revenues	59,127	3,097	(56,030)
Total revenues	537,206	600,450	63,244

Town of Brunswick, North Carolina

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund**

For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Expenditures			
Governing body			
Salaries and benefits		18,114	
Total governing body	26,780	18,114	8,666
Administration			
Salaries and benefits		130,535	
Operating expenditures		78,439	
Total administration	246,068	208,974	37,094
Police department			
Salaries and benefits		77,714	
Operating expenditures		120	
Total police department	83,534	77,834	5,700
Street department			
Salaries and benefits		50,237	
Operating expenditures		20,954	
Total street department	84,900	71,191	13,709
Powell Bill			
Operating expenditures		2,021	
Total Powell Bill	3,000	2,021	979
Sanitation			
Operating expenditures		39,790	
Total sanitation	45,424	39,790	5,634
Non departmental			
Operating expenditures		-	
Total non departmental	1,500	-	1,500
Capital outlay			
Operating expenditures		-	
Total capital outlay	11,500	-	11,500
CARES Act			
Salaries and benefits		16,016	
Operating expenditures		17,652	
Total street department	34,500	33,668	832
Total expenditures	537,206	451,592	85,614

Town of Brunswick, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

General Fund

For the Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Total revenues	537,206	600,450	63,244
Total expenditures	<u>537,206</u>	<u>451,592</u>	<u>85,614</u>
Revenues over (under) expenditures	-	148,858	(22,370)
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	148,858	<u>\$ (22,370)</u>
Fund balances, beginning		<u>1,311,815</u>	
Fund balance, ending		<u>\$ 1,460,673</u>	

Town of Brunswick, North Carolina**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual****Water and Sewer Fund****For the Fiscal Year Ended June 30, 2021**

			Variance Positive (Negative)
Revenues	Budget	Actual	
Operating revenue			
Charges for services	\$	\$ 136,937	\$
Reconnection fees		480	
Penalties and interest		6,129	
Other operating revenue		200	
Total operating revenues	<u>143,050</u>	<u>143,746</u>	<u>696</u>
Other revenues			
DEQ Grant	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total revenues	<u>193,050</u>	<u>193,746</u>	<u>696</u>
Operating expenditures			
Salaries and benefits		27,840	
Utilities		13,471	
Maintenance and repairs		6,083	
Department supplies		3,440	
Contracted services		52,920	
Sewer charges		59,744	
Other operating expenditures		2,460	
Total operating expenditures	<u>212,318</u>	<u>165,958</u>	<u>46,360</u>
Debt service			
Principal retirement		-	
Interest		-	
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>214,818</u>	<u>165,958</u>	<u>48,860</u>
Revenues over (under) expenditures	<u>(21,768)</u>	<u>27,788</u>	<u>49,556</u>

Town of Brunswick, North Carolina**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual****Water and Sewer Fund****For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues over (under) expenditures	\$ (21,768)	\$ 27,788	\$ 49,556
Appropriated fund balance	<u>21,768</u>	<u>-</u>	<u>(21,768)</u>
Net change in fund balance	<u>\$ -</u>	<u>27,788</u>	<u>\$ 27,788</u>

Reconciliation from budgetary basis to full accrual**Reconciling items**

Deferred outflows of resources for contributions made to pension plan in current fiscal year	\$ (636)
Pension expense	(2,014)
Depreciation	<u>(80,887)</u>
Total reconciling items	<u>(83,537)</u>
Change in net position	<u>\$ (55,749)</u>

Other Schedules

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

Town of Brunswick, North Carolina
Schedule of Current Tax Levy
For the Fiscal Year Ended June 30, 2021

	Valuation	Rate per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 20,481,550	\$ 0.45	\$ 92,167	\$ 68,965	\$ 23,202
Penalties	-	0.45	6,468	6,468	-
Total original levy	<u>20,481,550</u>		<u>98,635</u>	<u>75,433</u>	<u>23,202</u>
Discoveries					
Current year's taxes	-	0.45	-	-	-
Penalties	-	0.45	-	-	-
Total	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Releases and errors					
Current year's rate	-	0.45	-	-	-
Total property valuation	<u>\$ 20,481,550</u>				
Net levy			98,635	75,433	23,202
Uncollected tax at June 30, 2021			<u>5,298</u>	<u>5,298</u>	<u>-</u>
Current year taxes, collections and credits			<u>\$ 93,337</u>	<u>\$ 70,135</u>	<u>\$ 23,202</u>
Percent current year collected			<u>94.63%</u>	<u>92.98%</u>	<u>100.00%</u>

Town of Brunswick, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2021

First Year of Levy	Uncollected Balance July 1, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2021	\$ -	\$ 98,635	\$ 93,337	\$ 5,298
2020	3,118	-	1,239	1,879
2019	609	-	81	528
2018	69	204	-	273
2017	82	-	13	69
2016	80	2	-	82
2015	74	6	-	80
2014	752	-	678	74
2013	1,497	-	1,444	53
2012	938	-	861	77
2011	1,019	-	1,019	-
	<u>\$ 8,238</u>	<u>\$ 98,847</u>	<u>\$ 98,672</u>	8,413
Less allowance for uncollectible ad valorem taxes receivable				<u>4,000</u>
Ad valorem taxes, net				<u><u>\$ 4,413</u></u>

**Reconciliation of collections and credits
with ad valorem tax revenues**

Revenue, ad valorem taxes	\$ 100,357
Discounts allowed, net	-
Penalties and interest	(2,704)
Releases and refunds	-
Barred by State statute	<u>1,019</u>
Total collections and credits	<u><u>\$ 98,672</u></u>

Compliance Section



Patterson & Associates, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

American Institute of CPAs

NC Association of CPAs

**Independent Auditor's 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***

To the Honorable Mayor and
the Board of Commissioners
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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Brunswick, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Town of Brunswick, North Carolina's basic financial statements, and have issued our report thereon dated October 25, 2021. Other auditors audited the financial statements of the Town of Brunswick ABC Board, as described in our report on the Town of Brunswick's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Brunswick ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 Town of Brunswick's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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 a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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 internal control was for the 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 of 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.

Patterson & Associates, PLLC

Lumberton, North Carolina
October 25, 2021

Town of Brunswick, North Carolina
Schedule of Findings and Questioned Costs
June 30, 2021

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted _____ yes X no

Federal Awards - NOT APPLICABLE IN CURRENT YEAR

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes _____ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes _____ none reported

Type of auditor's report issued on compliance for major federal programs:

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 _____ yes _____ no

Identification of major federal programs:

_____ CFDA No. _____ Names of Federal Program or Cluster

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? _____ yes _____ no

State Awards - NOT APPLICABLE IN CURRENT YEAR

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Town of Brunswick, North Carolina
Corrective Action Plan
June 30, 2021

Not applicable.

Town of Brunswick, North Carolina
Summary Schedule of Prior Year Audit Findings
June 30, 2021

The following audit findings were noted for the year ended June 30, 2020.

Finding: 2020-001

Criteria – G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current year.

Condition – The expenditures made in the Town's General Fund for Police and for non-Departmental exceeded the authorized appropriations made in the annual budget by \$595 and \$3,965, respectively.

Effect – Monies were spent that had not been obligated and appropriated.

Cause – The Town expended more than had been budgeted for in the budget ordinance and a budget amendment was not adopted.

Recommendation – Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.