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**Town of Bath**

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**Bath, North Carolina**

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**Audit Report**

**June 30, 2019**

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# **TOWN OF BATH**

## **BATH, NORTH CAROLINA**

### **TOWN OFFICIALS**

#### **Mayor**

AJames G. Latham

#### **Town Commissioners**

John Taylor

Jay Hardin

Keith Tankard

Patricia Duffer

#### **Town Clerk**

Elna Lewis

Town of Bath, North Carolina  
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# LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

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## **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Town Council  
Town of Bath, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bath, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town'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 the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each

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AICPA – Governmental Audit Quality Center

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major fund, and the aggregate remaining funds of Town of Bath, North Carolina as of June 30, 2019, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison of 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 3 through 10 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 general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Bath, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other 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.

### **Other Reporting Required by Government Auditing Standard**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2019 on our consideration of the Town of Bath's internal control over financial reporting and on our tests of

its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that 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 Bath's internal control over financial reporting and compliance.

*Larry E. Carpenter, CPA, PA*

Greenville, NC  
January 3, 2020

**MANAGEMENT'S DISCUSSION AND  
ANALYSIS**



## Management's Discussion and Analysis

As management of the Town of Bath, we offer readers of the Town of Bath's financial statements this narrative overview and analysis of the financial activities of the Town of Bath for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

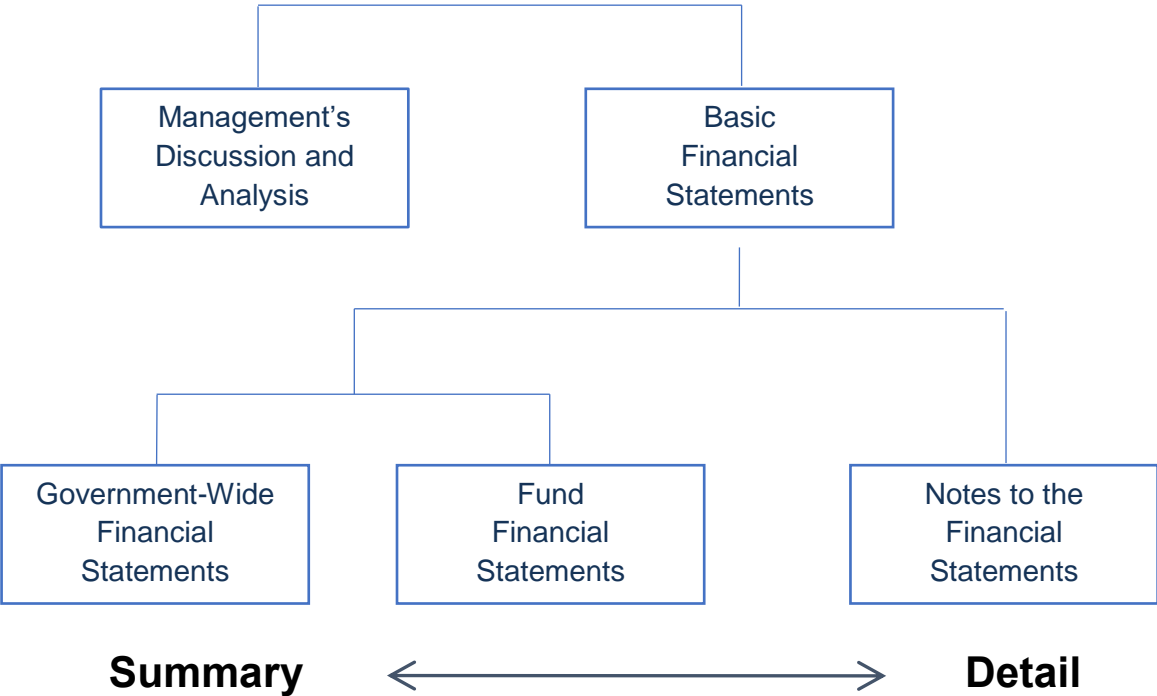
### ***Financial Highlights***

- The assets and deferred outflows of resources of the Town of Bath exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,834,102 (*net position*).
- The government's total net position decreased by \$78,855 primarily due to a decrease in both the governmental and the business-type activities net position.
- As of the close of the current fiscal year, the Town of Bath's governmental funds reported an ending fund balance of \$319,457 with a net change of \$9,394 in fund balance. Approximately 14.78% of this total amount, or \$47,204, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$47,204, or 20.56% of total general fund expenditures for the fiscal year.

### ***Overview of the Financial Statements***

This discussion and analysis are intended to serve as an introduction to Town of Bath's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Bath.

**Components of the Annual Financial Report  
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-9) 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.

**Management Discussion and Analysis**  
**Town of Bath, North Carolina**

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; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, cultural and recreation, 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. These include the water and sewer services offered by the Town of Bath.

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

**Fund financial statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Bath, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Bath can be divided into two categories: governmental funds and proprietary funds.

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

The Town of Bath 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 Town Council; 2) the final budget as amended by the Town Council; 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.

**Management Discussion and Analysis**  
**Town of Bath, North Carolina**

**Proprietary Funds:** Town of Bath 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. Town of Bath uses an enterprise fund to account for its water and sewer operation. These funds are 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 begin on page 21 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 Bath's progress in funding its obligation to provide pension benefits to its employees.

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

**Town of Bath’s Net Position**

**Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Current and other assets	\$ 330,876	\$ 326,298	\$ (71,893)	\$ (15,866)	\$ 258,983	\$ 310,432
Pension assets						
Capital assets	362,217	379,691	4,123,026	4,113,189	4,485,243	4,492,880
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	693,093	705,989	4,051,133	4,097,323	4,744,226	4,803,312
Current liabilities	8,348	14,357	141,715	111,940	150,063	126,297
Noncurrent liabilities	-	-	-	-	-	-
Deferred inflows of resources	-	-	-	-	-	-
Total liabilities and deferred inflow of resources	8,348	14,357	141,715	111,940	150,063	126,297
Net investment in capital assets	362,217	379,691	3,314,103	3,255,406	3,676,320	3,635,097
Restricted	272,253	272,224	-	-	272,253	272,224
Unrestricted	50,275	39,717	(164,746)	(78,944)	(114,471)	(39,227)
Total net position	\$ 684,745	\$ 691,632	\$3,149,357	\$3,176,462	\$ 3,834,102	\$ 3,868,094

**Management Discussion and Analysis**  
**Town of Bath, North Carolina**

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Bath exceeded liabilities by \$3,834,102 as of June 30, 2019. The Town's net position decreased by \$78,855 for the fiscal year ended June 30, 2019. However, the largest portion, \$3,676,320 or 95.88%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Bath uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Bath's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Bath's net position, - represents resources that are subject to external restrictions on how they may be used. The remaining balance of - is unrestricted.

**Town of Bath's Changes in Net Position**

**Figure 3**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 13,873	\$ 18,938	\$ 217,590	\$ 223,084	\$ 231,463	\$ 242,022
Operating grants and contributions	8,291	7,941		200,000	8,291	207,941
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	123,453	111,186	-	-	123,453	111,186
Other taxes	80,103	78,772	-	-	80,103	78,772
Unrestricted intergovernmental	-	-	-	-	-	-
Investment earnings	26	72	183	174	209	246
Other	9,631	524	16,230	12,036	25,861	12,560
<b>Total revenues</b>	<b>235,377</b>	<b>217,433</b>	<b>234,003</b>	<b>435,294</b>	<b>469,380</b>	<b>652,727</b>
<b>Expenses:</b>						
General government	174,484	195,803	-	-	174,484	195,803
Public safety	43,151	39,207	-	-	43,151	39,207
Transportation	17,705	5,200	-	-	17,705	5,200
Environmental protection	10,675	10,670	-	-	10,675	10,670
Culture and recreation	1,000	1,000	-	-	1,000	1,000
Interest on long-term debt	-	-	-	-	-	-
Water and sewer			301,220	354,917	301,220	354,917
<b>Total expenses</b>	<b>247,015</b>	<b>251,880</b>	<b>301,220</b>	<b>354,917</b>	<b>548,235</b>	<b>606,797</b>
Increase in Net Position before transfers	(11,638)	(34,447)	(67,217)	80,377	(78,855)	45,930
Transfers	-	-	-	-	-	-
Increase (decrease) in Net Position	(11,638)	(34,447)	(67,217)	80,377	(78,855)	45,930
Net Position, July 1	691,632	726,079	3,176,462	3,096,085	3,868,094	3,822,164
Net Position, June 30	\$ 679,994	\$ 691,632	\$3,109,245	\$3,176,462	\$3,789,239	\$3,868,094

**Management Discussion and Analysis**  
**Town of Bath, North Carolina**

**Governmental activities:** Governmental activities decreased the Town net assets by \$11,638.

**Business-type activities:** Business-type activities decreased the Town's net assets by \$67,217.

The Town of Bath's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer at the end of the fiscal year amounted to \$3,149,357. The total decrease in net position was \$67,217.

**Financial Analysis of the Town's Funds**

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

**Governmental Funds.** The focus of the Town of Bath'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 Bath's financing requirements.

The general fund is the chief operating fund of the Town of Bath. At the end of the current fiscal year, the Town of Bath's fund balance available in the General Fund was \$47,204, while total fund balance reached \$319,457. The Town currently has an available fund balance of 20.56% of general fund expenditures, while total fund balance represents 1.39% of the same amount.

At June 30, 2019, the governmental funds of the Town of Bath reported a combined fund balance of \$319,457 with a net increase in fund balance of \$9,394.

**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.

The Town of Bath revised its original budget because they received installment purchase proceeds used to purchase two fire trucks in the General Fund and for the purchase of a street sweeper used in the Stormwater Fund. Expenditures were held in check to comply with the Town's budgetary requirements, with the exception of public safety, which were over expended.

**Proprietary funds.** The Town of Bath's proprietary funds provide the same type of information found in the government-wide statements but in more detail.

**Management Discussion and Analysis  
Town of Bath, North Carolina**

**Capital Asset and Debt Administration**

**Capital assets.**

Capital assets. The Town's investment in capital assets for its governmental and business—type activities as of June 30, 2019, totals \$4,485,243 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

**Town of Bath’s Capital Assets  
(Net of Accumulated Depreciation)  
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 7,582	\$ 7,582	\$ 326,157	\$ 326,157	\$ 333,739	\$ 333,739
Buildings	293,687	305,942	-	-	293,687	305,942
Equipment	-	600	12,390	-	12,390	600
Vehicles	1,500	2,500	4,928	6,499	6,428	8,999
Improvements	18,300	19,338	-	-	18,300	19,338
Infrastructure	41,148	43,729	-	-	41,148	43,729
Plant and distributions system	-	-	1,131,009	1,178,733	1,131,009	1,178,733
Construction in progress	-	-	2,648,542	2,601,801	2,648,542	2,601,801
Capital assets, net	<u>\$ 362,217</u>	<u>\$ 379,691</u>	<u>\$ 4,123,026</u>	<u>\$ 4,113,190</u>	<u>\$ 4,485,243</u>	<u>\$ 4,492,881</u>

**Long-term Debt.** As of June 30, 2019, the Town had total bonded debt outstanding of \$166,000. The bonded debt total amount is backed by the full faith and credit of the Town.

**Town of Bath  
General Obligations and Loans  
Figure 5**

	Business-Type Activities	
	2019	2018
General Obligation Bonds	\$ 166,000	\$ 172,000
Note Payable	642,922	685,784
Total	<u>\$ 808,922</u>	<u>\$ 857,784</u>

The Town's total debt decreased by \$48,862 during the past fiscal year, due to the annual payment on bond principal.

***Management Discussion and Analysis***  
***Town of Bath, North Carolina***

**Economic Factors and Next Year's Budget and Rates**

The following key economic indicators reflect the general condition of the Town. The economic crisis of prior years continues to contribute to the factors below:

- High unemployment, an aged population, no industrial development, and very little retail business help to create a situation where the Town's customer base is eroded. The resulting ratio of expense versus revenue creates a difficult situation in keeping rates and fees low while maintaining an adequate level of service. In addition, most residents are on fixed income.

**Budget Highlights for the Fiscal Year Ending June 30, 2020**

Tax revenues along with other general fund revenues are expected to remain constant and no property tax rate increase is being considered at this time.

**Requests for Information**

**Finance Officer**  
**Town of Bath**  
**P.O. Drawer 6A**  
**Bath, NC 27808**



## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Town of Bath, North Carolina**  
**Statement of Net Position**  
**June 30, 2019**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 55,552	\$ 139,461	\$ 195,013
Taxes receivable, net	3,071	--	3,071
Accounts receivable, net	39,730	21,169	60,899
Internal Balances	232,523	(232,523)	--
<b>Total Current Assets</b>	<b>330,876</b>	<b>(71,893)</b>	<b>258,983</b>
<i>Noncurrent Assets</i>			
Land and other nondepreciable assets	7,582	2,974,700	2,982,282
Other capital assets, net of depreciation	354,635	1,148,326	1,502,961
<b>Total Assets</b>	<b>693,093</b>	<b>4,051,133</b>	<b>4,744,226</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Aggregated deferred outflows	--	--	--
<b>Total Deferred Outflows of Resources</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities	8,348	92,853	101,201
Current portion of long-term debt	--	48,862	48,862
<b>Total Current Liabilities</b>	<b>8,348</b>	<b>141,715</b>	<b>150,063</b>
<i>Noncurrent Liabilities</i>			
Long-term debt	--	760,061	760,061
<b>Total Liabilities</b>	<b>8,348</b>	<b>901,776</b>	<b>910,124</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Aggregated deferred inflows	--	--	--
<b>Total Deferred Inflows of Resources</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>NET POSITION</b>			
Net investment in capital assets	362,217	3,314,103	3,676,320
<i>Restricted for:</i>			
Stabilization by State Statue	272,253	--	272,253
<i>Unrestricted</i>	50,275	(164,746)	(114,471)
<b>Total Net Position</b>	<b>\$ 684,745</b>	<b>\$ 3,149,357</b>	<b>\$ 3,834,102</b>

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

**Town of Bath, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
General government	\$ 174,681	\$ 13,873	\$ --	\$ --	\$ (160,808)	\$ --	\$ (160,808)
Public safety	43,151	--	--	--	(43,151)	--	(43,151)
Transportation	17,705	--	8,291	--	(9,414)	--	(9,414)
Environmental protection	10,675	--	--	--	(10,675)	--	(10,675)
Cultural and recreational	1,000	--	--	--	(1,000)	--	(1,000)
<b>Total Governmental Activities</b>	<b>247,212</b>	<b>13,873</b>	<b>8,291</b>	<b>--</b>	<b>(225,048)</b>	<b>--</b>	<b>(225,048)</b>
<b>Business-type Activities:</b>							
Water and Sewer Fund	301,220	217,590	--	--	--	83,630	83,630
<b>Total Business-type Activities</b>	<b>301,220</b>	<b>217,590</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(83,630)</b>	<b>(83,630)</b>
<b>Total Primary Government</b>	<b>\$ 548,432</b>	<b>\$ 231,463</b>	<b>\$ 8,291</b>	<b>\$ --</b>	<b>\$ (225,048)</b>	<b>\$ (83,630)</b>	<b>\$ (308,678)</b>
<b>General Purpose Revenues and Transfers:</b>							
<b>Revenues</b>							
Ad valorem taxes					123,453	--	123,453
Other taxes and licenses					80,103	--	80,103
Investment income					26	183	209
Miscellaneous Income					9,828	16,230	26,058
<b>Transfers</b>					--	--	--
<b>Total General Revenues and Transfers</b>					<b>213,410</b>	<b>16,413</b>	<b>229,823</b>
<b>Change in Net Position</b>					<b>(11,638)</b>	<b>(67,217)</b>	<b>(78,855)</b>
<i>Net Position, beginning as previously reported</i>					691,632	3,176,462	3,868,094
<i>Prior period adjustment</i>					4,751	40,112	44,863
<i>Net Position, beginning as restated</i>					696,383	3,216,574	3,912,957
<b>Net Position at End of Period</b>					<b>\$ 684,745</b>	<b>\$ 3,149,357</b>	<b>\$ 3,834,102</b>

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

## **FUND FINANCIAL STATEMENTS**

**Town of Bath, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2019**

	<b>Major Fund</b>
	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 55,552
Taxes receivable, net	3,071
Accounts receivable, net	39,730
Due from other funds	232,523
<b>Total Assets</b>	<b>330,876</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Aggregated deferred outflows	--
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 330,876</b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 8,348
<b>Total Liabilities</b>	<b>8,348</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Aggregated deferred inflows	3,071
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>11,419</b>
<b>FUND BALANCE</b>	
Restricted	
Stabilization by State Statute	272,253
Unassigned	47,204
<b>Total Fund Balance</b>	<b>319,457</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 330,876</b>

The accompanying notes are an integral part of this financial statement

**Town of Bath, North Carolina**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2019**

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

Total Fund Balance - Governmental Funds	\$	319,457
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		362,217
Earned revenues considered deferred inflows of resources in fund statements.		3,071
<b>Total Net Position-Governmental Funds</b>	<b>\$</b>	<b><u>684,745</u></b>

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

**Town of Bath, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	<u>Major Fund</u> <u>General Fund</u>
<b>Revenues</b>	
Ad valorem taxes	\$ 122,260
Other taxes and licenses	80,103
Restricted intergovernmental	7,791
Charges for services	13,873
Miscellaneous Income	10,327
Investment income	26
<b>Total Revenues</b>	<u>234,380</u>
<b>Expenditures</b>	
General government	158,859
Public safety	41,498
Transportation	17,705
Environmental protection	10,675
Cultural and recreational	1,000
<b>Total Expenditures</b>	<u>229,737</u>
<b>Net Change in Fund Balance</b>	<b>4,643</b>
<i>Fund Balance, beginning as previously reported</i>	310,063
Prior period adjustment	4,751
<i>Fund Balance, beginning as restated</i>	<u>314,814</u>
<b>Fund Balance at End of Period</b>	<u><b>\$ 319,457</b></u>

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



**Town of Bath, 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, 2019**

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

Total Net Change in Fund Balances - Governmental Funds	\$	4,643
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. This is the amount by which capital outlays exceeded depreciation in the current period.		(17,474)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		1,193
<b>Changes in Net Position-Governmental Funds</b>	<b>\$</b>	<b><u>( 11,638 )</u></b>

*The accompanying notes are an integral part of the financial statements.*

**Town of Bath, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Ad valorem taxes	\$ 112,500	\$ 112,500	\$ 122,260	\$ 9,760
Other taxes and licenses	74,150	74,150	80,103	5,953
Restricted intergovernmental	8,000	8,000	7,791	(209)
Investment Earnings	100	100	26	(74)
Charges for services	18,100	18,100	13,873	(4,227)
Miscellaneous Income	50	50	10,327	10,277
<b>Total Revenues</b>	<u>212,900</u>	<u>212,900</u>	<u>234,380</u>	<u>21,480</u>
<b>Expenditures</b>				
General government	151,500	151,500	158,859	(7,359)
Public safety	37,700	37,700	41,498	(3,798)
Transportation	12,000	12,000	17,705	(5,705)
Environmental protection	10,700	10,700	10,675	25
Cultural and recreational	1,000	1,000	1,000	--
<b>Total Expenditures</b>	<u>212,900</u>	<u>212,900</u>	<u>229,737</u>	<u>(16,837)</u>
<b>Total Expenditures and Other Financing Uses</b>				
<b>Financing Uses</b>	<u>212,900</u>	<u>212,900</u>	<u>224,986</u>	<u>(12,086)</u>
<b>Net Change in Fund Balance</b>	<u>\$ --</u>	<u>\$ --</u>	<u>4,643</u>	<u>\$ 4,643</u>
<i>Fund Balance, beginning as previously reported</i>			310,063	
<i>Prior period adjustment</i>			4,751	
<i>Fund Balance, beginning as restated</i>			<u>314,814</u>	
<b>Fund Balance at End of Period</b>			<u>\$ 319,457</u>	

The accompanying notes are an integral part of the financial statements.

**Town of Bath, North Carolina**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2019**

	<b>Business-type Activities -</b>
	<b>Water &amp; Sewer Fund</b>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 139,461
Accounts receivable, net	21,169
<b>Total Current Assets</b>	<b>160,630</b>
<i>Noncurrent Assets</i>	
Land and other nondepreciable assets	2,974,700
Other capital assets, net of depreciation	1,148,326
<b>Total Assets</b>	<b>4,283,656</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Aggregated deferred outflows	--
<b>Total Deferred Outflows of Resources</b>	<b>--</b>
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Accounts payable and accrued liabilities	92,853
Due from other funds	232,523
Current portion of long-term debt	48,862
<b>Total Current Liabilities</b>	<b>374,238</b>
<i>Noncurrent Liabilities</i>	
Long-term debt	760,061
<b>Total Liabilities</b>	<b>1,134,299</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Aggregated deferred inflows	--
<b>Total Deferred Inflows of Resources</b>	<b>--</b>
<b>NET POSITION</b>	
Net investment in capital assets	3,314,103
<i>Unrestricted</i>	(164,746)
<b>Total Net Position</b>	<b>\$ 3,149,357</b>

The accompanying notes are an integral part of the financial statements.

**Town of Bath, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	<b>Business-type Activities -</b>
	<b>Water &amp; Sewer Fund</b>
<b>Operating Revenues</b>	
Sales and services	\$ 217,590
Miscellaneous Income	16,230
<b><i>Total Operating Revenues</i></b>	<b>233,820</b>
<b>Operating Expenses</b>	
Water and sewer operations	232,619
Depreciation	49,295
<b><i>Total Operating Expenses</i></b>	<b>281,914</b>
<b><i>Operating Income (Loss)</i></b>	<b>(48,094)</b>
<b>Non-Operating Revenues (Expenses)</b>	
Investment income	183
Interest and other charges	(19,306)
<b><i>Net Non-Operating Revenues (Expenses)</i></b>	<b>(19,123)</b>
<b><i>Change In Net Position</i></b>	<b>( 67,217 )</b>
<i>Net Position, beginning as previously reported</i>	3,176,462
Prior period adjustment	40,112
<i>Net Position, beginning as restated</i>	3,216,574
<b><i>Net Position at End of Period</i></b>	<b>\$ 3,149,357</b>

*The accompanying notes are an integral part of the financial statements.*

**Town of Bath, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	<b>Enterprise Funds</b>
	<b>Water &amp; Sewer Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 217,590
Cash paid for goods and services	( 122,938 )
Cash paid to/on behalf of employees	( 39,308 )
Other operating revenue	16,230
Net cash provided (used) by operating activities	71,574
<b>Cash Flows from Noncapital Financing Activities:</b>	
Transfers to (from) other funds	-
<b>Cash Flows From Capital and Related Financing Activities</b>	
Capital contributions	-
Acquisition and construction of capital assets	( 59,433 )
Principal repaid on long-term debt	(48,862)
Interest paid on long-term debt	( 19,306 )
Net cash provided (used) by capital and related financing activities	( 127,601 )
<b>Cash Flows from Investing Activities:</b>	
Investment income received	183
Net increase (decrease) in cash and cash equivalents	( 56,027 )
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>195,488</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 139,461</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ (48,095)
Depreciation	49,295
Change in assets and liabilities:	
(Increase) decrease in accounts receivables	-
Increase (decrease) in accounts payable and accrued liabilities	70,374
Net cash provided (used) by operating activities	\$ 71,574

*The accompanying notes are an integral part of the financial statements.*

## **Notes To The Financial Statements**

**Town of Bath, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019**

**NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***A. Reporting Entity***

The Town of Bath is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the financial information of the Town.

***B. Basis of Presentation***

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category — governmental and proprietary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as 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:

***Governmental: 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

**Town of Bath, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

another fund. The primary revenue sources are ad valorem taxes, intergovernmental revenues, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance, and sanitation services. Additionally, the town had legally adopted a capital resource fund. Under GASB 54 guidance the capital resource fund is consolidated in the General Fund. The budgetary comparison for the capital resource fund has been included in the supplemental information.

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

The Town reports the following non-major fund:

**Governmental: Capital Reserve Fund.** This fund is used to account for funds that are designated for future use.

***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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise fund 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



**Town of Bath, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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, 2015, 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, 2015 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Bath because the tax is levied by Beaufort County and then remitted to and distributed by the State. 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 are 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.

***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. 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 fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. The Town Manager has the authority to amend appropriations within departments. All other amendments must be approved by the governing board.

**Town of Bath, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019**

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

***1. Deposits and Investments***

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. 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). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

***2. Cash and Cash Equivalents***

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

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

***3. Restricted Assets***

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening local streets per G.S. 136-41.1 through 136-41.4. Customer deposits are classified as restricted cash because they must be returned to the customer at the conclusion of service.

***4. Ad Valorem Taxes Receivable***

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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, 2015, 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.

**Town of Bath, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019**

**5. Allowances for Doubtful Accounts**

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

**6. Inventory & Prepaid Items**

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Infrastructure	20
Buildings	30
Improvements	25
Furniture and equipment	7-10
Computer equipment	3
Computer software	5

**8. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet the criterion for this category—property taxes receivable.

**9. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the

**Town of Bath, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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.

#### **10. *Compensated Absences***

The Town requires vacation to be taken in the year earned with no carry over. The Town has no policy regarding sick leave.

#### **11. *Net Position/Fund Balances***

##### *Net Position*

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

##### *Fund Balances*

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

*Nonspendable Fund Balance* — This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town does not have any nonspendable fund balances for the governmental fund types.

*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

**Town of Bath, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019**

imposed by majority vote by quorum of the Town of Bath'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 otherwise revise the limitation.

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

*Subsequent years' expenditures*— portion of fund balance that is appropriated in the next years' 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.

**NOTE 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**

For the fiscal year ended June 30, 2019, the expenditures made in the Town's General Fund and Water and Sewer Fund. In the General Fund expenditures exceeded the authorized appropriations made by the governing board for general government, public safety, and transportation activities by \$6,562, \$3,798, and \$5,705 respectively. These over-expenditures occurred due to unexpected repairs and professional fees not anticipated. In the Water and Sewer Fund expenditures exceeded authorized appropriations made by the governing board in water and sewer operations by \$70,690. These over-expenditures were due to continuing major repairs in the water and sewer system and new pumps purchased. The Board will more closely review the budget reports to ensure compliance in future years.

**Town of Bath, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**NOTE III—DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

All the deposits of the Town 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 agents in this unit's name. 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, these deposits are considered to be held by the Town's agents in their 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 amounts 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 depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At year end, the Town's deposits had a carrying amount of \$195,013 and a bank balance of \$252,941. Of the bank balance, \$252,941 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. All of the bank balance was covered by federal depository insurance.

**Receivables — Allowance for Doubtful Accounts**

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

General Fund:	
Taxes receivable	\$ 2,000
Accounts receivable	-
Total	<u>2,000</u>

**Town of Bath, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**2. Capital Assets**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 7,582	\$ -	\$ -	\$ 7,582
Total capital assets not being depreciated	<u>7,582</u>	<u>-</u>	<u>-</u>	<u>7,582</u>
<b>Capital assets being depreciated:</b>				
Buildings	457,155	-	-	457,155
Equipment	26,677	-	-	26,677
Vehicles	9,600	-	-	9,600
Other improvements	32,190	-	-	32,190
Infrastructure	<u>77,418</u>	<u>-</u>	<u>-</u>	<u>77,418</u>
Total capital assets being depreciated	<u>603,040</u>	<u>-</u>	<u>-</u>	<u>603,040</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	151,213	12,255	-	163,468
Equipment	26,077	600	-	26,677
Vehicles	7,100	1,000	-	8,100
Other improvements	12,852	1,038	-	13,890
Infrastructure	<u>33,689</u>	<u>2,581</u>	<u>-</u>	<u>36,270</u>
Total accumulated depreciation	<u>230,931</u>	<u>\$ 17,474</u>	<u>\$ -</u>	<u>248,405</u>
Total capital assets being depreciated, net	<u>372,109</u>			<u>354,635</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 379,691</u>			<u>\$ 362,217</u>

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

<b>Governmental Activities:</b>	
General Government	\$ 15,822
Public Safety	1,653
Total	<u>\$ 17,474</u>

**Town of Bath, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019**

**Water and Sewer Fund Capital Assets**

Capital asset activity for the Water and Sewer Fund for the year ended June 30, 2019, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-Type Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 326,157	\$ -	\$ -	\$ 326,157
Construction in progress	2,601,801	46,741	-	2,648,542
Total capital assets not being depreciated	<u>2,927,958</u>	<u>46,741</u>	<u>-</u>	<u>2,974,699</u>
<b>Capital assets being depreciated:</b>				
Plant and distributions system	2,394,921	163	-	2,395,084
Equipment	102,721	12,692	-	115,413
Vehicles	19,291	-	163	19,128
Total capital assets being depreciated	<u>2,516,933</u>	<u>12,855</u>	<u>163</u>	<u>2,529,625</u>
<b>Less accumulated depreciation for:</b>				
Plant and distributions system	1,216,188	47,887	-	1,264,075
Equipment	102,721	302	-	103,023
Vehicles	12,792	1,408	-	14,200
Total accumulated depreciation	<u>1,331,701</u>	<u>49,597</u>	<u>-</u>	<u>1,381,298</u>
Total capital assets being depreciated, net	<u>1,185,232</u>			<u>1,148,327</u>
<b>Business-type activity capital assets, net</b>	<u>\$ 4,113,190</u>			<u>\$ 4,123,026</u>

**B. Liabilities**

**1. Pension Plan Obligations**

Town employees do not receive pension benefits, employment benefits or post-employment benefits.

**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:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable (General Fund), less penalties	3,071	-
Total	<u>\$ 3,071</u>	<u>\$ -</u>



**Town of Bath, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019**

**3. Fund Balance**

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

<b>Total Fund Balance-General Fund</b>	<b>\$ 319,457</b>
Less:	
Stabilization by State Statute	272,253
Streets-Powell Bill	-
Working Capital / Fund Balance Policy	-
Remaining Fund Balance	47,204

**4. 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, and employee health coverage up to a \$2 million lifetime limit. 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 pools are reinsured for annual employee health claims in excess of \$150,000. 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.

The Town carries commercial coverage for all other risks of loss. 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 finance officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

**Town of Bath, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019**

**5. Long-Term Obligations**

**Changes in Long-Term Liabilities**

The following is a summary of changes in the Town's Business-Type (Enterprise Fund) Activities long-term liabilities.

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Current Portion of Balance</b>
NC Clean Water Loan	\$ 685,784	\$ -	\$ 42,862	\$ 642,922	\$ 42,862
General Obligation Bond	172,000	-	6,000	166,000	6,000
	<u>\$ 857,784</u>	<u>\$ -</u>	<u>\$ 48,862</u>	<u>\$ 808,922</u>	<u>\$ 48,862</u>

**a. General Obligation Bonds**

**Serviced by the Water and Sewer Fund:**

The Town's general obligations bonds serviced by the Water and Sewer Fund were issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due. Bonds payable at June 30, 2019 are as follows:

\$250,000 1999 Sanitary Sewer Serial Bonds due in annual installments of \$4,000 to \$10,000 through June 1, 2039, interest at 3.25%. \$ 166,000

Annual debt service requirements to maturity for long-term obligations are as follows:

<b>Year ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2020	6,000	5,395	11,395
2021	6,000	5,200	11,200
2022	6,000	5,005	11,005
2023	7,000	4,810	11,810
2023-2026	29,000	16,965	45,965
2027-2031	42,000	15,568	57,568
2032-2036	49,000	8,255	57,255
2037-2038	21,000	1,008	22,008
	<u>166,000</u>	<u>62,206</u>	<u>228,206</u>

**Town of Bath, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019**

***b. Installment Purchases***

\$810,378, loan from the NC Clean Water State Revolving Loan Fund for upgrade of the Town's Wastewater Treatment and Disposal Upgrade; estimated repayment will be due annual installments of principal of \$42,862 plus interest at 2% through 2034. \$ 642,922

Annual debt service payments of the installment purchases as of June 30, 2019, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	42,862	12,429	55,291
2021	42,862	11,572	54,434
2022	42,862	10,715	53,577
2023-2034	514,338	69,011	583,349
	<u>642,922</u>	<u>\$ 103,727</u>	<u>\$ 746,651</u>

**6. Interfund Balances and Activity**

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

Due to General Fund from Water & Sewer \$ 232,523

The Interfund balances resulted from the time lag between the dates that (1) Interfund goods and services are provided, or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The Interfund balance resulted from loans to the General Fund for construction of the town's Sewer Improvement Project. The Town has subsequently agreed to issuing a resolution to forgive the loan to the Water and Sewer fund from the General fund to be effective in the following fiscal year.

**NOTE IV —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 monies 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.

**Town of Bath, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**NOTE V —JOINTLY GOVERNED ORGANIZATION**

The Town, in conjunction with five counties and thirty-four other municipalities, established the Mid-East Commission Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$300 to the Council during the fiscal year.

**NOTE VII — PRIOR PERIOD ADJUSTMENT**

During the fiscal year ended June 30, 2019, the Town determined that certain liabilities in both the General Fund and Water and Sewer Fund were overstated as of June 30, 2019. Therefore, an adjustment has been made to beginning net position to account for these changes.

**NOTE VII —SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

Subsequent events have been evaluated through January 3, 2020 the date the financial statements were available to be issued.

**INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

**Town of Bath, North Carolina**  
**General Fund**  
**Schedule of Revenue, Expenditures, and Changes**  
**In Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
<b>Ad Valorem Taxes</b>			
Taxes		122,260	
Total	<u>112,500</u>	<u>122,260</u>	<u>9,760</u>
 Other Taxes and Licenses			
Beer & wine		1,028	
Local option sales tax		67,875	
Utility franchise tax		11,200	
Total	<u>74,150</u>	<u>80,103</u>	<u>5,953</u>
 <b>Restricted Intergovernmental Revenues</b>			
Powell Bill allocation		7,791	
Total	<u>8,000</u>	<u>7,791</u>	<u>(209)</u>
 <b>Charges for services</b>			
Rental services		12,602	
Permits		1,271	
Total	<u>18,100</u>	<u>13,873</u>	<u>(4,227)</u>

**Town of Bath, North Carolina  
General Fund  
Schedule of Revenue, Expenditures, and Changes  
In Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Investment Earnings</b>			
Interest		26	
Total	100	26	(74)
<b>Other Revenues</b>			
Miscellaneous		10,327	
Total	50	10,327	10,277
<b>Total Revenue</b>	<b>\$ 212,900</b>	<b>\$ 234,380</b>	<b>\$ 21,480</b>
<b>Expenditures</b>			
<b>General Government</b>			
Salaries and benefits		82,810	
Professional services		19,638	
Dues & subscriptions		1,121	
Utilities		19,606	
Insurance & bonds		12,501	
Repairs & maintenance		16,658	
Supplies		3,666	
Other operating expenses		2,859	
Total	151,500	158,859	(7,359)

**Town of Bath, North Carolina**  
**General Fund**  
**Schedule of Revenue, Expenditures, and Changes**  
**In Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Public Safety</b>			
EMS Tax		28,798	
Donations		12,700	
Total	<u>37,700</u>	<u>41,498</u>	<u>(3,798)</u>
<b>Transportation</b>			
Street maintenance		17,705	
Total	<u>12,000</u>	<u>17,705</u>	<u>(5,705)</u>
<b>Environmental Protection</b>			
Sanitation services		10,675	
Total	<u>10,700</u>	<u>10,675</u>	<u>25</u>
<b>Cultural and Recreational</b>			
Recreation		1,000	
Total	<u>1,000</u>	<u>1,000</u>	<u>-</u>



**Town of Bath, North Carolina**  
**General Fund**  
**Schedule of Revenue, Expenditures, and Changes**  
**In Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Total Expenditures	212,900	229,737	(16,837)
Net change in fund balance	\$ -	4,643	\$ 4,643
Fund balance - July 1		310,063	
Fund balance - June 30		<u>\$ 314,706</u>	

Schedule 2

**Town of Bath, North Carolina  
Water and Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Operating Revenue			
Net sales from water & sewer operations	\$ -	\$ 217,590	\$ -
Investment earnings		100	
Other operating income		16,230	
	216,050	233,920	17,870
<b>Expenditures:</b>			
Water and sewer operations			
Salaries and benefits		79,907	
Repairs and maintenance		92,231	
Utilities		20,386	
Insurance		8,774	
Lab fees		7,924	
Chemicals		1,372	
Office		1,610	
Other operating expenditures		20,332	
Total	146,050	232,536	(86,486)



**Town of Bath, North Carolina**  
**Sewer Improvement Project**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2019**

	Project Authorization	Actual		Total To Date	Variance
		Prior Years	Current Year		Favorable (Unfavorable)
<b>Revenues:</b>					
Unrestricted Intergovernmental - CWSRF	\$ 1,100,000	\$ 1,138,507	\$ -	\$ 1,138,507	\$ 38,507
Golden Leaf	250,000	250,000	-	250,000	-
Total revenues	1,350,000	1,388,507	-	1,388,507	38,507
<b>Expenditures:</b>					
Water system improvements	2,421,640	2,279,504	74,951	2,354,455	67,185
Total Expenditures	2,421,640	2,279,504	74,951	2,354,455	67,185
Revenue over expenditures	(1,071,640)	(890,997)	(74,951)	(965,948)	105,692
<b>Other financing Sources:</b>					
Town contributions	260,640	260,640	16,313	276,953	(16,313)
Clean Water State Revolving Loan Fund	811,000	771,507	-	771,507	(39,493)
Total other financing sources	1,071,640	1,032,147	16,313	1,048,460	(39,493)
Revenues over (under) expenditures	\$ -	\$ 141,150	\$ (58,638)	\$ 82,512	\$ 66,199

## **OTHER SCHEDULES**

Schedule 4

**Town of Bath, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**For the Fiscal Year Ended June 30, 2019**

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 116,587	113,786	\$ 2,800
2017-2018	2,569		1,557	1,012
2016-2017	1,034		348	686
2015-2016	288		(9)	297
2014-2015	982		(5)	987
2013-2014	207		-	207
2012-2013	205		-	205
2011-2012	211		-	211
2010-2011	195		-	195
2009-2010	246		(3)	249
2008-2009	219		(2)	221
	<u>6,156</u>	<u>116,587</u>	<u>115,672</u>	<u>7,071</u>

Less: Allowance for Uncollectible Accounts (2,000)

Ad Valorem Taxes Receivables, Net 5,071

**Reconciliation with Revenues:**

Ad Valorem Tax - General Fund	\$ 122,261
Reconciling items:	
Interest collected	(4,793)
Releases and adjustments	<u>(1,795)</u>
Total Collections and Credits	<u>115,672</u>

**Town of Bath, North Carolina  
General Fund  
Analysis of Current Tax Levy  
For the Fiscal Year Ended June 30, 2019**

	Property Valuation	Rate per \$100	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property tax at current year's tax rate					
Net Valuation	\$ 21,197,584	0.55	\$ 116,587	\$ 109,785	\$ 6,801
Net levy	<u>21,197,584</u>		116,587	109,785	6,801
Less uncollected taxes at June 30, 2019			<u>2,800</u>	<u>2,800</u>	<u>-</u>
Current year's taxes collected			<u>\$ 113,786</u>	<u>\$ 106,985</u>	<u>\$ 6,801</u>
Current levy collection percentage			<u>97.60%</u>	<u>97.45%</u>	<u>100.00%</u>

## **COMPLIANCE SECTION**



# LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

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## 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 Mayor and Members of the Town Council  
Bath, 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, each major fund, and the aggregate remaining fund information of the Town of Bath, Bath, North Carolina, as of and for the year ended June 30, 2019, which collectively comprise the Town of Bath's basic financial statements, and have issued our report thereon dated January 3, 2020.

### Internal Control over Financial Reporting

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

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.

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. 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.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2019-01.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bath'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

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# LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

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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.

*Larry E. Carpenter, CPA, PA*

January 3, 2020

*Member:*

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## Schedule of Findings and Responses For The Year Ended June 30, 2019

### Section I. Financial Statement Findings

### Schedule 6

#### Significant Noncompliance

2019-01 Budget- Based upon review of financial statements.

Criteria: G.S. 159-8 (a) states that all monies received and expended by a local government or public authority should be included in the budget ordinance.

Condition: The Town expended \$6,561, \$3,798, and \$5,705 more for general government activities, Public safety, and transportation respectively in the General Fund than appropriated in the annual budget ordinance. The Town expended \$70,690 more for water and sewer operating expense in the Water & Sewer Fund than appropriated in the annual budget ordinance.

Effect: Monies were spent that had not been appropriated.

Cause: Budget amendments were not made to account for the over-expenditures.

Recommendation: Budget amendments should be made periodically to ensure that all expenditures are properly appropriated. Disbursements should be periodically reviewed and budget amendments adopted to account for all expenditures.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. The Town will put procedures in place to ensure that budget amendments are made as necessary.

# LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

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