Town of Minnesott Beach

Minnesott Beach, North Carolina

Financial Statements

June 30, 2015

TOWN OF MINNESOTT BEACH

MINNESOTT BEACH, NORTH CAROLINA

TOWN OFFICIALS

Mayor

Joshua "Muff" Potter

Town Council Members

Tim Fowler - Mayor Pro-Tem
Carolyn Casey

Charles Salter

Eber Warren

Town Manager

Carolyn R. Braly

TOWN OF MINNESOTT BEACH, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2015

	Exhibit/ Schedule Number	Page
Financial Section:		
Independent Auditor's Report		1
Management's Discussion and Analysis		4
Basic Financial Statements:		
I. *Government-Wide Financial Statements:*		
Statement of Net Position	A-1	12
Statement of Activities	A-2	13
II. *Fund Financial Statements:*		
Balance Sheet - Governmental Funds	A-3	14
Reconciliation of Governmental Funds Balance Sheet with Statement of Net Position	A-4	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	A-5	16
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities	A-6	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	A-7	18
III. *Notes to the Financial Statements:*		19
Individual Fund Statements and Schedules		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	1	30
Other Schedules:		
Schedule of Ad Valorem Taxes Receivable	2	33
Analysis of Current Year Levy - General Fund Property Tax	3	34

Independent Auditor's Report

Honorable Mayor
And Town Council Members
Town of Minnesott Beach, North Carolina

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, and each major fund, and the aggregate remaining fund information of the Town of Minnesott Beach, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Minnesott Beach's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Minnesott Beach, North Carolina, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Minnesott Beach, North Carolina's financial statements as a whole. The introductory section, combining and individual financial fund statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the

auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit performed as described above, financial statements and budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Larry E. Carpenter, CPA, PA

Greenville, NC
August 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Minnesott Beach (the *Town*), we offer readers of the Town s financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. 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 of the Town of Minnesott Beach exceeded its liabilities at the close of the fiscal year by $1,028,631 *(net position).*

- The government's total net position increased by $77,663.

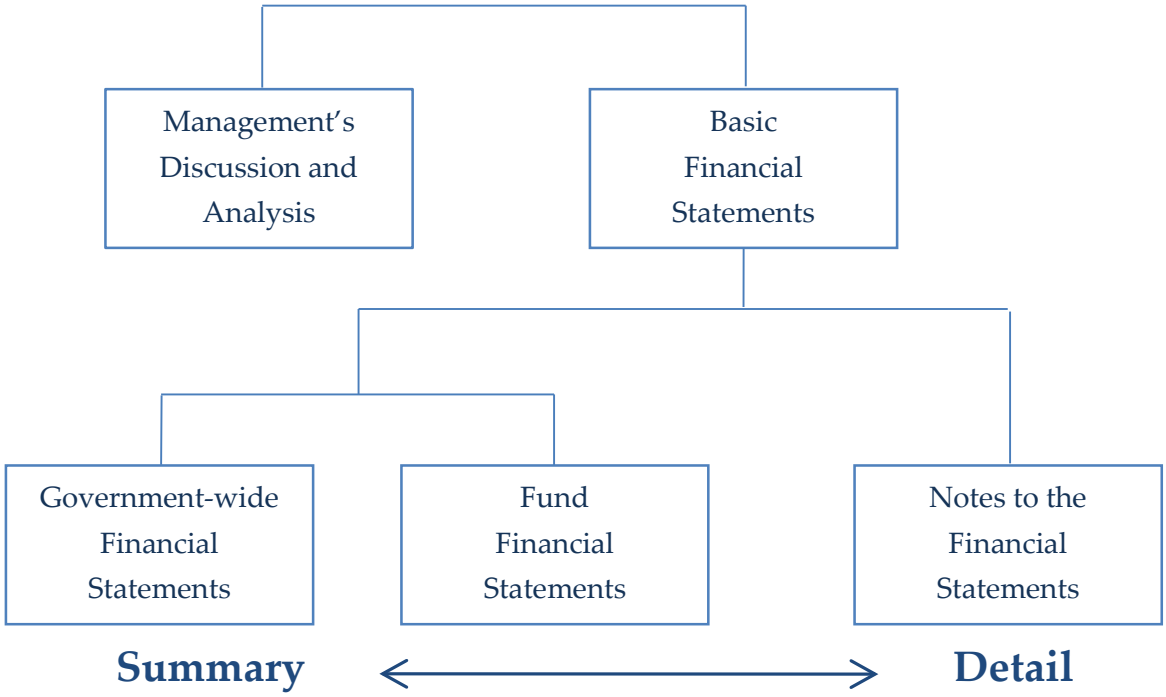
- As of the close of the current fiscal year, the Town of Minnesott Beach's governmental funds reported an ending fund balance of $695,200 with a net change of $58,245 in the fund balance. Approximately 95.95% of this total amount or $667,074 is available for spending at the government's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $667,074, or 414.48% percent of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as introduction to the Town of Minnesott Beach's basis financial statements. These basic financial statements consist of three components: 1) government-wide financial statement, 2) fund financial statements, and 3) notes to the financial statements see (Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund 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 Minnesott Beach.

Components of the Financial Section
Figure 1



Basic Financial Statements

The first two statements (Exhibits A-1 and A-2) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits A-3 through A-7) 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 two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison 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 two categories: 1) governmental activities; 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, transportation, environmental protection and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. The Town of Minnesott Beach does not provide any business-type activities.

The government-wide financial statements can be found on Exhibits A-1 and A-2 of this report.

Fund Financial Statements

Traditional users of governmental fund financial statements will find the fund financial statements presentation more familiar. However, the focus is on major funds, rather than the individual fund types. 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 Minnesott Beach, like all other governmental entities in North Carolina, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as the general statutes or the Town's budget ordinance. All of the funds of the Town fall into one category: governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Minnesott Beach adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document.

The basic governmental fund financial statements can be found on Exhibits A-3 – A-7 of this report.

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 can be found on pages 19-29 of this report.

Other Information

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

Government – Wide Financial Analysis

The Town of Minnesott Beach's Net Position

Figure 2

	Governmental Activities	
	2015	**2014**
Current and other assets	$ 695,200	$ 636,412
Capital assets	338,281	319,214
Deferred outflows of resources	-	-
Total assets and deferred outflows of resources	1,033,481	955,626
Long-term liabilities outstanding	-	-
Other liabilities	4,850	4,658
Deferred inflows of resources		
Total liabilities and deferred inflow of resources	4,850	4,658
Net investment on capital assets	338,281	319,214
Restricted for:		
Stabilization by State Statute	15,152	13,122
Streets	-	7,845
Unrestricted	675,198	610,787
Total net position	$1,028,631	$ 950,968

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Minnesott Beach, assets exceeded liabilities by $1,028,631 at the close of the most recent fiscal year. The Town's net position increased by $77,663 for the fiscal year ended June 30, 2015.

However, the largest portion of the Town's net position ($338,281 or 32.89%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these assets to provide services to citizens; consequently, these assets are available for future spending The remaining balance of $675,198 is unrestricted. At the end of the current fiscal year, the Town of Minnesott Beach is able to report positive balances in all three categories of net position both for the Town as a whole, as well as for its governmental activities.

Town of Minnesott Beach's Changes in Net Position
Figure 3

	Governmental Activities	
	2015	**2014**
Revenues:		
Program revenues:		
Change for services	$ 340	$ 237
Operating grants and contributions	19,013	18,703
General revenues:		
Property taxes	135,144	125,842
Unrestricted intergovernmental revenues	59,400	54,886
Investment earnings	1,021	464
Other	4,621	408
Total revenues	219,539	200,540
Expenses:		
General government	99,215	99,401
Public works	19,009	19,143
Transportation	23,652	29,480
Total expenses	141,876	148,024
Increase in Net Position before transfers	77,663	52,516
Increase (decrease) in Net Position	77,663	52,516
Net Position, July 1	950,968	898,452
Net Position, June 30	$1,028,631	$ 950,968

Governmental Activities

Governmental activities increased the Town's net position by $58,245.

Financial Analysis of the Town's Funds

As noted earlier, the Town of Minnesott Beach 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 spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as 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. At the end of the current fiscal year, unassigned total fund balance of the general fund was $667,074. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 414.48% of total general fund expenditures.

The North Carolina Local Government Commission strongly recommends that local governments maintain an undesignated fund balance of at least 8% of general fund expenditures. Undesignated fund balance is a sub classification of unassigned fund balance after consideration for management's policy designations.

General Fund Budgetary Highlights

During the fiscal year, the Town did revise the budget. 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 or expand services.

Capital Assets and Debt Administration

The Town of Minnesott Beach's investment in capital assets for its governmental activities as of June 30, 2015, amounts to $338,281 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment. The Town's capital expenditures consisted of storm drainage rehabilitation during the year.

Town of Minnesott Beach's Capital Assets

(*Net of accumulated depreciation)*

Figure 4

	Governmental Activities	
	2015	**2014**
Land	$ 21,769	$ 21,769
Buildings	31,726	31,726
Vehicles and Equipment	50,772	42,766
Vehicles	13,400	13,400
Infrastructure	399,170	365,106
Subtotal	516,837	474,767
Accumulated depreciation	(178,556)	(155,553)
Capital assets, net	$ 338,281	$ 319,214

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Minnesott Beach's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town Manager,
Town of Minnesott Beach,
11758 Hwy 306 South
Minnesott Beach, NC 28510

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

Town of Minnesott Beach, North Carolina
Statement of Net Position
June 30, 2015

	Primary Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	$ 671,924
Taxes receivables, net	8,124
Accounts receivable, net	15,152
Total Current Assets	695,200
Noncurrent Assets	
Land	21,769
Other capital assets, net of depreciation	316,512
Total Assets	1,033,481
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Deferred Outflows of Resources	--
LIABILITIES	
Current Liabilities	
Accounts payable	4,850
Total Current Liabilities	4,850
Noncurrent Liabilities	
Total Liabilities	4,850
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
Total Deferred Inflows of Resources	--
NET POSITION	
Net Investment in Capital Assets	338,281
Restricted for:	
Stabilization by state statute	15,152
Unrestricted	675,198
Total Net Position	$ **1,028,631**

The accompanying notes are an integral part of this financial statement.

Town of Minnesott Beach, North Carolina
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue Primary Governmental Activities
Primary Government					
Governmental Activities:					
General government	$ 99,215	$ 340	$ --	$ --	$ (98,875)
Public Works	19,009	--	--	--	(19,009)
Transportation	23,652	--	19,013	--	(4,639)
Total Governmental Activities	141,876	340	19,013	--	(122,523)

General Purpose Revenues and Transfers:	
Revenues	
Ad Valorem Taxes	135,144
Unrestricted intergovernmental revenues	59,400
Investment earnings	1,021
Sale of capital asset	4,500
Miscellaneous	121
Total General Revenues and Transfers	200,186
Change in Net Position	**77,663**
Net Position at Beginning of Period	950,968
Net Position at End of Period	$ **1,028,631**

The accompanying notes are an integral part of this financial statement.

FUND FINANCIAL STATEMENTS

Exhibit A-3

Town of Minnesott Beach, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015

	Major Fund
	General Fund
ASSETS	
Cash and cash equivalents	$ 671,924
Taxes receivables, net	8,124
Accounts receivable, net	15,152
Total Assets	695,200
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Assets and Deferred Outflows of Resources	$ **695,200**
LIABILITIES	
Accounts payable	$ 4,850
Total Liabilities	4,850
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	8,124
Total Liabilities and Deferred Inflows of Resources	12,974
FUND BALANCE	
Restricted	
Stabilization by state statute	15,152
Unassigned	667,074
Total Fund Balance	682,226
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ **695,200**

The accompanying notes are an integral part of this financial statement.

Exhibit A-4

Town of Minnesott Beach, North Carolina
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total Fund Balance - Governmental Funds	$	682,226
Capital assets used in governmental activities are financial resources and, therefore, are not reported in the funds.		338,281
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		8,124
Total Net Position-Governmental Funds	$	**1,028,631**

The accompanying notes are an integral part of this financial statement.

Exhibit A-5

Town of Minnesott Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2015

	Major Fund
	General Fund
Revenues	
Ad Valorem Taxes	$ 134,793
Other taxes and licenses	59,400
Restricted governmental revenues	19,013
Investment earnings	1,021
Service Charges & Fees	340
Miscellaneous	121
Total Revenues	214,688
Expenditures	
General government	97,287
Public Works	27,015
Transportation	36,641
Total Expenditures	160,943
Excess of Revenues Over (Under) Expenditures	53,745
Other Financing Sources (Uses)	
Sale of capital asset	4,500
Net Other Financing Sources (Uses)	4,500
Net Change in Fund Balance	**58,245**
Fund Balance at Beginning of Period	623,981
Fund Balance at End of Period	$ **682,226**

The accompanying notes are an integral part of this financial statement.

Town of Minnesott Beach, North Carolina
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2015

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

Total Net Change in Fund Balances - Governmental Funds	$	58,245
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund statements:		
Change in unavailable revenue for tax revenues.		351
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period plus assets donated to the town and acquired from other revenues.		19,067
Changes in Net Position-Governmental Funds	$	**77,663**

The accompanying notes are an integral part of this financial statement.

Town of Minnesott Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Ad valorem taxes	$ 124,292	$ 124,592	$ 134,793	$ 10,201
Other taxes and licenses	34,650	34,650	59,400	24,750
Restricted governmental	17,000	17,000	19,013	2,013
Investment earnings	305	305	1,021	716
Service Charges & Fees	262	262	340	78
Miscellaneous	450	150	121	(29)
Total Revenues	176,959	176,959	214,688	37,729
Expenditures				
General government	114,400	130,750	95,710	35,040
Public works	24,400	20,800	20,586	214
Transportation	75,752	63,002	44,647	18,355
Total Expenditures	214,552	214,552	160,943	53,609
Other Financing Uses				
Sale of capital asset			(4,500)	4,500
Fund Balance Appropriated	(37,593)	(37,593)	--	(37,593)
Total Expenditures and Other Financing Uses	176,959	176,959	156,443	20,516
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	--	58,245	58,245
Net Change in Fund Balance	$ **--**	$ **--**	**58,245**	$ **58,245**
Fund Balance at Beginning of Period			623,981	
Fund Balance at End of Period			$ **682,226**	

The accompanying notes are an integral part of this financial statement.

NOTES TO THE FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Minnesott Beach conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting polices:

A. The Financial Reporting Entity

The Town of Minnesott Beach is a municipal corporation that is governed by an elected mayor and a four-member council. The accounting policies of the Town of Minnesott Beach conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. The following is a summary of the more significant accounting policies of the Town.

B. Basis of Presentation

Government-Wide Statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information governmental activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The emphasis of fund financials is on major governmental funds.

The Town reports the following major governmental funds:

Governmental Funds. Governmental funds are those used to account for the Town's expendable financial resources and related liabilities (except those accounted for in proprietary or agency funds).

The following are the Town's governmental fund types:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are local option sales taxes and various other taxes and licenses. The primary expenditures are for public safety and general government.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

Governmental Fund Financial Statements. Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, and the special revenue funds. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits are made in Town Council designated official depositories and are secured as required by State law (G.S. 159-30(c)). The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

Cash and Cash Equivalents

The Town considers demand deposits and investments purchased with an original maturity of one year or less, which are not limited as to use, to be cash and cash equivalents.

2. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2014. As allowed by State Law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

4. 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.

5. Inventory and Prepaid Items

Inventories are not maintained as they are considered immaterial. Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements and expenses as the items are used.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g. streets, sidewalks, water and sewer delivery systems and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All infrastructures acquired before July 1, 2003 have been recorded by the Town at historical cost if purchased or constructed or at fair market value at the date of donation. Capital assets are defined by the Town as assets with an initial, "individual cost of a certain cost" and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Minimum capitalization costs are $1,000 for equipment (to include computer software) and $5,000 for buildings and infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated on the straight-line basis, applying the following useful lives to the cost of the assets:

Asset	Years
Infrastructure	20
Buildings	40
Improvements	25
Vehicles	5
Furniture and Fixtures	7
Equipment	5
Computer Equipment	3
Software	3

7. 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. 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 only one item that meet the criterion for this category – property taxes receivable.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs if any, 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.

9. Net Position/Fund Balance

Net Position

Net position in government-wide are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

> *Restricted for Stabilization by State Statute* - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].
>
> *Restricted for Streets* - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Committed Fund Balance — portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

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

> *Subsequent year's expenditures* — portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

3. Deficit in Fund Balance or Net Position of Individual Funds

None.

4. Excess of Expenditures over Appropriations

None.

III. *Detailed Notes on All Funds*

A. Assets

1. Deposits

All of the Town's deposits are either insured or collateralized by the Pooling Method. Under the Pooling Method, a collateral pool, all insured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each Pooling Method depository. The Town relies on the State Treasurer to monitor these financial institutions. It is the Town's policy to utilize only the pooling method of collateralization. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that the deposits are properly secured.

At June 30, 2015, the Town's deposits had a carrying amount of $671,924 and a bank balance of $616,292. Of the bank balance, $250,000 amount was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Investments

The investments in North Carolina Capital Management Trust are exempt from risk categorization because the town does not own any identifiable securities, but are shareholders of a percentage of the fund.

At June 30, 2015, the Town of Minnesott Beach had $200,618 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAA by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position is net of the following allowance for doubtful accounts:

Fund	6/30/2015
General Fund:	
Taxes Receivable, net	$ 8,124
Accounts Receivable, net	15,152
Total	$ 23,276

4. Capital Assets

A summary of changes in the Town's capital assets used in governmental activities follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 21,769	$ -	$ -	$ 21,769
Total capital assets not being depreciated	21,769	-	-	21,769
Capital assets being depreciated:				
Buildings	31,726	-	-	31,726
Equipment	42,766	8,006	-	50,772
Vehicles	13,400	-	-	13,400
Infrastructure	365,106	34,064	-	399,170
Total capital assets being depreciated	452,998	42,070	-	495,068
Less accumulated depreciation for:				
Buildings	17,278	793	-	18,071
Equipment	39,060	1,133	-	40,193
Vehicles	3,065	2,138	-	5,203
Infrastructure	96,152	18,937	-	115,089
Total accumulated depreciation	155,555	$ 23,001	$ -	178,556
Total capital assets being depreciated, net	297,443			316,512
Governmental activity capital assets, net	$ 319,212			$ 338,281

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

Governmental Activities:	
General Government	$ 1,926
Transportation	21,075
Total	$ 23,001

B. Liabilities

1. Fund Balance

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

Total Fund Balance - General Fund	**$ 682,226**
Less:	
Stabilization by State Statute	15,152
Remaining Fund Balance	667,074

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources were none at year end.

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

	Unavailable Revenue	Unearned Revenue
General Fund:		
Taxes receivable, net	$ 8,124	$ -
Total	$ 8,124	$ -

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of $1 million per occurrence, property coverage up to the total insurance values of the property policy, 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 in excess of $500,000 and $300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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.

In accordance with G.S. 159-29, the Town's finance officer has a performance bond for $50,000 through a commercial surety bond agency.

Claims, Judgments, and Contingent Liabilities

At June 30, 2015, there were no outstanding claims or judgments against the Town.

IV. Evaluation of Subsequent Events

Subsequent events have been evaluated through August 31, 2015, the date the financial statements were available to be issued.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Schedule 1

Town of Minnesott Beach, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes		$ 133,848	
Penalties and interest		945	
Total	124,592	134,793	10,201
Other Taxes and Licenses			
Local option sales tax		37,183	
Utility franchise tax		19,757	
Beer & wine tax		2,170	
Solid waste disposal		290	
Total Taxes and License	34,650	59,400	24,750
Restricted Intergovernmental Revenues			
Powell Bill Allocation		19,013	
Total	17,000	19,013	2,013
Investment Earnings			
Interest		1,021	
Total	305	1,021	716
Miscellaneous			
Miscellaneous revenue		121	
Service charges and fees		340	
Total	412	461	(49)
Total Revenues	$ 176,959	$ 214,688	$ 37,729

Schedule 1
Continued

Town of Minnesott Beach, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Expenditures			
General Government			
Salaries and benefits		$ 19,600	
Other operating costs		76,110	
Total	130,750	95,710	35,040
Public Works			
Salaries and benefits		6,897	
Other operating costs		13,689	
Total	20,800	20,586	214
Transportation			
Capital outlay		8,006	
Other operating costs		36,641	
Total	$ 63,002	$ 44,647	$ 18,355

Schedule 1
Continued

Town of Minnesott Beach, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Total Expenditures	214,552	160,943	53,609
Revenue over (under) expenditures	(37,593)	53,745	16,152
Sale of fixed asset		4,500	4,500
Fund Balance Appropriated	37,593	-	(37,593)
Net change in fund balance	$ -	$ 58,245	$ 58,245
Fund Balances			
Beginning of year, July 1		623,981	
End of year, June 30		$ 682,226	

OTHER SCHEDULES

Schedule 2

Town of Minnesott Beach, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2015

Fiscal Year	Uncollected Balance July 1, 2014	Additions and Adjustments	Collections and Credits	Uncollected Balance June 30, 2015
2014		134,046	129,754	4,293
2013	2,955		1,851	1,104
2012	1,737		809	928
2011	1,126		613	513
2010	602		99	503
2009	584		101	483
2008	353		103	250
2007	521		77	444
2006	87		23	64
2004-2005	43		0	43
	8,009	134,046	133,431	8,624

Less: Allowance for Uncollectible Accounts	500
Ad Valorem Taxes Receivables, Net	8,124

Reconciliation with Revenues:

Ad Valorem Tax - General Fund	$ 134,793
Reconciling items:	
Interest collected	(944)
Releases and adjustments	(418)
Total Collections and Credits	$ 133,431

Schedule 3

Town of Minnesott Beach, North Carolina
General Fund
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2015

	Property Valuation	Rate per $100	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax at current year's tax rate	$ 93,728,776	0.0013	$ 134,046	$ 127,195	$ 6,852
Total Net Levy for Current Year	$ 93,728,776				
Net levy			134,046	127,195	6,852
Less uncollected taxes at June 30, 2015			4,293	4,293	-
Current year's taxes collected			$ 129,754	$ 122,842	$ 6,852
Current levy collection percentage			96.80%	96.58%	100.00%