

**TOWN OF BEAUFORT  
NORTH CAROLINA**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2019**







# TOWN OF BEAUFORT, NORTH CAROLINA

## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

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# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Independent Auditor's Report**

To the Honorable Mayor and  
Board of Commissioners  
Town of Beaufort  
Beaufort, 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 Beaufort, 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 our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Beaufort, North Carolina, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund and Fire District 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, the Local Governmental Employees' Retirement System Schedules of the Town's Proportionate Share of Net Pension Liability (Asset) and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Beaufort, North Carolina's basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules, and the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, 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, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2020 on our consideration of the Town of Beaufort'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 solely 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 the effectiveness of the Town of Beaufort's 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 the Town of Beaufort's internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
February 28, 2020



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## **Management's Discussion and Analysis**

As management of the Town of Beaufort, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 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 Beaufort exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$35,168,141 (net position). This amount was comprised of net position in the governmental funds of \$14,803,720 and \$20,364,421 in business-type funds.
- The government's total net position increased by \$3,840,456, which consisted of an increase in governmental funds of \$4,437,926 and a decrease in business-type funds of (\$597,470).
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$10,021,572 with a net increase of \$3,773,397 in fund balance. Approximately 29.9% of this total amount, or \$2,992,659, is non-spendable or restricted.
- The Town's total debt decreased by \$666,335 during the current fiscal year. The Town assumed \$975,091 in new installment purchase agreements and reduced existing principal balances by \$418,401 in the governmental activities. Long-term debt for business-type activities decreased by \$1,223,025.

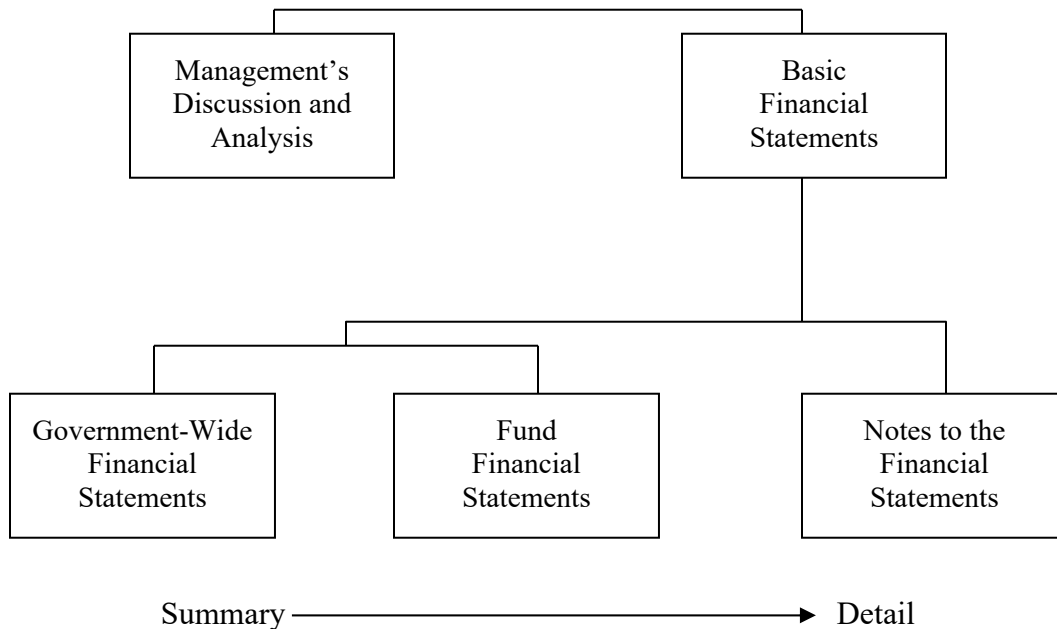
### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town of Beaufort'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 Beaufort.



## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through J) 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 to the financial statements**. The notes explain in detail some of the data contained in those statements. Following the notes is the **required supplementary information**. This section contains funding information about the Town's pension plans.

After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.



## Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories; 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, trash and recycle pickup, local streets and public property, parks 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 Beaufort.

The government-wide financial statements are Exhibits A and B 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, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town 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*, which 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 Beaufort adopts an annual budget for its General Fund, Fire Fund, and Utility 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 of Commissioners about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted.



The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after Exhibit J 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 Beaufort's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 55 of this report.

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

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Beaufort exceeded liabilities and deferred inflows by \$35,168,141 as of June 30, 2019. The Town's net position increased by \$3,840,456 for the fiscal year ended June 30, 2019.

However, the largest portion (68%) or \$23,770,263, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Beaufort uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town'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 Beaufort's net position, at June 30, 2019, \$3,080,007, or 9%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,317,871 is unrestricted.



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

### Town of Beaufort'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>
<b>Assets:</b>						
Current and other assets	\$ 10,696,313	\$ 6,664,108	\$ 2,351,941	\$ 4,526,159	\$ 13,048,254	\$ 11,190,267
Capital assets	9,696,990	8,589,796	29,850,513	29,455,795	39,547,503	38,045,591
Total assets	<u>20,393,303</u>	<u>15,253,904</u>	<u>32,202,454</u>	<u>33,981,954</u>	<u>52,595,757</u>	<u>49,235,858</u>
<b>Deferred Outflows of Resources</b>	<u>971,798</u>	<u>544,404</u>	<u>182,620</u>	<u>107,311</u>	<u>1,154,418</u>	<u>651,715</u>
<b>Liabilities:</b>						
Long-term liabilities	4,614,163	45,002,470	10,400,312	11,533,486	15,014,475	56,535,956
Other liabilities	<u>1,884,406</u>	<u>867,711</u>	<u>1,608,918</u>	<u>1,577,289</u>	<u>3,493,324</u>	<u>2,445,000</u>
Total liabilities	<u>6,498,569</u>	<u>45,870,181</u>	<u>12,009,230</u>	<u>13,110,775</u>	<u>18,507,799</u>	<u>58,980,956</u>
<b>Deferred Inflows of Resources</b>	<u>62,812</u>	<u>64,563</u>	<u>11,423</u>	<u>16,599</u>	<u>74,235</u>	<u>81,162</u>
<b>Net Position:</b>						
Net investment						
in capital assets	5,297,043	4,746,539	18,473,220	16,855,477	23,770,263	21,602,016
Restricted	2,985,309	2,832,234	94,698	-	3,080,007	2,832,234
Unrestricted	<u>6,521,368</u>	<u>2,787,021</u>	<u>1,796,503</u>	<u>4,106,414</u>	<u>8,317,871</u>	<u>6,893,435</u>
Total net position	<u>\$ 14,803,720</u>	<u>\$ 10,365,794</u>	<u>\$ 20,364,421</u>	<u>\$ 20,961,891</u>	<u>\$ 35,168,141</u>	<u>\$ 31,327,685</u>



## Town of Beaufort's Changes in Net Position

**Figure 3**

	<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>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,430,447	\$ 1,244,651	\$ 4,423,299	\$ 3,419,856	\$ 5,853,746	\$ 4,664,507
Operating grants and contributions	1,025,486	407,582	65,210	-	1,090,696	407,582
Capital grants and contributions	102,640	-	1,133,667	46,400	1,236,307	46,400
General revenues:						
Property taxes	3,422,410	3,438,118	-	-	3,422,410	3,438,118
Other taxes	2,507,762	1,826,659	-	-	2,507,762	1,826,659
Other	79,591	311,387	172,802	192,638	252,393	504,025
Total revenues	<u>8,568,336</u>	<u>7,228,397</u>	<u>5,794,978</u>	<u>3,658,894</u>	<u>14,363,314</u>	<u>10,887,291</u>
<b>Expenses:</b>						
General government	1,245,130	1,056,214	-	-	1,245,130	1,056,214
Public safety	3,553,887	3,272,803	-	-	3,553,887	3,272,803
Transportation	1,163,508	843,133	-	-	1,163,508	843,133
Environmental protection	675,625	637,894	-	-	675,625	637,894
Culture and recreation	258,963	338,045	-	-	258,963	338,045
Interest on long-term debt	107,813	192,201	-	-	107,813	192,201
Utility Fund	-	-	3,517,932	3,241,360	3,517,932	3,241,360
Total expenses	<u>7,004,926</u>	<u>6,340,290</u>	<u>3,517,932</u>	<u>3,241,360</u>	<u>10,522,858</u>	<u>9,581,650</u>
Increase (decrease) in net position before transfers	1,563,410	888,107	2,277,046	417,534	3,840,456	1,305,641
Transfers	<u>2,874,516</u>	<u>-</u>	<u>(2,874,516)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	4,437,926	888,107	(597,470)	417,534	3,840,456	1,305,641
<b>Net Position:</b>						
Beginning of year, July 1	<u>10,365,794</u>	<u>9,477,687</u>	<u>20,961,891</u>	<u>20,544,357</u>	<u>31,327,685</u>	<u>30,022,044</u>
End of year, June 30	<u>\$ 14,803,720</u>	<u>\$ 10,365,794</u>	<u>\$ 20,364,421</u>	<u>\$ 20,961,891</u>	<u>\$ 35,168,141</u>	<u>\$ 31,327,685</u>

**Governmental Activities.** Governmental activities resulted in an increase of the Town's net position by \$4,437,926. Key elements of this increase are as follows:

- Receipt of the NCORR loan to assist with cash flow while awaiting FEMA reimbursements for damages from Hurricane Florence.
- Decrease spending levels in public works due to several projects being postponed due to the timing of the bridge project. These projects are planned for FY 2020.
- Transfer from Utility Fund to a Capital Reserve Fund to accumulate funds for a future capital project.



**Business-Type Activities.** Business-type activities decreased the Town's net position by (\$597,470). Key elements of this decrease are as follows:

- Increase in sales and service due to new development.
- Transferred \$2,874,516 to the Capital Reserve Fund to accumulate funds for a future capital project.

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

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

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

The General Fund is the chief operating fund of the Town of Beaufort. At the end of the current fiscal year, the Town's fund balance available in the General Fund was \$3,505,552, while total fund balance reached \$4,810,111 of which \$3,120,836 was unassigned and available for use by the Board of Commissioners. The Town currently has an available fund balance of 39.5% of total General Fund expenditures and transfers out, while unassigned fund balance represents 35.2% of that same amount.

The Town established a Capital Reserve Fund during fiscal year 2019 to accumulate funds for future capital projects.

At June 30, 2019, the governmental funds of the Town of Beaufort reported a combined fund balance of \$10,021,572, with a net increase in fund balance of \$3,773,397. Included in this change in fund balance is an increase in the General Fund of \$579,211, a decrease in the Fire District Fund of (\$98,421), an increase in the Capital Reserve Fund of \$3,638,618, and a decrease in the nonmajor governmental funds of (\$346,011).

**General Fund Budgetary Highlights.** During the fiscal year, the Town revised the budget on a few 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. Total amendments to the General Fund increased expenditures by \$1,745,853. The budgetary increase was primarily attributable to debt proceeds received as a result of Hurricane Florence damages.

**Proprietary Funds.** The Town of Beaufort's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to \$1,796,503. The total change in net position was a decrease of (\$597,470). Other factors concerning the finances of the fund have already been addressed in the discussion of the Town of Beaufort's business-type activities.



## Capital Asset and Debt Administration

**Capital Assets.** The Town of Beaufort's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$39,547,503 (net of accumulated depreciation). These assets include land, buildings, roads and sidewalks, machinery and equipment, park facilities, vehicles, water and sewer operating facilities, and related infrastructure.

### Town of Beaufort's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 2,071,212	\$ 2,071,212	\$ 1,073,691	\$ 1,073,691	\$ 3,144,903	\$ 3,144,903
Construction in progress	439,797	83,051	-	-	439,797	83,051
Infrastructure	1,430,080	534,918	-	-	1,430,080	534,918
Equipment and fixtures	434,441	399,024	389,773	439,971	824,214	838,995
Vehicles	777,454	816,200	114,600	134,182	892,054	950,382
Building and improvements	4,544,006	4,685,391	342,373	136,070	4,886,379	4,821,461
Plant and distribution systems	-	-	27,930,076	27,671,881	27,930,076	27,671,881
Total	<u>\$ 9,696,990</u>	<u>\$ 8,589,796</u>	<u>\$ 29,850,513</u>	<u>\$ 29,455,795</u>	<u>\$ 39,547,503</u>	<u>\$ 38,045,591</u>

Additional information on the Town's capital assets can be found in notes 1 and 2 of the basic financial statements.

**Long-Term Debt.** Following is a summary of outstanding long-term obligations as of June 30, 2019. Installment purchases are debt backed by the full faith and credit of the Town and secured by the underlying assets. More information about long-term debt is presented in notes 1 and 2.

### Town of Beaufort's Long-Term Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Installment purchases - direct placement	\$ 3,424,856	\$ 3,843,257	\$ 117,440	\$ 12,600,318	\$ 3,542,296	\$ 16,443,575
Installment purchases - direct borrowing	975,091	-	11,259,853	-	12,234,944	-
Total	<u>\$ 4,399,947</u>	<u>\$ 3,843,257</u>	<u>\$ 11,377,293</u>	<u>\$ 12,600,318</u>	<u>\$ 15,777,240</u>	<u>\$ 16,443,575</u>

### Town of Beaufort's Outstanding Debt

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue up to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Beaufort is approximately \$62,137,383.



## **Economic Factors and Next Year's Budgets and Rates**

Moving forward into FY 2020, the Town's General Fund budget decreases 2% from \$9.2 million to \$9 million. A property tax collection rate of 96.65% was utilized in accordance with the General Statutes. The property tax rate increased to \$0.4600 for FY 2020. The Board of Commissioners voted to appropriate \$269,459 of unassigned fund balance to balance the budget. The FY 2020 the General Fund budget also includes a \$511,000 contribution from the Utility Fund. This covers administrative cost borne by the General Fund.

The recommended fund balance appropriation will leave an unrestricted fund balance of \$2,031,527, the equivalent of 22.48% of the total General Fund expenditures. This exceeds the Board's financial policy of a minimum requirement of 20%.

The budget for the Utility Fund decreases 3% from \$4.5 million to \$4.4 million. A fund balance appropriation of \$65,623 is budgeted for FY2020.

## **Budget Highlights for Fiscal Year 2019-2020**

FY 2020 budget includes:

- Funding a pay plan market adjustment
- Boardwalk/Bulkhead Improvements – Engineering and construction documents for the repair of the Front Street bulkhead and replacement of the boardwalk will be completed in FY 2020. Staff will reapply for a Federal Boating Infrastructure grant in FY 2020, and if awarded, construction will begin in FY 2021.
- Cedar Street Park – A concept plan for this park at the former drawbridge landing was completed in FY 2017. Construction documents will be prepared in FY 2020 after the property is secured, with construction to follow. This park is expected to be well used and will help spur the redevelopment of Cedar Street. \$600,000 is earmarked for this project in the Community Improvement Fund.
- Cedar Street Utility Line Improvements – In conjunction with NC DOT's stormwater improvement and resurfacing project on Cedar Street, the Town will replace aging utilities there in late 2019/early 2020 at a cost of nearly \$1 million.
- Pedestrian Improvements- This \$557,000 project involves sidewalk construction to enhance pedestrian safety. Its four parts include new sidewalk access to Randolph Johnson Park, Beaufort Middle School, and the Carteret County Library, and sidewalk expansion on Turner Street (100 block, west side). This project will be financed in a package with street improvements, with funds for debt service already established by the Town Board.
- Stormwater Improvements Program – In FY 2020, Town staff will evaluate and prioritize the projects from the Stormwater Management Plan (with an estimated cost of \$9.9 million), develop an ongoing maintenance program and budget, and prepare a modified stormwater fee schedule necessary to fund these efforts, all subject to Town Board review and approval. This program will be ready for implementation in FY 2021.
- Street Improvements – This nearly \$3.1-million project provides for resurfacing streets in need of repair for which underlying utilities are in good condition. It also involves paving two unpaved streets on Town rights-of-way. Totalling nearly 6 miles, work is expected to begin in Fall 2019. This project will be financed, with funds for debt service already established by the Town Board.
- Utility Line & Street Combined Improvement Program – This ongoing program includes the replacement of water and sewer utility lines, stormwater lines (as needed), and road rehabilitation and resurfacing in three-block segments at a cost of about \$1 million per year. In FY 2020, engineering for the first project segment will be completed, bids will be taken, and a contract will be awarded for construction in FY 2021. In FY 2021, engineering for the second project segment will be completed, bids will be taken, and a contract will be awarded for construction in FY 2022, and so on.



### **Requests for Information**

This report is designed to provide an overview of the Town of Beaufort finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Finance Officer, P.O. Box 390, Beaufort, NC 28516, (252) 728-2141 or visit our website at [www.beaufortnc.org](http://www.beaufortnc.org)



## TOWN OF BEAUFORT, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 7,410,059	\$ 1,182,149	\$ 8,592,208
Intergovernmental receivable	1,429,526	-	1,429,526
Property taxes receivable, net	183,675	-	183,675
Accounts receivable, net	56,024	857,044	913,068
Prepaid items	7,350	-	7,350
Restricted cash and cash equivalents	1,609,679	312,748	1,922,427
Total current assets	10,696,313	2,351,941	13,048,254
Non-current assets:			
Capital assets:			
Capital assets, non-depreciable	2,511,009	1,073,691	3,584,700
Capital assets, net of depreciation	7,185,981	28,776,822	35,962,803
Total non-current assets	9,696,990	29,850,513	39,547,503
Total assets	20,393,303	32,202,454	52,595,757
<b>Deferred Outflows of Resources:</b>			
Pension deferrals	715,439	131,011	846,450
Contributions to pension plan in current fiscal year	256,359	51,609	307,968
Total deferred outflows of resources	971,798	182,620	1,154,418
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	347,788	121,210	468,998
Liabilities to be paid from restricted assets	-	218,050	218,050
Long-term debt due within one year	1,536,618	1,269,658	2,806,276
Total current liabilities	1,884,406	1,608,918	3,493,324
Long-term liabilities:			
Long-term debt due in more than one year	3,040,745	10,152,557	13,193,302
Net pension liability	1,059,167	247,755	1,306,922
Total pension liability	514,251	-	514,251
Total long-term liabilities	4,614,163	10,400,312	15,014,475
Total liabilities	6,498,569	12,009,230	18,507,799
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	55,397	11,423	66,820
Prepaid rent	7,415	-	7,415
Total deferred inflows of resources	62,812	11,423	74,235
<b>Net Position:</b>			
Net investment in capital assets	5,297,043	18,473,220	23,770,263
Restricted for stabilization by state statute	1,297,209	-	1,297,209
Restricted for streets	36,836	-	36,836
Restricted for cultural and recreation	1,572,843	-	1,572,843
Restricted for public safety	78,421	-	78,421
Restricted for systems development fees	-	94,698	94,698
Unrestricted	6,521,368	1,796,503	8,317,871
Total net position	\$ 14,803,720	\$ 20,364,421	\$ 35,168,141

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



**TOWN OF BEAUFORT, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b>Functions/Programs :</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 1,245,130	\$ 326,612	\$ 5,325	\$ -
Public safety	3,553,887	424,717	228,358	-
Public works	1,163,508	-	8,339	90,000
Environmental protection	675,625	664,530	729,364	-
Cultural and recreation	258,963	14,588	54,100	12,640
Interest on long-term debt	107,813	-	-	-
Total governmental activities	<u>7,004,926</u>	<u>1,430,447</u>	<u>1,025,486</u>	<u>102,640</u>
<b>Business-Type Activities:</b>				
Utility Fund	<u>3,517,932</u>	<u>4,423,299</u>	<u>65,210</u>	<u>1,133,667</u>
Total primary government	<u>\$ 10,522,858</u>	<u>\$ 5,853,746</u>	<u>\$ 1,090,696</u>	<u>\$ 1,236,307</u>

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



**TOWN OF BEAUFORT, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Functions/Programs :</b>			
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General government	\$ (913,193)	\$ -	\$ (913,193)
Public safety	(2,900,812)	-	(2,900,812)
Transportation	(1,065,169)	-	(1,065,169)
Environmental protection	718,269	-	718,269
Cultural and recreation	(177,635)	-	(177,635)
Interest on long-term debt	(107,813)	-	(107,813)
Total governmental activities	(4,446,353)	-	(4,446,353)
<b>Business-Type Activities:</b>			
Utility Fund	-	2,104,244	2,104,244
Total primary government	(4,446,353)	2,104,244	(2,342,109)
<b>General Revenues:</b>			
Property tax	3,422,410	-	3,422,410
Other taxes	2,507,762	-	2,507,762
Investment earnings	79,591	52,124	131,715
Miscellaneous	-	120,678	120,678
Total general revenues, excluding transfers	6,009,763	172,802	6,182,565
Transfers	2,874,516	(2,874,516)	-
Total general revenues and transfers	8,884,279	(2,701,714)	6,182,565
Change in net position	4,437,926	(597,470)	3,840,456
<b>Net Position:</b>			
Beginning of year, July 1	10,365,794	20,961,891	31,327,685
End of year, June 30	\$ 14,803,720	\$ 20,364,421	\$ 35,168,141

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



## TOWN OF BEAUFORT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019

	Major Funds			Nonmajor	Total
	General	Fire	Capital	Governmental	Governmental
	Fund	District	Reserve	Funds	Funds
		Fund	Fund		
<b>Assets:</b>					
Cash and cash equivalents	\$ 3,771,441	\$ -	\$ 3,638,618	\$ -	\$ 7,410,059
Property taxes receivable	183,675	-	-	-	183,675
Intergovernmental receivable	1,429,526	-	-	-	1,429,526
Accounts receivable	56,024	-	-	-	56,024
Prepaid items	7,350	-	-	-	7,350
Restricted cash and cash equivalents	36,836	-	-	1,572,843	1,609,679
Total assets	<u>\$ 5,484,852</u>	<u>\$ -</u>	<u>\$ 3,638,618</u>	<u>\$ 1,572,843</u>	<u>\$ 10,696,313</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 295,310	\$ -	\$ -	\$ -	\$ 295,310
<b>Deferred Inflows of Resources:</b>					
Property taxes receivable	183,675	-	-	-	183,675
Prepaid rent	7,415	-	-	-	7,415
Unavailable revenue	188,341	-	-	-	188,341
Total deferred inflows of resources	<u>379,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>379,431</u>
<b>Fund Balances:</b>					
Non-spendable:					
Prepaid items	7,350	-	-	-	7,350
Restricted:					
Stabilization by state statute	1,297,209	-	-	-	1,297,209
Streets - Powell Bill	36,836	-	-	-	36,836
Cultural and recreation	-	-	-	1,572,843	1,572,843
Public safety	78,421	-	-	-	78,421
Committed:					
Cultural and recreation	-	-	600,000	-	600,000
Public works	-	-	3,038,618	-	3,038,618
Assigned:					
Subsequent year's expenditures	269,459	-	-	-	269,459
Unassigned	3,120,836	-	-	-	3,120,836
Total fund balances	<u>4,810,111</u>	<u>-</u>	<u>3,638,618</u>	<u>1,572,843</u>	<u>10,021,572</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,484,852</u>	<u>\$ -</u>	<u>\$ 3,638,618</u>	<u>\$ 1,572,843</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:

Total fund balance	\$ 10,021,572
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	9,696,990
Net pension liability	(1,059,167)
Total pension liability	(514,251)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	256,359
Pension related deferrals - outflows	715,439
Long-term liabilities, accrued interest, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(4,629,841)
Pension related deferrals - inflows	(55,397)
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be received within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.	372,016
Net position of governmental activities per Exhibit A	<u>\$ 14,803,720</u>

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



## TOWN OF BEAUFORT, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Major Funds			Nonmajor	Total
	General	Fire	Capital	Governmental	Governmental
	Fund	District	Reserve	Funds	Funds
		Fund	Fund		
<b>Revenues:</b>					
Ad valorem taxes	\$ 3,424,731	\$ -	\$ -	\$ -	\$ 3,424,731
Other taxes and licenses	2,070,949	-	-	-	2,070,949
Unrestricted intergovernmental	436,813	-	-	-	436,813
Restricted intergovernmental	831,820	-	-	-	831,820
Permits and fees	1,069,907	-	-	-	1,069,907
Sales and services	308,432	-	-	-	308,432
Investment earnings	79,591	-	-	-	79,591
Miscellaneous	147,433	-	-	12,640	160,073
Total revenues	<u>8,369,676</u>	<u>-</u>	<u>-</u>	<u>12,640</u>	<u>8,382,316</u>
<b>Expenditures:</b>					
Current:					
General government	841,923	-	-	-	841,923
Public safety	3,415,892	-	-	-	3,415,892
Public works	2,026,053	-	-	-	2,026,053
Environmental protection	675,625	-	-	-	675,625
Cultural and recreation	230,166	-	-	356,746	586,912
Non-departmental	375,146	-	-	-	375,146
Debt service:					
Principal	418,401	-	-	-	418,401
Interest	118,574	-	-	-	118,574
Total expenditures	<u>8,101,780</u>	<u>-</u>	<u>-</u>	<u>356,746</u>	<u>8,458,526</u>
Revenues over (under) expenditures	<u>267,896</u>	<u>-</u>	<u>-</u>	<u>(344,106)</u>	<u>(76,210)</u>
<b>Other Financing Sources (Uses):</b>					
Long-term debt issued	975,091	-	-	-	975,091
Transfers in	100,326	-	3,638,618	-	3,738,944
Transfers out	(764,102)	(98,421)	-	(1,905)	(864,428)
Total other financing sources (uses)	<u>311,315</u>	<u>(98,421)</u>	<u>3,638,618</u>	<u>(1,905)</u>	<u>3,849,607</u>
Net change in fund balances	579,211	(98,421)	3,638,618	(346,011)	3,773,397
<b>Fund Balances:</b>					
Beginning of year, July 1	<u>4,230,900</u>	<u>98,421</u>	<u>-</u>	<u>1,918,854</u>	<u>6,248,175</u>
End of year, June 30	<u>\$ 4,810,111</u>	<u>\$ -</u>	<u>\$ 3,638,618</u>	<u>\$ 1,572,843</u>	<u>\$ 10,021,572</u>

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



# TOWN OF BEAUFORT, NORTH CAROLINA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL ACTIVITIES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 3,773,397
Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:	
Property taxes	(2,321)
Grants	188,341
Benefit payments paid and administrative expense for the LEOSA and contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	36,377
Change in net pension liability	(417,124)
Change in total pension liability	(83,180)
Change in pension related deferred outflows	391,017
Change in pension related deferred inflows	9,166
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	1,530,233
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(423,039)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	418,401
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(19,012)
Other long-term liabilities (accrued interest) are not due and payable in the current period and, therefore, are not reported in the funds.	10,761
Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	(975,091)
Total changes in net position of governmental activities per Exhibit B	<u>\$ 4,437,926</u>

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



## TOWN OF BEAUFORT, NORTH CAROLINA

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund			
	Budgeted Amounts			Variance with Final Budget Over/Under
	Original	Final	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 3,385,665	\$ 3,385,665	\$ 3,424,731	\$ 39,066
Other taxes and licenses	1,797,180	1,797,180	2,070,949	273,769
Unrestricted intergovernmental	438,500	438,500	436,813	(1,687)
Restricted intergovernmental	122,250	308,594	831,820	523,226
Permits and fees	1,232,565	1,163,561	1,069,907	(93,654)
Sales and services	270,500	270,500	308,432	37,932
Investment earnings	12,000	12,000	79,591	67,591
Miscellaneous	2,700	121,692	147,433	25,741
Total revenues	7,261,360	7,497,692	8,369,676	871,984
<b>Expenditures:</b>				
Current:				
General government	760,956	891,913	841,923	49,990
Public safety	3,278,800	3,585,113	3,415,892	169,221
Public works	1,294,284	2,494,739	2,026,053	468,686
Environmental protection	630,300	703,256	675,625	27,631
Cultural and recreation	644,448	668,630	230,166	438,464
Non-departmental	419,726	426,619	375,146	51,473
Debt service:				
Principal	416,131	418,401	418,401	-
Interest	116,715	118,542	118,574	(32)
Total expenditures	7,561,360	9,307,213	8,101,780	1,205,433
Revenues over (under) expenditures	(300,000)	(1,809,521)	267,896	2,077,417
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	-	1,000,000	975,091	(24,909)
Transfers in	-	100,326	100,326	-
Transfers out	-	(764,102)	(764,102)	-
Total other financing sources (uses)	-	336,224	311,315	(24,909)
Appropriated fund balance	300,000	1,473,297	-	(1,473,297)
Net change in fund balance	\$ -	\$ -	579,211	\$ 579,211
<b>Fund Balance:</b>				
Beginning of year, July 1			4,230,900	
End of year, June 30			\$ 4,810,111	

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



## TOWN OF BEAUFORT, NORTH CAROLINA

MAJOR SPECIAL REVENUE FUND - FIRE DISTRICT FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2019

	Fire District Fund			
	Budgeted Amounts			Variance with Final Budget Over/Under
	Original	Final	Actual	
Other Financing Sources (Uses):				
Transfers in (out)	\$ (98,421)	\$ (98,421)	\$ (98,421)	\$ -
Appropriated fund balance	<u>98,421</u>	<u>98,421</u>	<u>-</u>	<u>(98,421)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(98,421)	<u>\$ (98,421)</u>
Fund Balance:				
Beginning of year, July 1			<u>98,421</u>	
End of year, June 30			\$ -	

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



## TOWN OF BEAUFORT, NORTH CAROLINA

STATEMENT OF FUND NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2019

	Enterprise Fund
	Utility Fund
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 1,182,149
Accounts receivable, net	857,044
Restricted cash and cash equivalents	312,748
Total current assets	<u>2,351,941</u>
Non-current assets:	
Capital assets:	
Land and construction in progress	1,073,691
Capital assets, net of depreciation	<u>28,776,822</u>
Total capital assets	<u>29,850,513</u>
Total assets	<u>32,202,454</u>
<b>Deferred Outflows of Resources:</b>	
Pension deferrals	131,011
Contributions to pension plan in current fiscal year	<u>51,609</u>
Total deferred outflows of resources	<u>182,620</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable and accrued liabilities	121,210
Compensated absences - current portion	44,922
Current portion of long-term debt	1,224,736
Liabilities to be paid from restricted assets:	
Other deposits	25,000
Customer deposits	<u>193,050</u>
Total current liabilities	<u>1,608,918</u>
Non-current liabilities:	
Other long-term debt	10,152,557
Net pension liability	<u>247,755</u>
Total non-current liabilities	<u>10,400,312</u>
Total liabilities	<u>12,009,230</u>
<b>Deferred Inflows of Resources:</b>	
Pension deferrals	<u>11,423</u>
<b>Net Position:</b>	
Net investment in capital assets	18,473,220
Restricted	94,698
Unrestricted	<u>1,796,503</u>
Total net position	<u>\$ 20,364,421</u>

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



## TOWN OF BEAUFORT, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Fund
	Utility Fund
<b>Operating Revenues:</b>	
Charges for sales and services	\$ 4,335,161
Tap fees	58,550
Connection fees	21,325
Miscellaneous revenue	8,263
Total operating revenues	<u>4,423,299</u>
<b>Operating Expenses:</b>	
Water operations	674,114
Sewer operations	1,579,471
Depreciation	972,354
Total operating expenses	<u>3,225,939</u>
Operating income (loss)	<u>1,197,360</u>
<b>Non-Operating Revenues (Expenses):</b>	
Interest income	52,124
Capacity use fees	98,100
Other non-operating revenues	22,578
Interest on long-term debt	<u>(291,993)</u>
Total non-operating revenues (expenses)	<u>(119,191)</u>
Income (loss) before capital contributions and transfers	1,078,169
Capital contributions	1,198,877
Transfers in (out)	<u>(2,874,516)</u>
Change in net position	(597,470)
<b>Net Position:</b>	
Beginning of year, July 1	<u>20,961,891</u>
End of year, June 30	<u>\$ 20,364,421</u>

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



## TOWN OF BEAUFORT, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Fund
	Utility Fund
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 4,099,263
Cash paid for goods and services	(1,392,452)
Cash paid to employees	(863,283)
Customer deposits	4,298
Net cash provided (used) by operating activities	1,847,826
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Capital contributions	65,210
Other non-operating revenues	22,578
Transfer in (out)	(2,874,516)
Net cash provided (used) by non-capital financing activities	(2,786,728)
<b>Cash Flows from Capital and Related Financing Activities:</b>	
<b>Financing Activities:</b>	
Acquisition and construction of capital assets	(233,405)
Capacity use fees collected	98,100
Deposits received from sale of property	25,000
Principal paid on long-term debt	(1,223,025)
Interest paid on long-term debt	(278,146)
Net cash provided (used) for capital and related financing activities	(1,611,476)
<b>Cash Flows from Investing Activities:</b>	
Interest received from investments	52,124
Net increase (decrease) in cash and cash equivalents	(2,498,254)
<b>Cash and Cash Equivalents:</b>	
Beginning of year, July 1	3,993,151
End of year, June 30	\$ 1,494,897
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ 1,197,360
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	972,354
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(324,036)
Increase (decrease) in accounts payable	(19,770)
Increase (decrease) in accrued compensated absences	6,541
Increase (decrease) in customer deposits	4,298
(Increase) decrease in deferred outflows of resources for pensions	(75,309)
Increase (decrease) in deferred inflows of resources for pensions	(5,176)
Increase (decrease) in net pension liability	91,564
Net cash provided (used) by operating activities	\$ 1,847,826
<b>Supplemental Schedule of Non-Cash Financing Activities</b>	
Developer's contribution of capital assets	\$ 1,133,667

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



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# TOWN OF BEAUFORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Beaufort, North Carolina, (the "Town") 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 Beaufort is a municipal corporation that is governed by an elected mayor and five-member council. As required by generally accepted accounting principles, these financial statements present the Town. The Town does not have a component unit.

#### 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 are provided for each fund category – *governmental* and *proprietary*. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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.



# **TOWN OF BEAUFORT, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

The Town reports the following major governmental funds:

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

**Fire District Fund** – The Fire District Fund is a special revenue fund that is used to account for specific revenue sources that are required to be accounted for in another fund (other than expendable trust or major capital projects). The Town reports its Fire Department in the special revenue fund since the fire district is larger than the Town, and the department receives money from the County for a portion of the cost of operations.

**Capital Reserve Fund** – This capital project fund is used to accumulate resources for future capital projects.

The Town reports the following nonmajor governmental funds:

**Fire Station Fund** – This capital project fund is used to account for the construction of a new fire station.

**Community Improvement Fund** – This capital project fund is used to account for the construction of a new community park.

The Town reports the following major enterprise funds:

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

### **C. Measurement Focus and Basis of Accounting**

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

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



# **TOWN OF BEAUFORT, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

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's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the state at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Carteret County and then remitted to and distributed by the state. Most intergovernmental revenues and sales and services are not susceptible to accrual, because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.



# **TOWN OF BEAUFORT, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE 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, special, and enterprise funds. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Fire Station Capital Project Fund, Capital Reserve Fund, and Community Improvement Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$25,000. All amendments must be approved by the governing board. The Town Manager is authorized to transfer funds from one appropriation to another within the same fund without limitation. Funds may not be transferred between funds without prior approval from the Board. Upon notification of funding increases or decreases to existing grants or revenues, or the award of grants or revenues, the Town Manager may adjust budgets to match, including grants that require a match for which funds are available. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

#### **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. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) government money market fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating, and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.



# TOWN OF BEAUFORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Cash and Cash Equivalents

The Town pools monies from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

### Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Capacity impact fees are classified as restricted because the funds collected are to be expended only for the purpose in which it was collected for. Powell Bill funds are also classified as restricted cash because it can only be expended for the purposes outlined in G.S. 136-41.1 through 136-41.4 of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

#### Governmental Activities:

##### General Fund:

Powell Bill - streets	\$	36,836
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##### Nonmajor fund:

Community Improvement Fund - donations		1,572,843
		<u>1,609,679</u>

#### Business-Type Activities:

##### Utility Fund:

Customer deposits	193,050
Capacity impact fees	94,698
Other deposits	<u>25,000</u>
	<u>312,748</u>

Total	\$	<u><u>1,922,427</u></u>
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### Ad Valorem Taxes Receivable

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

### 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.



# TOWN OF BEAUFORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Prepaid Expenses

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

### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. 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, except for land and construction in progress, are depreciated on the straight-line basis over the estimated useful lives of the assets as follows:

<u>Asset</u>	<u>Estimated Useful Lives</u>
Computer equipment	5-7 years
Vehicles	7-10 years
Equipment and fixtures	7-10 years
Buildings	25-40 years
Infrastructure	20-60 years

### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 two items that meet this criteria, pension related deferrals and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criteria for this category – pension related deferrals, prepaid rent, unavailable revenue, and property taxes receivable.



# **TOWN OF BEAUFORT, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

### **Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

### **Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they 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.

### **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, laws or regulations of other governments, or imposed by law through state statute.



# TOWN OF BEAUFORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Fund Balances

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

#### **Non-Spendable Fund Balance –**

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

*Prepaid Items* – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses.

#### **Restricted Fund Balance**

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

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

*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.

*Restricted for Cultural and Recreation* – portion of fund balance that is restricted by the donor for construction of a new community park.

*Restricted for Public Safety* – portion of fund balance that is restricted by revenue source for certain fire and rescue services provided by the Town.



# **TOWN OF BEAUFORT, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

### **Committed Fund Balance**

This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Beaufort's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

*Cultural and Recreation* – portion of fund balance that has been committed by the Board for future capital needs in cultural and recreation.

*Public Works* – portion of fund balance that has been committed by the Board for future capital needs in public works.

### **Assigned Fund Balance**

Assigned fund balance is the portion of fund balance that the Town intends to use for specific purposes. The governing board has the authority to assign fund balance through the budget process.

*Subsequent Year's Expenditures* – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

### **Unassigned Fund Balance**

The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that may report a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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

The Town has adopted a financial policy that includes a minimum fund balance policy for the General Fund, which states that the General Fund unassigned fund balance at the close of each fiscal year shall not be less than 20 percent of actual General Fund net expenditures without prior approval of the Board.



# **TOWN OF BEAUFORT, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

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

Total fund balance - General Fund	\$ 4,810,111
<b>Less:</b>	
Prepaid items	(7,350)
Stabilization by state statute	<u>(1,297,209)</u>
Available for appropriation	<u><u>\$ 3,505,552</u></u>

### **F. Defined Benefit Cost-Sharing Plans**

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

### **G. Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

## **2. Detail Notes On All Funds**

### **A. Assets**

#### **Deposits**

All the deposits of the Town are either insured or collateralized using the Pooling Method. Under this 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 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 with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the



## TOWN OF BEAUFORT, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 \$4,967,116 and a bank balance of \$5,131,910. Of the bank balance, \$750,100 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2019, the Town's petty cash on hand totaled \$400.

#### Investments

At June 30, 2019, the Town had \$5,547,119 invested with North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no formal policy regarding credit risk.

#### Receivables – Allowances for Doubtful Accounts

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

	<b>General Fund</b>	<b>Utility Fund</b>
Solid waste receivable	\$ 11,647	\$ -
Taxes receivable	35,629	-
Water receivable	-	97,746
Sewer receivable	-	49,674
Total	<u>\$ 47,276</u>	<u>\$ 147,420</u>

Due from other governments consists of the following at June 30, 2019:

Utility sales tax	\$ 75,000
Local option sales tax	385,313
Due from County	61,082
Grants receivable	735,536
Sales tax refund	129,778
Others	42,817
Total	<u>\$ 1,429,526</u>



# TOWN OF BEAUFORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Capital Assets

The following is a summary of changes in the governmental capital assets during the fiscal year:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>By Type:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land and improvements	\$ 2,071,212	\$ -	\$ -	\$ 2,071,212
Construction in progress	83,051	356,746	-	439,797
Total non-depreciable capital assets	<u>2,154,263</u>	<u>356,746</u>	<u>-</u>	<u>2,511,009</u>
<b>Depreciable Capital Assets:</b>				
Buildings and improvements	5,431,198	-	-	5,431,198
Infrastructure	794,386	951,091	-	1,745,477
Equipment and fixtures	1,260,541	110,185	-	1,370,726
Vehicles	2,877,485	112,211	-	2,989,696
Total depreciable capital assets	<u>10,363,610</u>	<u>1,173,487</u>	<u>-</u>	<u>11,537,097</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	745,807	141,385	-	887,192
Infrastructure	259,468	55,929	-	315,397
Equipment and fixtures	861,517	74,768	-	936,285
Vehicles	2,061,285	150,957	-	2,212,242
Total accumulated depreciation	<u>3,928,077</u>	<u>\$ 423,039</u>	<u>\$ -</u>	<u>4,351,116</u>
Depreciable capital assets, net	<u>6,435,533</u>			<u>7,185,981</u>
Capital assets, net	<u>\$ 8,589,796</u>			<u>\$ 9,696,990</u>

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

### Governmental Activities:

General government	\$ 51,990
Public safety	223,271
Public works	118,981
Cultural and recreational	28,797
Total	<u>\$ 423,039</u>



# TOWN OF BEAUFORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The following is summary of changes in the business-type capital assets for the fiscal year:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>Non-Depreciable Capital Assets:</b>				
Land and improvements	\$ 1,073,691	\$ -	\$ -	\$ 1,073,691
<b>Depreciable Capital Assets:</b>				
Equipment and fixtures	887,979	11,340	-	899,319
Vehicles	447,355	-	(56,673)	390,682
Buildings and improvements	1,139,749	222,065	-	1,361,814
Plant and collection system	31,070,271	644,251	-	31,714,522
Plant and distribution system	5,742,185	489,416	-	6,231,601
Total depreciable capital assets	<u>39,287,539</u>	<u>1,367,072</u>	<u>(56,673)</u>	<u>40,597,938</u>
<b>Less Accumulated Depreciation:</b>				
Equipment and fixtures	448,008	61,538	-	509,546
Vehicles	313,173	19,582	(56,673)	276,082
Buildings and improvements	1,003,679	15,762	-	1,019,441
Plant and collection system	7,505,196	765,635	-	8,270,831
Plant and distribution system	1,635,379	109,837	-	1,745,216
Total accumulated depreciation	<u>10,905,435</u>	<u>\$ 972,354</u>	<u>\$ (56,673)</u>	<u>11,821,116</u>
Depreciable capital assets, net	<u>28,382,104</u>			<u>28,776,822</u>
Capital assets, net	<u>\$ 29,455,795</u>			<u>\$ 29,850,513</u>

### Construction Commitments

The government has active construction projects as of June 30, 2019. At year-end, the government's commitment with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining</u> <u>Commitment</u>
Cedar St./Randolph Johnson Water Tower Park	<u>\$ 439,797</u>	<u>\$ 1,560,203</u>

### Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2019 is composed of the following elements:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Capital assets, net of depreciation	\$ 9,696,990	\$ 29,850,513
Long-term debt	(4,399,947)	(11,377,293)
Net investment in capital assets	<u>\$ 5,297,043</u>	<u>\$ 18,473,220</u>



# TOWN OF BEAUFORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### B. Liabilities

#### Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2019 were as follows:

Type of Payable	Governmental Activities	Business-Type Activities	Total
Trade payables	\$ 150,573	\$ 27,964	\$ 178,537
Accrued interest	52,478	63,429	115,907
Accrued salaries and benefits	144,737	29,817	174,554
Total	<u>\$ 347,788</u>	<u>\$ 121,210</u>	<u>\$ 468,998</u>

#### Pension Plan Obligations

##### Local Governmental Employees' Retirement System

*Plan Description.* The Town is a participating employer in the state-wide 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 government 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 LGERS 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, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable 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.



## TOWN OF BEAUFORT, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to 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 Beaufort employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.82% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$286,716 for the year ended June 30, 2019.

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

#### **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 \$1,306,922 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 0.0551% (measured as of June 30, 2018), which was an increase of 0.0028% from its proportion measure as of June 30, 2018 (measured as of June 30, 2017).



# TOWN OF BEAUFORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

For the year ended June 30, 2019, the Town recognized pension expense of \$348,278. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 201,627	\$ 6,766
Changes in assumptions	346,807	-
Net difference between projected and actual earnings on pension plan investments	179,401	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	39,359
Town contributions subsequent to the measurement date	286,716	-
Total	<u>\$ 1,014,551</u>	<u>\$ 46,125</u>

\$286,716 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 ending June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2020	\$ 332,125
2021	212,641
2022	33,740
2023	103,204
2024	-
Thereafter	-
Total	<u>\$ 681,710</u>

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

Inflation	3.0 percent
Salary increase	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation



## TOWN OF BEAUFORT, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The plan actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* 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 ended January 1, 2010 through December 31, 2014.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real</u>
		<u>Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.



## TOWN OF BEAUFORT, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

*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 contribution 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 benefits payments to determine the total pension liability.

*Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	<u>\$ 3,139,343</u>	<u>\$ 1,306,922</u>	<u>\$ (224,275)</u>

*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.

#### **Law Enforcement Officers' Special Separation Allowance**

*Plan Description.* The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	3
Active plan members	<u>15</u>
Total	<u>18</u>



# TOWN OF BEAUFORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Summary of Significant Accounting Policies

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria, which are outlined in GASB Statement 73.

### Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2017 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20-Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2014.

**Deaths After Retirement (Healthy):** RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

**Deaths Before Retirement:** RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

**Deaths After Retirement (Beneficiary):** RP-2014 Healthy Annuitant base rates projected 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

**Deaths After Retirement (Disabled):** RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.



# TOWN OF BEAUFORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

*Contributions.* The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and, at present, has chosen to fund the amounts necessary to cover the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$42,121 as benefits came due for the reporting period.

### **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 total pension liability of \$514,251. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$55,751.

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 100,626	\$ -
Changes of assumptions and other inputs	17,989	20,695
Town benefit payments and plan administrative expense made subsequent to the measurement date	21,252	-
Total	<u>\$ 139,867</u>	<u>\$ 20,695</u>

The \$21,252 reported as deferred outflows of resources related to pensions resulting from the Town benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2020. Other amount reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2020	\$ 20,231
2021	20,231
2022	20,231
2023	20,807
2024	16,420
Thereafter	-
Total	<u>\$ 97,920</u>



# TOWN OF BEAUFORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

*Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.64% as well as what the Town's total pension liability would be if they were calculated using a discount rate that is one percentage point lower (2.64%) or one percentage point higher (4.64%) than the current rate.

	<b>1% Decrease (2.64%)</b>	<b>Current Discount Rate (3.64%)</b>	<b>1% Increase (4.64%)</b>
Total pension liability	\$ 554,861	\$ 514,251	\$ 477,554

### Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance

	<b>2019</b>
Beginning balance	\$ 431,071
Service cost	22,208
Interest on the total pension liability	12,956
Differences between expected and actual experience in the measurement of the total pension liability	109,124
Changes of assumptions or other inputs	(18,987)
Benefit payments	(42,121)
Ending balance of the total pension liability	<u>\$ 514,251</u>

*Changes of Assumptions.* Changes of assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.16 percent at December 31, 2017 to 3.64 percent at December 31, 2018.

*Changes in Benefit Terms.* Reported compensation adjust to reflect the assumed rate of pay as of the valuation date.

The plan currently uses mortality tables that vary by age, 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.



# TOWN OF BEAUFORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### **Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of Related to Pensions**

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate share of net pension liability (asset)	0.0551%	n/a	-
Total pension liability	n/a	\$ 514,251	\$ 514,251
Net pension liability	\$ 1,306,922	n/a	1,306,922
Pension expense	348,278	55,751	404,029

#### **Deferred Outflows of Resources**

Differences between expected and actual experience	\$ 201,627	\$ 100,626	\$ 302,253
Changes in assumptions	346,807	17,989	364,796
Net difference between projected and actual earnings on pension plan investments	179,401	-	179,401
Town contributions subsequent to the measurement date	<u>286,716</u>	<u>21,252</u>	<u>307,968</u>
Total	<u>\$ 1,014,551</u>	<u>\$ 139,867</u>	<u>\$ 1,154,418</u>

#### **Deferred Inflows of Resources**

Differences between expected and actual experience	\$ 6,766	\$ -	\$ 6,766
Changes in proportion and differences between Town contributions and proportionate share of contributions	39,359	-	39,359
Changes in assumptions	<u>-</u>	<u>20,695</u>	<u>20,695</u>
Total	<u>\$ 46,125</u>	<u>\$ 20,695</u>	<u>\$ 66,820</u>

### **Supplemental Retirement Income Plan for Law Enforcement Officers**

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan for Law Enforcement Officers (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) Plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.



# **TOWN OF BEAUFORT, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Employees may make voluntary contributions to the Plan. The Town made contributions of \$43,321 for the reporting year. No amounts were forfeited.

### **Supplemental Retirement Income Plan – Employees Other Than Law Enforcement Officers**

The Town has elected to include all other employees in the plan and contribute an amount equal to five percent of each employee's salary for all employees who participate in the plan. The Town made contributions of \$136,152 for the reporting year. No amounts were forfeited.

### **Post-Employment Benefits**

#### **Deferred Compensation Plan**

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all Town employees permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation in the plan is at the option of the employee. Investments are managed by the Plan's trustee under one of four investment options, or a combination thereof. The choice of the investment option(s) is made by the participants.

The Town has complied with changes in the laws, which govern the Town's deferred compensation plans, requiring all position of the plans to be held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement 32, "Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans", the Town's Deferred Compensation Plans are not reported as Town agency funds.

#### **Other Employment Benefits**

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government 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 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 postemployment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the state. 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 BEAUFORT, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

#### Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Benefit payments made and administration expenses for pension	\$ 307,968
Differences between expected and actual experience	302,253
Changes of assumptions	364,796
Net difference between projected and actual earnings on pension plan investments	179,401
Total	<u>\$ 1,154,418</u>

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

<u>Source</u>	<u>Amount</u>
Property taxes receivable	\$ 183,675
Grants receivable	188,341
Prepaid rent	7,415
Differences between expected and actual experience	6,766
Changes of assumptions	20,695
Changes in proportion and differences between Town contributions and proportionate share of contributions	39,359
Total	<u>\$ 446,251</u>

#### Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina State Health Plan. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to \$31,656,467, workers' compensation coverage up to \$500,000. The pools are reinsured through commercial companies for single occurrence claims against general liability, and auto liability in excess of \$1,000,000, and \$150,000 for workers' compensation.



# **TOWN OF BEAUFORT, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area that state that has been mapped and designated an A area, (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP.

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.

In accordance with G.S. 159-29, the Town's employees who have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$100,000. The remaining employees who have access to funds are bonded under a blanket bond for \$200,000.

### **Claims, Judgements and Contingent Liabilities**

At June 30, 2019, the Town was a defendant to various lawsuits. In the opinion of the Town's management and attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

### **Long-Term Obligations**

#### **Installment Purchases**

Installment purchases (direct borrowing and direct placement) at June 30, 2019 are comprised of the following individual agreements:

##### **Governmental Activities (direct borrowing):**

\$975,091 State Revolving loan issued March 2019, zero interest,  
payable in full upon reimbursement from the federal government for  
expenses covered under agreement, or 3 years after enactment.

\$ 975,091



# TOWN OF BEAUFORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Business-Type Activities (direct borrowing):

\$602,293 NCDEQ loan issued December 2005, for the Cedar Street Sanitary Sewer Rehabilitation project; interest at 2.205%, payable in annual principal installments of \$30,115 and semi-annual interest payments through fiscal year May 2026; secured by system assets \$ 210,802

\$592,554 NCDEQ loan issued July 2007, for the Sewer Force Main project; interest at 2.265%, payable in annual principal installments of \$29,628 and semi-annual interest payments through fiscal year May 2028; secured by system assets 266,649

\$5,557,814 NCDEQ loan issued July 2008, for the Waste Water Treatment Plant project; interest at 2.265%, payable in annual principal installments of \$277,766 and semi-annual interest payments through fiscal year May 2028; secured by system assets 2,499,890

\$1,011,208 NCDEQ loan issued November 2012, for the Well project; interest at 2.48%, payable in annual principal installments of \$50,560 and semi-annual interest payments through fiscal year May 2033; secured by system assets 707,846

\$14,023,600 NCDEQ loan issued April 2010, for the Waste Water Treatment Plant project; interest at 2.1%, payable in annual principal installments of \$692,017 and semi-annual interest payments through fiscal year May 2029; secured by system assets 6,920,166

\$935,000 NCDEQ loan issued April 2013, for the Sycamore Drive Water project; interest at 2.455%, payable in annual principal installments of \$46,750 and semi-annual interest payments through fiscal year May 2033; secured by system assets 654,500

Total business-type activities installment purchases - direct borrowing \$ 11,259,853

Installment purchase obligations from direct borrowing in the amount of \$12,234,944 include a provision that if the Town is found to be in default, the full amount of the obligation could become due immediately, at the discretion of the lender.



# TOWN OF BEAUFORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

Year Ending June 30	Direct Borrowing			
	Governmental		Business-Type	
	Principal	Interest	Principal	Interest
2020	\$ 975,091	\$ -	\$ 1,126,836	\$ 246,256
2021	-	-	1,126,836	221,696
2022	-	-	1,126,836	197,136
2023	-	-	1,126,836	172,575
2024	-	-	1,126,836	148,015
2025-2029	-	-	5,236,428	373,658
2030-2033	-	-	389,245	24,016
Total	<u>\$ 975,091</u>	<u>\$ -</u>	<u>\$ 11,259,853</u>	<u>\$ 1,383,352</u>

### Governmental Activities (direct placement):

\$1,500,000 note issued June 2011, interest at 2.95%, payable in annual installments of \$100,000, plus interest, with a final payment due in fiscal year 2026; secured by building \$ 800,000

\$58,573 note issued March 2015, interest at 1.94%, payable in monthly installments of \$1,025, including interest, with a final payment due in fiscal year 2020; secured by equipment 9,151

\$3,000,000 note issued December 2015, interest at 3.35%, payable in semi-annual installments of \$100,000, including interest, with a final payment due in fiscal year 2030; secured by building 2,400,000

\$105,000 note issued December 2015, interest at 1.77%, payable in annual installments of \$117,625, plus interest, with a final payment due in fiscal year 2020; secured by vehicle and equipment 5,086

\$292,400 note issued October 2016, interest at 1.87%, payable in annual installments of \$71,752, plus interest, with a final payment due in fiscal year 2021; secured by equipment and vehicles 178,406

\$39,568 note issued June 2018, interest at 3.61%, payable in annual installments of \$8,803, including interest, with a final payment due in fiscal year 2023; secured by equipment 32,213

Total governmental activities installment purchases - direct placement \$ 3,424,856



# TOWN OF BEAUFORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Business-Type Activities (direct placement):

\$431,000 note issued December 2015, interest at 1.77%, payable in annual installments of \$117,625, plus interest, with a final payment due in fiscal year 2020 \$ 88,397

\$47,600 note issued October 2016, interest at 1.87%, payable in annual installments of \$71,752, plus interest, with a final payment due in fiscal year 2021 29,043

Total business-type activities installment purchases - direct placement \$ 117,440

Installment purchase obligation from direct placements in the amount of \$3,542,296 include a provision that if the Town is determined to be in default, the full amount of the obligation could become due immediately, at the discretion of the lender.

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

Year Ending June 30	Direct Placement			
	Governmental		Business-Type	
	Principal	Interest	Principal	Interest
2020	\$ 384,111	\$ 107,664	\$ 97,900	\$ 2,108
2021	369,975	95,979	9,680	365
2022	362,278	84,771	9,860	184
2023	308,492	72,211	-	-
2024	300,000	62,250	-	-
2025-2029	1,300,000	172,400	-	-
2030-2033	400,000	16,545	-	-
Total	<u>\$ 3,424,856</u>	<u>\$ 611,820</u>	<u>\$ 117,440</u>	<u>\$ 2,657</u>

At June 30, 2019, the Town of Beaufort had a legal debt margin of \$62,137,383.



# TOWN OF BEAUFORT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Long-Term Debt Obligation Activity

The following is a summary of the changes in the governmental activities long-term debt obligations as of June 30, 2019:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion</u>
<b>By Type of Debt:</b>					
Installment purchases - direct placement	\$ 3,843,257	\$ -	\$ (418,401)	\$ 3,424,856	\$ 384,111
Installment purchases - direct borrowing	-	975,091	-	975,091	975,091
Compensated absences	158,404	306,205	(287,193)	177,416	177,416
Net pension liability (LGERS)	642,043	417,124	-	1,059,167	-
Total pension liability (LEO)	431,071	83,180	-	514,251	-
Total	<u>\$ 5,074,775</u>	<u>\$ 1,781,600</u>	<u>\$ (705,594)</u>	<u>\$ 6,150,781</u>	<u>\$ 1,536,618</u>

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

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion</u>
<b>By Type of Debt:</b>					
Installment purchases - direct placement	\$ 213,628	\$ -	\$ (96,188)	\$ 117,440	\$ 97,900
Installment purchases - direct borrowing	12,386,690		(1,126,837)	11,259,853	1,126,836
Compensated absences	38,381	68,917	(62,376)	44,922	44,922
Net pension liability (LGERS)	156,191	91,564	-	247,755	-
Total	<u>\$ 12,794,890</u>	<u>\$ 160,481</u>	<u>\$ (1,285,401)</u>	<u>\$ 11,669,970</u>	<u>\$ 1,269,658</u>



# **TOWN OF BEAUFORT, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

### **Interfund Balances and Activity**

#### **Transfers to/from Other Funds**

Transfers to/from other funds during the year ended June 30, 2019 consist of the following:

	<u><b>Amount</b></u>
From the Major Fire District Fund to the General Fund to close the fund and consolidate operations	\$ 98,421
From the Fire Station Nonmajor Fund to the General Fund close the capital project fund	1,905
From the Utility Fund to the Capital Reserve Fund for share of future capital projects	2,874,516
From the General Fund to the Capital Reserve Fund for share of future capital projects	764,102
	<u><u>\$ 3,738,944</u></u>

### **3. Federal and State-Assisted Programs**

The Town has received proceeds from 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.

### **4. Subsequent Events**

The Town sold property and land it owned in the Utility Fund for \$500,000 on August 7, 2019, to an interested buyer who plans to build affordable housing and other facilities. The original cost of the property was \$629,632.

Damage in certain areas of the State of North Carolina resulting from Hurricane Dorian beginning on September 2019, and continuing, was of sufficient severity and magnitude to warrant a major federal disaster declaration by the president. Hurricane Dorian struck North Carolina and caused serious flooding and wind damage in several counties, including areas of Carteret County. While there has been damage as of the date of this report, it is unknown as to the extent of that damage for the Town of Beaufort. Assessments by FEMA are currently underway.



**TOWN OF BEAUFORT, NORTH CAROLINA****PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST SIX FISCAL YEARS \***

<b>Local Governmental Employees' Retirement System</b>						
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town's proportion of the net pension liability (asset) (%)	0.0551%	0.0523%	0.0539%	0.0548%	0.0520%	0.0510%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,306,922	\$ 798,234	\$ 1,143,301	\$ 246,074	\$ (306,668)	\$ 618,362
Town's covered payroll	\$ 3,137,753	\$ 2,967,679	\$ 2,836,171	\$ 2,718,474	\$ 2,729,254	\$ 2,660,526
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	41.65%	26.90%	40.31%	9.05%	( 11.24%)	23.24%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

As information becomes available, the Town will present the ten most current fiscal years' data.



**TOWN OF BEAUFORT, NORTH CAROLINA****TOWN OF BEAUFORT'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST SIX FISCAL YEARS**

	<b>Local Governmental Employees' Retirement System</b>					
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 286,716	\$ 242,371	\$ 224,174	\$ 196,906	\$ 195,733	\$ 189,874
Contributions in relation to the contractually required contribution	<u>286,716</u>	<u>242,371</u>	<u>224,174</u>	<u>196,906</u>	<u>195,733</u>	<u>189,874</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 3,593,838	\$ 3,137,753	\$ 2,967,679	\$ 2,836,171	\$ 2,718,474	\$ 2,729,254
Contributions as a percentage of covered payroll	7.98%	7.72%	7.55%	6.94%	7.20%	6.96%

As information becomes available, the Town will present the ten most current fiscal years' data.



**TOWN OF BEAUFORT, NORTH CAROLINA**
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**LAST THREE FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 431,071	\$ 383,955	\$ 376,220
Service cost at end of year	22,208	18,912	19,064
Interest on the total pension liability	12,956	14,304	13,155
Differences between expected and actual experience in the measurement of the total pension liability	109,124	14,495	-
Changes of assumptions or other inputs	(18,987)	26,167	(9,042)
Benefit payments	<u>(42,121)</u>	<u>(26,762)</u>	<u>(15,442)</u>
Ending balance of the total pension liability	<u>\$ 514,251</u>	<u>\$ 431,071</u>	<u>\$ 383,955</u>

The amounts presented for each fiscal year were determined as of the prior year ending December 31.

As information becomes available, the Town will present the ten most current fiscal years' data.



**TOWN OF BEAUFORT, NORTH CAROLINA**

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE  
OF COVERED PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST THREE FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 514,251	\$ 431,071	\$ 383,955
Covered payroll	\$ 706,932	\$ 723,729	\$ 692,771
Total pension liability as a percentage of covered payroll	72.74%	59.56%	55.42%

**Notes to the Schedules:**

The Town of Beaufort has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

As information becomes available, the Town will present the ten most current fiscal years' data.



**TOWN OF BEAUFORT, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues</b>			
<b>Ad Valorem Taxes:</b>			
Taxes		\$ 3,405,202	
Penalties and interest		19,529	
Total ad valorem taxes	\$ 3,385,665	3,424,731	\$ 39,066
<b>Other Taxes and Licenses:</b>			
Local option sales tax		1,396,489	
Fire District sales tax		115,000	
Harlowe District sales tax		21,234	
Fire District ad valorem taxes		320,170	
Harlowe Fire District ad valorem taxes		62,277	
ABC net revenues		155,779	
Total other taxes and licenses	1,797,180	2,070,949	273,769
<b>Unrestricted Intergovernmental Revenues:</b>			
Utility franchise tax		376,203	
Beer and wine tax		18,174	
Payments in lieu of tax		42,436	
Total unrestricted intergovernmental revenues	438,500	436,813	(1,687)
<b>Restricted Intergovernmental Revenues:</b>			
Other grants		712,618	
Powell Bill allocation		119,202	
Total restricted intergovernmental revenues	308,594	831,820	523,226
<b>Permits and Fees:</b>			
Building permits		124,656	
Court and parking fees		274,083	
Stormwater fees		135,546	
Garbage and recycle fees		489,757	
Solid waste fees		39,227	
Special events fee		6,638	
Total permits and fees	1,163,561	1,069,907	(93,654)
<b>Sales and Services:</b>			
Rents		300,482	
Sales of cemetery lots		7,950	
Total sales and services	270,500	308,432	37,932
<b>Interest:</b>			
Investment earnings	12,000	79,591	67,591



**TOWN OF BEAUFORT, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Miscellaneous Revenues:</b>			
Donations		5,325	
Insurance reimbursements		10,496	
Miscellaneous		131,612	
Total miscellaneous revenues	121,692	147,433	25,741
 Total revenues	 7,497,692	 8,369,676	 871,984
 <b>Expenditures</b>			
<b>General Government:</b>			
<b>Governing Board:</b>			
Governing board fees		16,889	
Operating expenditures		25,640	
Cost allocation		(12,000)	
Total governing board	45,530	30,529	15,001
 <b>Administration:</b>			
Salaries and benefits		393,271	
Operating expenditures		175,988	
Cost allocation		(106,000)	
Total administration	468,780	463,259	5,521
 <b>Finance:</b>			
Salaries and benefits		328,076	
Tax collection fees		77,187	
Operating expenditures		63,456	
Cost allocation		(155,000)	
Total finance	342,603	313,719	28,884
 <b>Parking:</b>			
Salaries and benefits		21,443	
Operating expenditures		12,973	
Total parking	35,000	34,416	584
 Total general government	 891,913	 841,923	 49,990
 <b>Public Safety:</b>			
<b>Police:</b>			
Salaries and benefits		1,255,720	
Operating expenses		244,565	
Hurricane		969	
Capital outlay		142,961	
Total police	1,665,942	1,644,215	21,727



**TOWN OF BEAUFORT, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Fire Department:</b>			
Salaries and benefits		1,174,756	
Operating expenses		207,790	
Hurricane		4,308	
Total police	<u>1,523,041</u>	<u>1,386,854</u>	<u>136,187</u>
<b>Planning and Inspections:</b>			
Salaries and benefits		372,605	
Operating expenditures		12,218	
Total planning and inspections	<u>396,130</u>	<u>384,823</u>	<u>11,307</u>
Total public safety	<u>3,585,113</u>	<u>3,415,892</u>	<u>169,221</u>
<b>Public Works:</b>			
Salaries and benefits		657,473	
Operating expenditures		268,331	
Street lights		150,011	
Street maintenance		228,141	
Hurricane		777,709	
Capital outlay		21,388	
Cost allocation		(77,000)	
Total public works	<u>2,494,739</u>	<u>2,026,053</u>	<u>468,686</u>
<b>Environmental Protection:</b>			
<b>Sanitation:</b>			
Operating expenditures		439,949	
Garbage and trash collection		62,314	
Total sanitation	<u>509,256</u>	<u>502,263</u>	<u>6,993</u>
<b>Stormwater:</b>			
Operating expenditures		173,362	
Total stormwater	<u>194,000</u>	<u>173,362</u>	<u>20,638</u>
Total environmental protection	<u>703,256</u>	<u>675,625</u>	<u>27,631</u>
<b>Cultural and Recreation:</b>			
Operating expenditures		193,033	
Capital outlay		37,133	
Total cultural and recreation	<u>668,630</u>	<u>230,166</u>	<u>438,464</u>



TOWN OF BEAUFORT, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Non-Departmental:</b>			
Eury's Landing Condominium annual dues		800	
Human resources		15,913	
Employee engagement		13,805	
Professional services		211,472	
Legal services		126,123	
Hurricane		7,033	
Total non-departmental	<u>426,619</u>	<u>375,146</u>	<u>51,473</u>
<b>Debt Service:</b>			
Principal	418,401	418,401	-
Interest	<u>118,542</u>	<u>118,574</u>	<u>(32)</u>
Total debt service	<u>536,943</u>	<u>536,975</u>	<u>(32)</u>
 Total expenditures	<u>9,307,213</u>	<u>8,101,780</u>	<u>1,205,433</u>
 Revenues over (under) expenditures	<u>(1,809,521)</u>	<u>267,896</u>	<u>2,077,417</u>
<b>Other Financing Sources (Uses):</b>			
Long-term debt issued	1,000,000	975,091	(24,909)
Transfers in	100,326	100,326	-
Transfers out	<u>(764,102)</u>	<u>(764,102)</u>	<u>-</u>
Total other financing sources (uses)	<u>336,224</u>	<u>311,315</u>	<u>(24,909)</u>
 Appropriated fund balance	<u>1,473,297</u>	<u>-</u>	<u>(1,473,297)</u>
 Net change in fund balance	<u>\$ -</u>	<u>579,211</u>	<u>\$ 579,211</u>
<b>Fund Balance:</b>			
Beginning of year, July 1		<u>4,230,900</u>	
 End of year, June 30		<u>\$ 4,810,111</u>	



**TOWN OF BEAUFORT, NORTH CAROLINA**

**FIRE DISTRICT FUND - MAJOR SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfer to General Fund	\$ (98,421)	\$ (98,421)	\$ -
Appropriated fund balance	<u>98,421</u>	<u>-</u>	<u>(98,421)</u>
Net change in fund balance	<u>\$ -</u>	<u>(98,421)</u>	<u>\$ (98,421)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>98,421</u>	
End of year - June 30		<u>\$ -</u>	



## TOWN OF BEAUFORT, NORTH CAROLINA

**CAPITAL RESERVE FUND - MAJOR CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>		<u>Variance Over/Under</u>
			<u>Current Year</u>	<u>Total</u>	
<b>Other Financing Sources (Uses):</b>					
Transfer to Utility Fund	\$ (2,874,516)	\$ -	\$ -	\$ -	\$ 2,874,516
Transfer to General Fund	(764,102)	-	-	-	764,102
Transfer from Utility Fund	2,874,516	-	2,874,516	2,874,516	-
Transfer from General Fund	764,102	-	764,102	764,102	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,638,618</u>	<u>3,638,618</u>	<u>3,638,618</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,638,618</u>	<u>\$ 3,638,618</u>	<u>\$ 3,638,618</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ 3,638,618</u>		



**TOWN OF BEAUFORT, NORTH CAROLINA**
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	<b>Capital Project Funds</b>		<b>Total</b>
	<b>Community Improvement Fund</b>	<b>Fire Station Fund</b>	<b>Nonmajor Governmental Funds</b>
<b>Assets:</b>			
Restricted cash and cash equivalents	\$ 1,572,843	\$ -	\$ 1,572,843
<b>Fund Balances:</b>			
Restricted:			
Cultural and recreation	\$ 1,572,843	\$ -	\$ 1,572,843



## TOWN OF BEAUFORT, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Capital Project Funds</u>		<u>Total</u>
	<u>Community Improvement Fund</u>	<u>Fire Station Fund</u>	<u>Nonmajor Governmental Funds</u>
<b>Revenues:</b>			
Miscellaneous	\$ 12,640	\$ -	\$ 12,640
<b>Expenditures:</b>			
Current:			
Cultural and recreation	<u>356,746</u>	<u>-</u>	<u>356,746</u>
Revenues over (under) expenditures	(344,106)	-	(344,106)
<b>Other Financing Sources (Uses):</b>			
Transfers out	<u>-</u>	<u>(1,905)</u>	<u>(1,905)</u>
Net change in fund balances	(344,106)	(1,905)	(346,011)
<b>Fund Balances:</b>			
Beginning of year, July 1	<u>1,916,949</u>	<u>1,905</u>	<u>1,918,854</u>
End of year, June 30	<u>\$ 1,572,843</u>	<u>\$ -</u>	<u>\$ 1,572,843</u>



## TOWN OF BEAUFORT, NORTH CAROLINA

## COMMUNITY IMPROVEMENT FUND - NONMAJOR CAPITAL PROJECT FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCES - BUDGET AND ACTUAL

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Donations	\$ -	\$ -	\$ 12,640	\$ 12,640	\$ 12,640
<b>Expenditures:</b>					
Cultural and recreation:					
Cedar St./Randolph Johnson Water Tower Park	<u>2,000,000</u>	<u>83,051</u>	<u>356,746</u>	<u>439,797</u>	<u>(1,560,203)</u>
Revenues over (under) expenditures	(2,000,000)	(83,051)	(344,106)	(427,157)	1,572,843
<b>Other Financing Sources (Uses):</b>					
Transfers from General Fund	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,916,949</u>	<u>(344,106)</u>	<u>\$ 1,572,843</u>	<u>\$ 1,572,843</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>1,916,949</u>		
End of year - June 30			<u>\$ 1,572,843</u>		



**TOWN OF BEAUFORT, NORTH CAROLINA**
**FIRE STATION FUND - NONMAJOR CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>		<u>Variance Over/Under</u>
			<u>Current Year</u>	<u>Total</u>	
<b>Other Financing Sources (Uses):</b>					
Transfers to General Fund	\$ (1,905)	\$ -	\$ (1,905)	\$ (1,905)	\$ -
Transfers from General Fund	-	1,905	-	1,905	1,905
Appropriated fund balance	<u>1,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,905)</u>
Total other financing sources (uses)	<u>-</u>	<u>1,905</u>	<u>(1,905)</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,905</u>	(1,905)	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>1,905</u>		
End of year - June 30			<u>\$ -</u>		



**TOWN OF BEAUFORT, NORTH CAROLINA**

**ENTERPRISE FUND - UTILITY FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues</b>			
<b>Operating Revenues:</b>			
Charges for sales and services:			
Sewer service charges		\$ 3,081,086	
Water service charges		1,254,075	
Water and sewer tap fees		58,550	
Water connection fees		21,325	
Total operating revenues	\$ 4,120,390	4,415,036	\$ 294,646
<b>Non-Operating Revenues:</b>			
Capacity use fees		98,100	
Federal and state grants		65,210	
Other		30,841	
Investment earnings		52,124	
Total non-operating revenues	89,136	246,275	157,139
Total revenues	4,209,526	4,661,311	451,785
<b>Expenditures</b>			
<b>Water Operations:</b>			
Salaries and benefits		273,936	
Compliance testing		12,625	
Contract and professional services		114,443	
Permits		3,665	
Repairs and maintenance		27,476	
Supplies and maintenance		108,770	
Telephone and utilities		52,746	
Vehicle expense		3,538	
County water purchase		38,017	
Other		31,787	
Hurricane		570	
Capital outlay		222,065	
Total water operations	892,903	889,638	3,265
<b>Sewer Operations:</b>			
Salaries and benefits		606,967	
Compliance testing		12,716	
Contract and professional services		82,439	
Insurance		52,389	
Permits		7,010	



**TOWN OF BEAUFORT, NORTH CAROLINA**
**ENTERPRISE FUND - UTILITY FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
Repairs and maintenance		77,973	
Supplies and maintenance		50,843	
Telephone and utilities		231,902	
Vehicle expense		15,465	
Contribution to General Fund - admin services		350,000	
Other		17,587	
Hurricane		63,101	
Capital outlay		11,340	
Total sewer operations	1,820,390	1,579,732	240,658
<b>Debt Service:</b>			
Principal		1,223,025	
Interest		278,146	
Total debt service	1,497,660	1,501,171	(3,511)
Total expenditures	4,210,953	3,970,541	240,412
Revenues over (under) expenditures	(1,427)	690,770	692,197
<b>Other Financing Sources (Uses):</b>			
Transfer (to) from Capital Reserve Fund	(3,209,089)	(2,874,516)	334,573
Appropriated fund balance	3,210,516	-	(3,210,516)
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	(2,183,746)	\$ (2,183,746)
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Capital outlay additions		233,405	
Depreciation		(972,354)	
Principal payment		1,223,025	
Capital contribution		1,133,667	
Change in net pension liability		(91,564)	
Change in deferred outflows of resources - pensions		75,309	
Change in deferred inflows of resources - pensions		5,176	
Change in accrued interest		(13,847)	
Change in accrued compensated absences		(6,541)	
Change in net position		\$ (597,470)	



**TOWN OF BEAUFORT, NORTH CAROLINA****SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2019**

<b>Fiscal Year</b>	<b>Uncollected Balance July 1, 2018</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2019</b>
2018-2019	\$ -	\$ 3,442,594	\$ 3,353,274	\$ 89,320
2017-2018	99,057	-	56,182	42,875
2016-2017	53,957	-	18,658	35,299
2015-2016	23,643	-	8,290	15,353
2014-2015	12,458	-	2,385	10,073
2013-2014	10,063	1,716	800	10,979
2012-2013	5,946	3,499	1,186	8,259
2011-2012	2,663	4,202	1,708	5,157
2010-2011	1,554	1,088	653	1,989
2009-2010	1,004	-	1,004	-
Total	<u>\$ 210,345</u>	<u>\$ 3,453,099</u>	<u>\$ 3,444,140</u>	219,304
Less allowance for uncollectible ad valorem taxes receivable				<u>(35,629)</u>
<b>Ad Valorem Taxes Receivable, net</b>				<u><u>\$ 183,675</u></u>
<b>Reconciliation with Revenues:</b>				
Taxes, ad valorem - General Fund			\$	3,424,731
Penalties and interest				(19,529)
Amounts written off for tax years per statute of limitations				1,004
Motor vehicle admin expense fees				9,409
Miscellaneous adjustments				<u>28,525</u>
Total collections and credits			\$	<u><u>3,444,140</u></u>



## TOWN OF BEAUFORT, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2019

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 828,498,401	0.4135	\$ 3,425,840	\$ 3,258,262	\$ 167,578
Penalties	3,209,797		13,272	13,272	-
Discoveries	41,779		17,275	17,275	-
Abatements	<u>(33,356)</u>		<u>(13,793)</u>	<u>(13,793)</u>	<u>-</u>
Total property valuation	<u>\$ 831,716,621</u>				
<b>Net Levy</b>			3,442,594	3,275,016	167,578
Uncollected taxes at June 30, 2019			<u>(89,320)</u>	<u>(89,320)</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 3,353,274</u>	<u>\$ 3,185,696</u>	<u>\$ 167,578</u>
<b>Current Levy Collection Percentage</b>			<u>97.41%</u>	<u>97.27%</u>	<u>100.00%</u>
<b>Prior Year Levy Collection Percentage</b>			<u>96.80%</u>	<u>96.65%</u>	<u>100.00%</u>



# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With Government Auditing Standards**

### **Independent Auditor's Report**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 Beaufort, 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, and have issued our report thereon dated February 28, 2020.

### **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Beaufort's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
February 28, 2020



# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; Required by Uniform Guidance And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

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

#### **Report On Compliance for Each Major State Program**

We have audited the compliance of the Town of Beaufort, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2019. Town of Beaufort's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town's compliance.



### ***Opinion on Each Major State Program***

In our opinion, the Town of Beaufort complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of the Town of Beaufort is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
February 28, 2020



# **TOWN OF BEAUFORT, NORTH CAROLINA**

## **SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019**

### **1. Summary of Auditor's Results**

#### **Financial Statements**

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

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Non-compliance material to financial statements noted? No

#### **State Awards**

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major state programs Unmodified

Any findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major state programs:

#### **Program Name**

NCORR's State Revolving Loans for Temporary Cash Assistance to Local Governments

### **2. Financial Statement Findings**

None reported.

### **3. State Award Findings**

None reported



**TOWN OF BEAUFORT, NORTH CAROLINA**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

None reported.



# TOWN OF BEAUFORT, NORTH CAROLINA

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2019

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass- Through Grantor's Number</u>	<u>Federal (Direct &amp; Pass- Through) Expenditures</u>	<u>State Expenditures</u>
<b>Federal Programs:</b>				
<u>U.S. Department of Commerce:</u>				
Pass-through the National Oceanic and Atmospheric Administration Marine Debris Program - Taylor's Creek	11.999	NA18NOS9990043	\$ 61,600	\$ -
<u>U.S. Department of Homeland Security:</u>				
Pass-through Federal Emergency Management Agency				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	73814	536,252	178,751
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	69672	4,771	1,590
Port Security Grant Program	97.056	EMW-2018-PU-00435	56,250	-
<b>State Programs:</b>				
<u>N.C. Department of Public Safety:</u>				
Governor's Crime Commission grant	N/A	PROJO12228	-	20,533
<u>N.C. Department of Public Instruction:</u>				
School Resource Officer Grant	N/A		-	33,333
<u>N.C. Office of Recovery and Resiliency</u>				
State Revolving Loans for Temporary Cash Assistance to Local Governments	N/A	NCORR-TCALG-002	-	975,091
<u>N.C. Department of Environmental Quality</u>				
Water System Asset Inventory Assessment Grant	N/A	H-AIA-D-17-0087	-	59,674
<u>N.C. Department of Transportation:</u>				
Powell Bill	N/A		-	325,387
Total federal awards			\$ 658,873	
Total state awards				\$ 1,594,359

### Notes to the Schedule of Expenditures of Federal and State Awards:

#### Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the Town of Beaufort under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town.

#### Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### Note 3 - Indirect Cost Rates

The Town of Beaufort has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### Note 4 - Loans Outstanding

The Town of Beaufort had the following loan balances outstanding at June 30, 2019 for loans that the grantor has still imposed continuing compliance requirements. Loan balances outstanding are also included in the state expenditures presented in the schedule above.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
State Revolving Loans for Temporary Cash Assistance to Local Governments	N/A	NCORR-TCALG-002	\$ 975,091



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