
Town of Bayboro

Bayboro, North Carolina

Audit Report

June 30, 2019

TOWN OF BAYBORO

BAYBORO, NORTH CAROLINA

TOWN OFFICIALS

Mayor

Keith Cowell

Town Commissioners

Roosevelt Stokes – Mayor Pro-Tem

Kelvin Credle

Vinnie Himbry

J.E. Hardison, Jr.

Mickey Buck

Town Clerk

Joan Spain Leary

Town of Bayboro, North Carolina
Table of Contents
June 30, 2019

	<u>Exhibit/ Schedule Number</u>	<u>Page</u>
Financial Section:		
Independent Auditor's Report		1
Management's Discussion and Analysis		3
Basic Financial Statements:		
I. Government-Wide Financial Statements:		
Statement of Net Position	A-1	10
Statement of Activities	A-2	11
II. Fund Financial Statements:		
Balance Sheet - Governmental Funds	A-3	12
Reconciliation of Governmental Funds Balance Sheet with Statement of Net Position	A-4	13
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	A-5	14
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities	A-6	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	A-7	16
III. Notes to the Financial Statements		17
Required Supplemental Financial Data:		
Schedule of Proportionate Share Net Position Liability Assets - Local Government Employees' Retirement System	1	32
Schedule of Contributions - Local Government Employees' Retirement System	2	33
Individual Fund Statements and Schedules:		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	3	34
Other Schedules:		
Schedule of Ad Valorem Taxes Receivable	4	38
Analysis of Current Year Levy - General Fund Property Tax	5	39

LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Town of Bayboro, 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 of Town of Bayboro, North Carolina as of June 30, 2019, and the respective changes in financial position, and cash flows, where appropriate,

Member:

American Institute of Certified Public Accountants, NC Association of Certified Public Accountants
AICPA – Governmental Audit Quality Center

2313 EXECUTIVE CIRCLE, SUITE B • GREENVILLE, NC 27858 • (252) 561-8292 • FAX (888) 850-0782
www.lecarpentercpa.com • info@lecarpentercpa.com

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 9 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 32 and 33, respectively, 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.

Other Information

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

The individual fund 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, the individual fund 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.

Larry E. Carpenter, CPA, PA

Greenville, NC
October 28, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Bayboro, we offer readers of the Town of Bayboro's financial statements this narrative overview and analysis of the financial activities of the Town of Bayboro 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

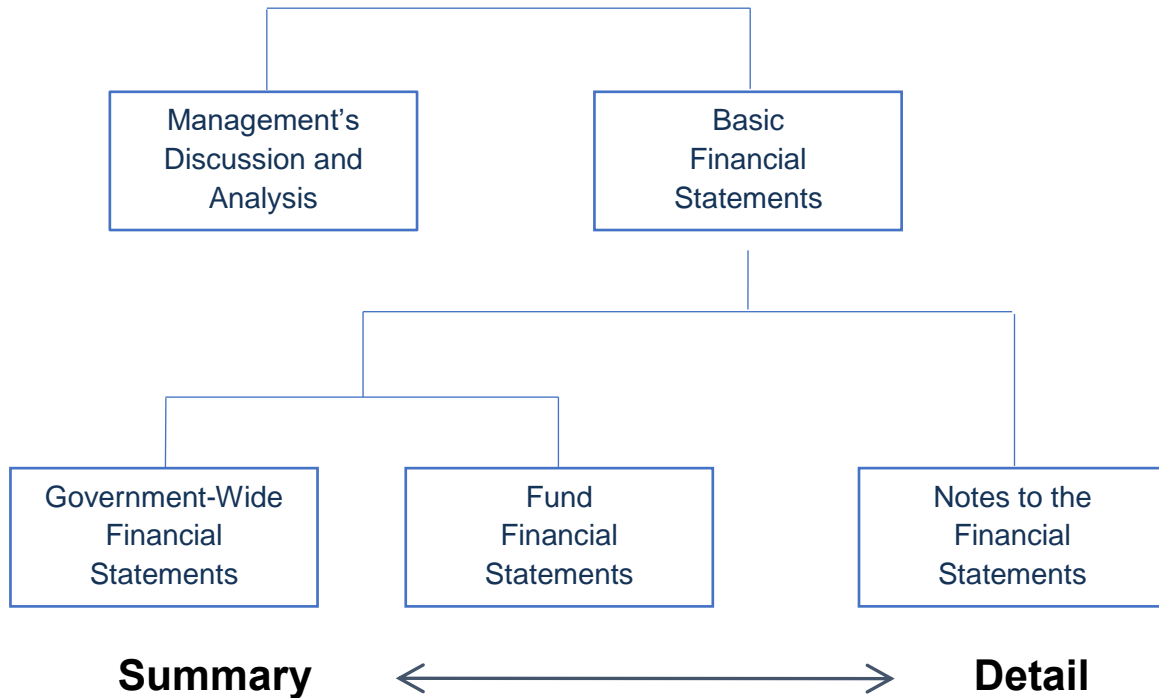
- The Town of Bayboro's assets exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$516,759 (net position).
- The government's total net position increased by \$77,736, primarily due to an increase in the governmental fund.
- As of the close of the current fiscal year, the Town of Bayboro's governmental funds reported an ending fund balance of \$214,709 with a net decrease of \$14,046 in fund balance. Approximately 77.95% of this total amount, or \$167,357 , is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$167,367, or 53.65% of total general fund expenditures for the fiscal year.
- At end of the current fiscal year, the Town had Restricted Reserve (Powell Bill Funds) of \$22,308 to be used for street maintenance.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Bayboro'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 Bayboro.

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; 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 consist of the governmental 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 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 Bayboro, 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. The Town of Bayboro only has one governmental fund.

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 Bayboro 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.

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 17 of this report.

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

Town of Bayboro's Net Position

Figure 2

	Governmental Activities	
	2019	2018
Current and other assets	\$ 261,046	\$ 267,713
Pension assets	-	\$ -
Capital assets	374,190	302,549
Deferred outflows of resources	7,819	6,544
Total assets and deferred outflows of resources	643,055	576,806
Current liabilities	42,611	37,102
Noncurrent liabilities	5,456	3,667
Deferred inflows of resources	1,969	3,057
Total liabilities and deferred inflow of resources	50,036	43,826
Net investment in capital assets	280,234	191,411
Restricted	47,352	82,759
Unrestricted	189,173	164,853
Total net position	\$ 516,759	\$ 439,023

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 Bayboro exceeded liabilities by \$516,759 as of June 30, 2019. The Town's net position increased by \$77,736 for the fiscal year ended June 30, 2019. However, the largest portion, \$280,234 or 54.23%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Bayboro uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Bayboro'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 Bayboro's net position, \$47,352 or 0.09% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$189,173 or 100% is unrestricted.

Town of Bayboro's Changes in Net Position

Figure 3

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	42,450	\$ 42,018
Operating grants and contributions	32,082	32,450
Capital grants and contributions	-	-
General revenues:		
Property taxes	98,442	98,055
Other taxes	102,802	86,850
Unrestricted intergovernmental	-	-
Investment earnings	1,627	798
Other	22,377	19,095
Total revenues	<u>299,780</u>	<u>279,266</u>
Expenses:		
General government	149,906	118,634
Public safety	-	-
Transportation	23,083	25,842
Economic and physical developmen	-	-
Environmental protection	40,287	40,016
Culture and recreation	5,920	3,549
Interest on long-term debt	2,848	8,156
Total expenses	<u>222,044</u>	<u>196,197</u>
Increase in Net Position before transfers	<u>77,736</u>	<u>83,069</u>
Increase (decrease) in Net Position	77,736	83,069
Net Position, July 1	439,023	290,680
Net Position, June 30	<u>\$ 516,759</u>	<u>\$ 439,023</u>

Governmental activities: Governmental activities increased the Town net assets by \$77,736.

Financial Analysis of the Town's Funds

As noted earlier, the Town of Bayboro uses fund accounting to ensure and demonstrate compliance with

finance-related legal requirements.

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town 's fund balance available in the General Fund was \$167,357 , while total fund balance reached \$214,709. The Town currently has an available fund balance of 53.65% of general fund expenditures, while total fund balance represents 68.83% of the same amount.

At June 30, 2019, the governmental funds of the Town reported a fund balance of with a net decrease in fund balance of \$14,046.

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 unreserved fund balance after consideration for management's policy designations.

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.

Capital Asset and Debt Administration

Capital assets. The Town of Bayboro's investment in capital assets for its governmental activities as of June 30, 2019, amounts to \$374,190 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment. The town purchased water treatment equipment during the year.

Town of Bayboro's Capital Assets
(Net of Accumulated Depreciation)
Figure 4

	Governmental Activities	
	2019	2018
Land	\$ 73,870	\$ 73,870
Infrastructure	38,114	39,385
Buildings	180,241	189,234
Land Improvements	81,965	-
Furniture and Fixtures	-	61
Governmental Capital Assets, Net	<u>\$ 374,190</u>	<u>\$ 302,549</u>

Economic Factors and Next Year's Budgets and Rates

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

- No significant jobs have been created
- Retail sales have remained constant but stagnant

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

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

Town Clerk
Town of Bayboro
PO Box 519
Bayboro, NC 28515

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Bayboro, North Carolina
Statement of Net Position
June 30, 2019

	Primary
	Governmental
	Activities
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 171,914
Taxes receivable, net	25,257
Accounts receivable, net	25,044
Restricted cash and cash equivalents	38,831
Total Current Assets	261,046
<i>Noncurrent Assets</i>	
Land and other nondepreciable assets	73,870
Other capital assets, net of depreciation	300,320
Total Assets	635,236
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	7,819
Total Deferred Outflows of Resources	7,819
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable and accrued liabilities	4,557
Customer deposits	16,523
Accrued interest payable	3,835
Current portion of long-term debt	17,696
Total Current Liabilities	42,611
<i>Noncurrent Liabilities</i>	
Due in more than one year	76,260
Net Pension Liability	5,456
Total Liabilities	124,327
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	1,969
Total Deferred Inflows of Resources	1,969
NET POSITION	
Net investment in capital assets	280,234
<i>Restricted for:</i>	
Stabilization by State Statue	25,044
Streets	22,308
<i>Unrestricted</i>	189,173
Total Net Position	\$ 516,759

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

**Town of Bayboro, 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	Primary Governmental Activities
Primary Government Governmental Activities:					
General government	\$ 149,906	\$ 19,732	\$ --	\$ --	\$ (130,174)
Transportation	23,083	--	32,082	--	8,999
Environmental protection	40,287	22,718	--	--	(17,569)
Cultural and recreational	5,920	--	--	--	(5,920)
Interest and other charges	2,848	--	--	--	(2,848)
Total Governmental Activities	222,044	42,450	32,082	--	(147,512)
General Purpose Revenues and Transfers:					
Revenues					
					98,442
					102,802
					1,627
					22,377
					225,248
					77,736
					439,023
					\$ 516,759

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

FUND FINANCIAL STATEMENTS

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

	Major Fund
	General Fund
ASSETS	
Cash and cash equivalents	\$ 171,914
Taxes receivable, net	25,257
Accounts receivable, net	25,044
Restricted cash and cash equivalents	38,831
Total Assets	261,046
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Assets and Deferred Outflows of Resources	\$ 261,046
LIABILITIES	
Accounts payable and accrued liabilities	\$ 4,557
Customer deposits	16,523
Total Liabilities	21,080
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	25,257
Total Liabilities and Deferred Inflows of Resources	46,337
FUND BALANCE	
Restricted	
Stabilization by State Statute	25,044
Streets	22,308
Unassigned	167,357
Total Fund Balance	214,709
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 261,046

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

Town of Bayboro, 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	\$ 214,709
Some liabilities, including accrued interest payable not paid in the current period and therefore are not reported in the funds.	486
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	374,190
Other long-term assets (accrued interest receivable from taxes) are not available to pay current-period expenditures and therefore are deferred in the funds.	(4,320)
Net Pension Liability	(5,456)
Long-term liabilities used in governmental activities are not financial uses and, therefore are not reported in the funds.	(76,260)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	(17,696)
Deferred outflows of resources related to pensions are not reported in the funds	7,819
Deferred inflows of resources related to pensions are not reported in the funds	(1,969)
Earned revenues considered deferred inflows of resources in fund statements.	25,257
Total Net Position-Governmental Funds	\$ <u>516,759</u>

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

Town of Bayboro, 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>
Revenues	
Ad valorem taxes	\$ 96,542
Unrestricted intergovernmental	102,802
Restricted intergovernmental	32,082
Charges for Sales & Services	23,040
Investment earnings	1,627
Miscellaneous Income	41,787
Total Revenues	<u>297,880</u>
Expenditures	
Principal	17,181
Interest and other charges	3,334
General government	141,427
Transportation	105,048
Environmental protection	40,287
Cultural and recreational	4,649
Total Expenditures	<u>311,926</u>
Net Change in Fund Balance	(14,046)
<i>Fund Balance at Beginning of Period</i>	<u>228,755</u>
Fund Balance at End of Period	<u>\$ 214,709</u>

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

Town of Bayboro, 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 recorded for governmental activities in the Statement of Activities are different because:

Total Net Change in Fund Balances - Governmental Funds	\$ (14,046)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	17,181
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	71,642
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. (change in earned vacation pay, change in accrued interest expense)	486
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	1,900
Changes in Net Position-Governmental Funds	\$ <u>77,736</u>

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

Town of Bayboro, 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
Revenues				
Ad valorem taxes	\$ 86,950	\$ 85,200	\$ 96,542	\$ 11,342
Unrestricted intergovernmental	83,500	75,950	102,802	26,852
Restricted intergovernmental	32,500	32,800	32,696	(104)
Charges for Sales & Services	33,490	23,450	23,040	(410)
Investment Earnings	700	5	1,013	1,008
Miscellaneous Income	54,100	38,018	41,787	3,769
Total Revenues	<u>291,240</u>	<u>255,423</u>	<u>297,880</u>	<u>42,457</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>291,240</u>	<u>255,423</u>	<u>297,880</u>	<u>42,457</u>
Expenditures				
General government	182,550	167,219	141,427	25,792
Transportation	48,500	123,429	105,048	18,381
Environmental protection	43,100	42,750	40,287	2,463
Cultural and recreational	9,000	6,619	4,649	1,970
Principal	17,181	17,182	17,181	1
Interest and other charges	3,334	3,334	3,334	--
Total Expenditures	<u>303,665</u>	<u>360,533</u>	<u>311,926</u>	<u>48,607</u>
Other Financing Uses				
Appropriations	(12,425)	(105,110)	--	(105,110)
Total Expenditures and Other Financing Uses	<u>291,240</u>	<u>255,423</u>	<u>311,926</u>	<u>(56,503)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>--</u>	<u>--</u>	<u>(14,046)</u>	<u>(14,046)</u>
Net Change in Fund Balance	<u>--</u>	<u>--</u>	<u>(14,046)</u>	<u>(14,046)</u>
<i>Fund Balance at Beginning of Period</i>	228,755	228,755	228,755	--
Fund Balance at End of Period	<u>\$ 228,755</u>	<u>\$ 228,755</u>	<u>\$ 214,709</u>	<u>\$ (14,046)</u>

The accompanying notes are an integral part of the financial statements

Notes To The Financial Statements

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

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Bayboro 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 Bayboro is a municipal corporation that is governed by an elected mayor and a six-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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for 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. The emphasis of fund financials is on major governmental funds

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. (The primary expenditures are for public safety and street maintenance and construction).

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 Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded

Town of Bayboro
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2018, 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, 2018 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 Bayboro because the tax is levied by Pamlico 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.

Town of Bayboro
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

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.

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, 2019. As allowed by State law, the Town has established a schedule of

Town of Bayboro
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

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 \$5,000 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:

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computers	3

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category—property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

Town of Bayboro
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

10. Compensated Absences

The Town has no full-time employees and thus has no policy regarding compensated absences and/or sick leave.

11. Net Position/Fund Balances

Net Position

Net position in government-wide 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

Town of Bayboro
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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 of Bayboro'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 Bayboro 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**
NONE

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 these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing

Town of Bayboro
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$138,768 and a bank balance of \$142,903. Of the bank balance \$142,903 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. Petty cash was \$186.

At June 30, 2019 the Town of Bayboro had \$73,790 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

Town of Bayboro
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

2. Capital Assets

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

General Fund Capital Assets

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 73,870	\$ -	\$ -	\$ 73,870
Total capital assets not being depreciated	<u>73,870</u>	<u>-</u>	<u>-</u>	<u>73,870</u>
Capital assets being depreciated:				
Infrastructure	63,525	-	-	63,525
Buildings	269,790	-	-	269,790
Land improvements	127,900	84,500	-	212,400
Machinery and equipment	44,589	-	-	44,589
Vehicles	25,856	-	-	25,856
Furniture and fixtures	608	-	-	608
Total capital assets being depreciated	<u>532,268</u>	<u>84,500</u>	<u>-</u>	<u>616,768</u>
Less accumulated depreciation for:				
Infrastructure	24,141	1,271	-	25,411
Buildings	80,556	8,993	-	89,549
Land improvements	127,900	2,535	-	130,435
Machinery and equipment	44,589	-	-	44,589
Vehicles	25,856	-	-	25,856
Furniture and fixtures	547	61	-	608
Total accumulated depreciation	<u>303,589</u>	<u>\$ 12,859</u>	<u>\$ -</u>	<u>316,448</u>
Total capital assets being depreciated, net	<u>228,679</u>			<u>300,320</u>
Governmental activity capital assets, net	<u>\$ 302,549</u>			<u>\$ 374,190</u>

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

Governmental Activities:	
General Government	\$ 9,054
Transportation	2,535
Cultural and recreation	<u>1,271</u>
Total	<u>\$ 12,859</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Bayboro is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental

Town of Bayboro
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members — nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.ne.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Bayboro employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Bayboro's contractually required contribution rate for the year ended June 30, 2019, was 7.41% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Bayboro were \$2,455 for the year ended June 30, 2019.

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

Town of Bayboro
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2019, the Town reported a liability of \$5,546 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was .00023% which was a decrease of (.00001%) from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Town recognized pension expense of \$2,283. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 842	\$ 28
Changes of assumptions	1,448	-
Net difference between projected and actual earnings on pension plan investments	749	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,923	1,941
Employer contributions subsequent to the measurement date	2,857	-
Total	<u>\$ 7,819</u>	<u>\$ 1,969</u>

\$2,857 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	317
2021	371
2022	684
2023	-
Thereafter	-
	<u>\$ 1,372</u>

Town of Bayboro
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income returns projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and Productivity factor
Investment rate of return	7.25 percent, net of pension plan investment Expense, including inflation

and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternative	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.00%</u>	

Town of Bayboro
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 13,107	\$ 5,456	\$ (936)

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

5. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

Town of Bayboro
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

6. Deferred Outflows and Inflows of Resources

The Town has no Deferred outflows of resources.

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

Source	Amount
Prepaid taxes (General Fund)	
Taxes receivable (General Fund), less penalties	25,257
Total	<u>\$ 25,257</u>

7. Fund Balance

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

Total Fund Balance-General Fund	\$ 214,709
Less:	
Stabilization by State Statute	25,044
Streets-Powell Bill	22,308
Working Capital / Fund Balance Policy	
Remaining Fund Balance	167,357

8. 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 insured values of the property policy, and worker's compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants and the audited financial statements are available to the Town upon request.

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.

Town of Bayboro
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The mayor and the town clerk are each bonded for \$50,000.

9. Long-Term Obligations

a. Installment Purchases

Serviced by the Governmental Activities:

In August 2013, the Town purchased property that will be renovated and will consist of the new town hall and rental houses. The loan amount was \$175,000 with annual payments of \$20,515 for 10 years at 3% interest.

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

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	17,696	2,819	20,515
2021	18,227	2,288	20,515
2022	18,774	1,740	20,514
2023-2024	39,260	1,775	41,035
	<u>93,957</u>	<u>8,622</u>	<u>102,579</u>

Changes in Long-Term Liabilities

The following is a summary of changes in the Town's governmental changes in long-term debt:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Current Maturities</u>
Installment loans	\$ 111,138	\$ -	\$ 17,181	\$ 93,957	\$ 17,696
Total	<u>\$ 111,138</u>	<u>\$ -</u>	<u>\$ 17,181</u>	<u>\$ 93,957</u>	<u>\$ 17,696</u>

Town of Bayboro
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Installment Purchases:

Installment purchase notes payable at June 30, 2019, are comprised of the following notes:

Governmental Activities:

\$175,000 installment loan was dated May 21, 2014 for property renovation for a new town hall	
and rental houses in annual installments of \$20,515.34 including interest at 3.000% through May 2024.	\$ 93,957
Total Government Activities	<u>\$ 93,957</u>

NOTE III — *Jointly Governed Organizations*

The Town, in conjunction with 9 counties and 45 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 director to the Council's governing board.

The Town has no equity interest nor does the Town materially contribute to the continued existence of the Council. The Town's interests are other than financial.

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.

NOTE V — SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

As of October 28, 2019, the date of the completion of the financial statements, there are no material subsequent events that were required to be reported.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Bayboro, North Carolina
Town of Bayboro's Proportionate Share of Net Pension Liability (Assets)
Required Supplementary Information
Last Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Bayboro's proportion of the net pension liability (asset) (%)	0.00023%	0.00024%	0.03700%	0.001150%	0.05200%	0.05000%
Bayboro's proportion of the net pension liability (asset) (\$)	\$ 5,456	\$ 3,667	\$ 7,852	\$ 5,161	\$ 4,543	\$ 3,379
Bayboro's covered-employee payroll	\$ 52,448	\$ 40,527	\$ 106,691	\$ 117,300	\$ 56,509	\$ 40,417
Bayboro's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	10.40%	9.05%	7.36%	4.40%	8.04%	8.36%
Plan fiduciary net position as a percentgae of the total pension liability	89.78%	89.35%	84.94%	91.40%	93.42%	93.42%

**Town of Bayboro, North Carolina
Town of Bayboro's Contributions
Required Supplementary Information
Last Six Fiscal Years**

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 2,857	\$ 2,455	\$ 1,945	\$ 6,866	\$ 8,415	\$ 3,379
Contributions in relation to the contractually required contribuions	<u>2,857</u>	<u>2,455</u>	<u>1,945</u>	<u>6,866</u>	<u>8,415</u>	<u>3,379</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Bayboro's covered-employee payroll	\$ 59,963	\$ 52,448	\$ 40,527	\$ 106,691	\$117,300	\$ 56,509
Contributions as a percentage of coverd-employee payroll	4.76%	4.68%	4.80%	6.44%	7.17%	5.98%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Bayboro, 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>
Revenues			
Ad Valorem Taxes			
Taxes		96,542	
Total	85,200	96,542	11,342
Unrestricted Intergovernmental Revenues			
Local option sales tax		37,582	
Utility franchise tax		58,919	
Beer & wine tax		5,423	
Solid waste disposal tax		878	
Total	75,950	102,802	26,852
Restricted Intergovernmental Revenues			
Powell Bill allocation		32,696	
Total	32,800	32,696	(104)
Sales and Services			
Garbage services		22,718	
Other		322	
Total	23,450	23,040	(410)

**Town of Bayboro, 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>
Investment Earnings			
Interest		1,013	
Total	5	1,013	1,008
Other Revenues			
Rents		19,410	
Miscellaneous		22,377	
Total	38,018	41,787	3,769
Total Revenue	\$ 255,423	\$ 297,880	\$ 42,457
Expenditures			
Salaries and benefits		64,937	
Professional services		10,020	
Telephone		2,718	
Insurance & bonds		16,917	
Utilities		7,666	
Repairs & maintenance		22,502	
Supplies		11,259	
Other operating expenses		5,408	
Total General Government	167,219	141,427	25,792

Town of Bayboro, 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>
Transportation			
Salaries and benefits		-	
Utilities		13,843	
Street maintenance		91,205	
Total	<u>123,429</u>	<u>105,048</u>	<u>18,381</u>
Environmental Protection			
Santitation services		40,287	
Other operating expenses		-	
Total	<u>42,750</u>	<u>40,287</u>	<u>2,463</u>
Cultural and Recreational			
Recreation		4,649	
Total	<u>6,619</u>	<u>4,649</u>	<u>1,970</u>
Debt Services			
Principal		17,181	
Interest		3,334	
Total	<u>20,516</u>	<u>20,515</u>	<u>1</u>

**Town of Bayboro, 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	360,533	311,926	48,606
Revenue over (under) expenditures	(105,110)	(14,046)	91,064
Other Financing Sources (Uses)			
Appropriations	(12,425)	-	(12,425)
Proceeds from insurance settlement		-	-
Total	(12,425)	(14,046)	91,064
Net change in fund balance	<u>\$ (92,685)</u>	(14,046)	<u>\$ 91,064</u>
Fund balance - July 1		228,755	
Fund balance - June 30		<u>\$ 214,709</u>	

OTHER SCHEDULES

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

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2019	\$ -	\$ 96,890	90,072	\$ 6,818
2018	6,232	-	2,298	3,934
2017	3,398	-	784	2,614
2016	2,499	-	534	1,966
2015	2,433	-	565	1,868
2014	1,886	-	192	1,694
2013	1,739	-	87	1,652
2012	1,380	-	45	1,335
2011	1,463	-	160	1,303
2010	1,231	-	165	1,066
2009	1,093	-	85	1,008
	<u>\$ 23,354</u>	<u>\$ 96,890</u>	<u>\$ 94,987</u>	<u>\$ 25,257</u>

Reconciliation with Revenues:

Ad Valorem Tax - General Fund	\$ 96,541
Reconciling items:	
Penalties and interest collected	(522)
Taxes written off and discounts	1,033
Total Collections and Credits	<u>\$ 94,987</u>

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

	<u>Property Valuation</u>	<u>Rate per \$100</u>	<u>Total Levy</u>	<u>Total Levy Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property tax at current year's tax rate	<u>\$ 38,755,884</u>	<u>0.25</u>	<u>\$ 96,890</u>	<u>\$ 87,040</u>	<u>\$ 9,850</u>
Total Net Levy for Current Year	<u>\$ 38,755,884</u>				
Net levy			96,890	87,040	9,850
Less uncollected taxes at June 30, 2019			<u>6,818</u>	<u>6,818</u>	<u>-</u>
Current year's taxes collected			<u>\$ 90,072</u>	<u>\$ 80,222</u>	<u>\$ 9,850</u>
Current levy collection percentage			92.96%	92.17%	100.00%