

***TOWN OF BOGUE
NORTH CAROLINA***

FINANCIAL STATEMENTS

Year Ended June 30, 2019

***TOWN OF BOGUE,
NORTH CAROLINA***

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

MAYOR

Richard Taylor

COUNCIL MEMBERS

Eddie Morton

Robert O'Chat

David Padgett

Herbert Page

Charles Wilton

TOWN CLERK

Elizabeth Sweeney

**TOWN OF BOGUE,
NORTH CAROLINA**

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FINANCIAL SECTION

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to Financial Statements

G. Lee Carroll, Jr., CPA

1406 Arendell Street - PO Box 679
Morehead City, North Carolina 28557-0679
E-mail – glc@glcarrollcpa.com
Telephone - 252.247.5390
Fax - 252.247.3271

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Town Council
Town of Bogue, North Carolina

I have audited the accompanying financial statements of the governmental activities and major fund of the Town of Bogue 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position the governmental activities and major fund of the Town of Bogue as of June 30, 2019, and the changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis beginning on page 3, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matter - Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Bogue. The budgetary statement, individual fund statement, and tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary statement, individual fund statement, and tax schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and other additional procedures in accordance with auditing standards generally accepted in the United States of America by me. In my opinion, based on my audit, the procedures performed as described above, the budgetary and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 7, 2019, on my consideration of the Town of Bogue's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering to town's internal control over financial reporting and compliance.

G. Lee Carroll, Jr., CPA

October 7, 2019

TOWN OF BOGUE, NC
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019

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

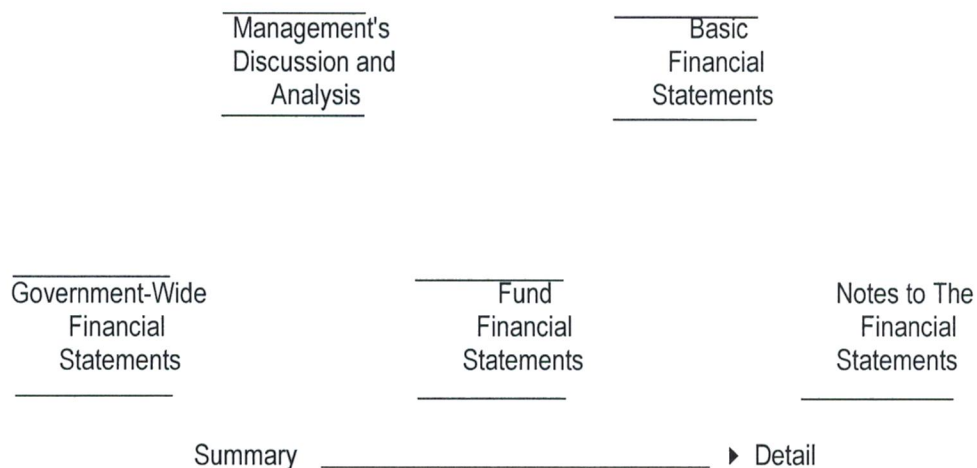
- The assets of the Town of Bogue exceeded its liabilities at the close of the fiscal year by \$744,788 (net position).
- The government's total net position increased by \$38,167 primarily due to an excess of revenues compared to expenses during the year.
- As of the close of the current fiscal year, the Town of Bogue's governmental funds reported ending fund balances of \$489,463. Approximately 87% of this amount or \$427,427 is available for spending at the government's discretion (unassigned fund balance).

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



TOWN OF BOGUE, NC
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019

Basic Financial Statements

The first two statements in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

Government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The Town only has the first of these three categories, governmental activities, which includes the Town's basic services, such as public safety and general administration. Property taxes and state grant funds finance most of these activities.

Fund Financial Statements

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

TOWN OF BOGUE, NC
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. 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 Bogue adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Notes to 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 financial statements begin on page 15 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information concerning the Town's property taxes. Supplementary information can be found beginning on page 22 of this report.

TOWN OF BOGUE, NC
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019

Government-Wide Financial Analysis

Town of Bogue's Net Position

Figure 2

	Governmental Activities	
	2019	2018
Current and other assets	\$ 501,678	\$ 460,882
Capital assets	251,406	252,867
Total assets	753,084	713,749
Other liabilities	8,296	7,128
Total liabilities	8,296	7,128
Net position:		
Net investment in capital assets	251,406	252,867
Restricted	62,036	57,474
Unrestricted	431,346	396,280
Total net position	\$ 744,788	\$ 706,621

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Bogue exceeded liabilities by \$744,788 as of June 30, 2019. The Town's net position increased by \$38,167.

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

- Continued diligence in the collection of property taxes by Carteret County.
- Conservative budgeting of revenues and expenses for the year.

TOWN OF BOGUE, NC
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019

Town of Bogue's Changes in Net Position

Figure 3

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 750	\$ 820
Transportation	21,227	21,511
FEMA Grant	104,552	-
General revenues:		
Property taxes	41,405	39,566
Other taxes	74,127	73,698
Other	1,781	3,544
Total revenues	243,842	139,139
Expenses:		
General government	198,580	79,915
Transportation	7,095	22,296
Total expenses	205,675	102,211
Increase in net position	38,167	36,928
Net position - Beginning	706,621	669,693
Net position - Ending	\$ 744,788	\$ 706,621

Governmental Activities: Governmental activities increased the Town's net position by \$38,167, thereby accounting for 100.00% of the total growth in the net position of the Town of Bogue. Revenues increased by 75% over prior year due to the FEMA Grant for Hurricane Florence expenses. Expenses increased accordingly due to Hurricane Florence expenses..

TOWN OF BOGUE, NC
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Bogue. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$427,427, while total fund balance reached \$489,463. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 209 percent of total General Fund expenditures, while total fund balance represents 240 percent of that same amount.

General Fund Budgetary Highlights: During the fiscal year, the Town did not need to revise the budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues and expenses were more than the budgeted amounts due to Hurricane Florence FEMA reimbursements and expenses that the Town originally had not expected to receive that became available.

Capital Assets: The Town of Bogue's investment in capital assets for its governmental activities as of June 30, 2019 totals \$251,406 (net of accumulated depreciation). These assets include building, land, improvements, and furniture and equipment. Capital assets additions consisted of \$2,431 for furniture and equipment and \$10,000 for infrastructure for the year ending June 30, 2019.

TOWN OF BOGUE, NC
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019

Town of Bogue's Capital Assets

Figure 4

	Governmental Activities	
	2019	2018
Land and land improvements	\$ 30,000	\$ 30,000
Furniture & equipment	18,038	15,700
Building & improvements	56,232	60,959
Infrastructure	147,136	146,208
	\$ 251,406	\$ 252,867

Additional information on the Town's capital assets can be found in Note 5 of the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The Town of Bogue expects property taxes to remain the same in the immediate future. Favorable town ordinances have been passed for business and residential. The Town has rezoned residential property to business property. Modest growth is also expected in the Town's subdivisions.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: A conservative budget approach was taken for the budgeted revenues and expenditures due to the low growth expectations. Budgeted revenues and expenditures are expected to remain flat in the next fiscal year.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Bogue, 121 Chimney Branch Road, Bogue, NC 28570.

TOWN OF BOGUE, NC
STATEMENT OF NET POSITION
June 30, 2019

Statement A

	<u>Governmental Activities</u>
Assets:	
Current Assets:	
Cash	\$ 435,723
Taxes receivable (net)	3,919
Accounts receivable	17,260
Restricted cash	<u>44,776</u>
Total Current Assets	<u>501,678</u>
Capital Assets:	
Land	30,000
Other capital assets, net of depreciation	<u>221,406</u>
Total Capital Assets	<u>251,406</u>
Total Assets	<u>753,084</u>
Liabilities:	
Current Liabilities:	
Accounts payable and accrued expenses	6,046
Street deposits	<u>2,250</u>
Total Liabilities	<u>8,296</u>
Net Position:	
Net investment in capital assets	251,406
Restricted for:	
Stabilization by State Statute	17,260
Streets	44,776
Unrestricted	<u>431,346</u>
Total Net Position	<u>\$ 744,788</u>

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

TOWN OF BOGUE, NC
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Statement B

	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants</u>	<u>Net Expenses</u> <u>and Change in</u> <u>Net Position</u>
Functions:				
Governmental Activities:				
General Government:	\$ 189,527	\$ 750	\$ 104,552	\$ (84,225)
Transportation	16,148	-	21,227	5,079
Total Governmental Activities	<u>\$ 205,675</u>	<u>\$ 750</u>	<u>\$ 125,779</u>	<u>(79,146)</u>

General Revenues:

Taxes:

Ad valorem taxes levied for general purposes	41,405
Other taxes	74,127
Interest income	213
Miscellaneous	1,568

Total General Revenues	<u>117,313</u>
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Change in Net Position	<u>38,167</u>
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Net Position - Beginning	<u>706,621</u>
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Net Position - Ending	<u><u>\$ 744,788</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF BOGUE, NC
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2019

Statement C

	General Fund
Assets	
Cash	\$ 435,723
Restricted cash	44,776
Taxes receivable (net)	3,919
Accounts receivable	<u>17,260</u>
Total Assets	<u><u>\$ 501,678</u></u>
Liabilities:	
Accounts payable and accrued expenses	\$ 6,046
Street deposits	<u>2,250</u>
Total Liabilities	<u>8,296</u>
Deferred Inflows of Resources:	
Property taxes receivable	<u>3,919</u>
Fund Balances:	
Restricted:	
Stabilization by State Statute	17,260
Streets	44,776
Unassigned	<u>427,427</u>
Total Fund Balances	<u>489,463</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 501,678</u></u>

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

Total Fund Balances, Governmental Funds	\$ 489,463
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Gross capital assets at historical cost	338,473
Accumulated depreciation	(87,067)
Earned revenues considered deferred inflows of resources in fund statements	<u>3,919</u>
Net Position of Governmental Activities	<u><u>\$ 744,788</u></u>

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

TOWN OF BOGUE, NC
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2019

Statement D

	General Fund
Revenues:	
Ad valorem taxes	\$ 43,122
Unrestricted intergovernmental	74,127
Restricted intergovernmental	125,779
Other	2,531
Total Revenues	<u>245,559</u>
Expenditures:	
Current:	
Administration	187,140
Streets	17,074
Total Expenditures	<u>204,214</u>
Excess of Revenues Over Expenditures	41,345
Fund Balances:	
Beginning of Year	<u>448,118</u>
End of Year	<u>\$ 489,463</u>

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

Net changes in fund balances - total governmental funds \$ 41,345

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlay expenditures	12,431
Depreciation expense for governmental assets	(13,892)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund statements:

Change in deferred revenues	<u>(1,717)</u>
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Total Changes in Net Position of Governmental Activities	<u>\$ 38,167</u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF BOGUE, NC
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2019

Statement E

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Ad valorem taxes	\$ 39,137	\$ 43,122	\$ 3,985
Unrestricted intergovernmental	73,881	74,127	246
Restricted intergovernmental	21,634	125,779	104,145
Other	<u>2,985</u>	<u>2,531</u>	<u>(454)</u>
Total Revenues	<u>137,637</u>	<u>245,559</u>	<u>107,922</u>
Expenditures:			
General Government	103,787	187,140	(83,353)
Transportation	<u>33,850</u>	<u>17,074</u>	<u>16,776</u>
Total Expenditures	<u>137,637</u>	<u>204,214</u>	<u>(66,577)</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	41,345	<u>\$ 41,345</u>
Fund Balance:			
Beginning of Year		<u>448,118</u>	
End of Year		<u>\$ 489,463</u>	

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

TOWN OF BOGUE, NC
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 Bogue, North Carolina 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 Bogue is a municipal corporation established in September 1995 that is governed by an elected mayor and five-member town council. As required by generally accepted accounting principles, these financial statements present the town only.

B. Basis of Presentation - Fund Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for 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. 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 only fund.

The town reports one governmental fund; the General Fund which 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 administrative services and street maintenance.

C. Measurement Focus and Basis of Accounting

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

Government-wide Financial Statements. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Non-exchange transactions, in which the town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include, 1) charges to customers or applications for goods, services, or privileges provided, and 2) operating grants. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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. 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 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.

D. Budgetary Data

Budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at fiscal year end. The budget is prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level. The Budget Officer may transfer up to \$1,000 of expenditures between departments. Any other revisions that alter total expenditures in any department must be approved by the Town Council.

E. Assets, Liabilities 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.

Cash

The town maintains its funds money market accounts. There are no investments.

Restricted Asset

Powell Bill funds on hand at year end are classified as a restricted asset because it can be expended only for purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per NC General Statute 136-41.1 through 136-41.4.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. The town's ad valorem taxes are billed, collected and forwarded to the town by the Carteret County Tax Office.

Allowance 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.

Capital Assets

Capital assets are defined by the government as assets with an initial estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The town does not have any infrastructure assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Computer equipment	5
Furniture and equipment	10
Infrastructure	10 - 20
Buildings	40

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town's property taxes receivable meet this criterion.

Net Position / Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify balances as follows:

Non-spendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town has no non-spendable fund balance.

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

Stabilization by State Statute – The portion of fund balance that is restricted by State Statute 159-8(a).

Streets – The portion of fund balance that is unexpended Powell Bill funds which are restricted by revenue source for street construction and maintenance expenditures.

Committed – The portion of fund balance that can only be used for specific purposes imposed by majority vote of the Town's governing body. The Town has no committed fund balance.

Assigned – The portion of fund balance that the Town intends to use for specific purposes.

Unassigned – The portion of fund balance that has not been restricted, committed, or assigned.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Subsequent Events

Management has evaluated subsequent events through October 7, 2019, the date the financial statements were available to be issued.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations – For the fiscal year ended June 30, 2019, the expenditures made in the General Government – Administration department exceeded the authorized appropriations made by the Town Council by \$83,353. The over expenditure occurred because of unbudgeted expenses related to Hurricane Florence recovery. The expenses were reimbursed by FEMA, and in the process of dealing with other reporting and accounting related to this project, the budget amendment was inadvertently overlooked.

3. Deposits

All the deposits of the town are either insured or collateralized by using one of two methods. Under the dedicated method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the town, these deposits are considered to be held by the town's agents in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows.

However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The town does not have a policy regarding custodial credit risk for deposits.

At June 30, 2019, the town's deposits had a carrying amount of \$490,499 and a bank balance of \$490,500. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$240,500 was in interest bearing deposits covered by collateral held under the Pooling Method.

4. Receivables - Allowance for Doubtful Accounts

Ad valorem taxes receivable at the government-wide level are reported net of allowance for uncollectible accounts of \$1,638.

Accounts receivable consist of the following amounts that are due primarily from other governments:

Ad valorem taxes.....	\$ 363
Utilities franchise tax.....	12,225
Local option sales tax	4,672
Total.....	<u>\$ 17,260</u>

5. Capital Assets

A summary of changes in capital assets follows:

	June 30, 2018	Additions	Retirements	June 30, 2019
Non-depreciable assets:				
Land & improvements	\$ 30,000	\$ -	\$ -	\$ 30,000
Depreciable assets:				
Furniture & equipment	33,342	2,431	1,137	34,636
Buildings & improvements	86,404	-	-	86,404
Infrastructure	<u>177,433</u>	<u>10,000</u>	<u>-</u>	<u>187,433</u>
Capital assets being depreciated	<u>297,179</u>	<u>12,431</u>	<u>1,137</u>	<u>308,473</u>
Less accumulated depreciation:				
Furniture & equipment	15,400	2,335	1,137	16,598
Building & improvements	27,689	2,483	-	30,172
Infrastructure	<u>31,223</u>	<u>9,074</u>	<u>-</u>	<u>40,297</u>
Total accum. depreciation	<u>74,312</u>	<u>13,892</u>	<u>1,137</u>	<u>87,067</u>
Net capital assets being depreciated	<u>222,867</u>			<u>221,406</u>
Capital Assets, net	<u>\$ 252,867</u>			<u>\$ 251,406</u>

Depreciation expense was charged to the governmental functions as follows:

Administration.....	\$ 4,818
Streets	9,074
Total.....	<u>\$ 13,892</u>

6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2019, in the governmental fund is comprised of amounts due to vendors and town employees.

7. Deferred Revenues

The balance in deferred revenues at year end is composed of \$3,919 for ad valorem taxes receivable.

8. Risk Management

The town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the town obtains general liability, auto liability, and employees and public officials coverage of \$1 million per occurrence; property coverage up to the total insurance values of the property policy, and workers' compensation up to statutory limits.

The pools are reinsured through commercial companies for claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three years.

The town does not carry flood insurance. The Town Council has deemed it not necessary due to the flood zoning, and due to the relative small amount of property owned by the town.

In accordance with North Carolina G.S. 159-29, the town's employees that have access to \$100 or more at any given time of the town's funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

9. Fund Balance

The following schedule provides information on the portion of the general fund balance that is available for appropriation:

Total fund balance	\$ 489,463
Stabilization by state statute	17,260
Streets – Powell Bill	44,776
Remaining fund balance	427,427

10. Federal and State Assisted Programs

The town has received proceeds from several federal and state grants. Periodic audits of those grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds would be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

GENERAL FUND

The General Fund accounts for resources traditionally associated with government that are not legally or by sound financial management to be accounted for in other funds.

TOWN OF BOGUE, NC
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2019

Schedule 1
Page 1 of 2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad Valorem Taxes:			
Current year	\$ 33,237	\$ 38,312	\$ -
Prior years	5,900	3,588	-
Penalties and interest	-	1,222	-
Total	<u>39,137</u>	<u>43,122</u>	<u>3,985</u>
Unrestricted Intergovernmental:			
Beer and wine tax	3,281	3,141	-
Local option sales tax	15,800	17,167	-
Utilities franchise tax	<u>54,800</u>	<u>53,819</u>	<u>-</u>
Total	<u>73,881</u>	<u>74,127</u>	<u>246</u>
Restricted Intergovernmental:			
FEMA reimbursement	-	104,552	-
Powell Bill	<u>21,634</u>	<u>21,227</u>	<u>-</u>
Total	<u>21,634</u>	<u>125,779</u>	<u>104,145</u>
Other:			
Interest income	-	213	-
Permits and fees	-	750	-
Miscellaneous	<u>2,985</u>	<u>1,568</u>	<u>-</u>
Total	<u>2,985</u>	<u>2,531</u>	<u>(454)</u>
Total Revenues	<u>137,637</u>	<u>245,559</u>	<u>107,922</u>

TOWN OF BOGUE, NC
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2019

Schedule 1
Page 2 of 2

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Expenditures:			
Administration:			
Capital outlay		\$ 12,431	
Contributions		850	
Dues and subscriptions		2,059	
Hurricane Florence cleanup		98,107	
Insurance		3,667	
Miscellaneous		1,065	
Office supplies and postage		1,899	
Professional fees/audit & accounting		6,751	
Professional fees/legal		250	
Professional fees/other		693	
Repairs and maintenance		1,993	
Salary and payroll taxes		45,213	
Seasonal décor		2,640	
Tax collection fees		1,000	
Telephone, internet and website		2,433	
Travel and training		4,012	
Utilities	-	2,077	-
Total Administration	<u>103,787</u>	<u>187,140</u>	<u>(83,353)</u>
Streets:			
Street maintenance	-	17,074	-
Total Streets	<u>33,850</u>	<u>17,074</u>	<u>16,776</u>
Total Expenditures	<u>137,637</u>	<u>204,214</u>	<u>(66,577)</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	41,345	<u>\$ 41,345</u>
Fund Balance:			
Beginning of Year		<u>448,118</u>	
End of Year		<u>\$ 489,463</u>	

OTHER SCHEDULES

Schedule of Ad Valorem Taxes Receivable

Schedule of Current Year Tax Levy

TOWN OF BOGUE, NC
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2019

Schedule 2

<u>Fiscal Year</u>	<u>Uncollected Balance at June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance at June 30, 2019</u>
2017/18	\$ -	\$ 39,976	\$ 38,551	\$ 1,425
2016/17	2,116	-	1,022	1,094
2015/16	1,591	-	792	799
2014/15	927	-	460	467
2013/14	887	-	454	433
2012/13	552	-	207	345
2011/12	483	-	261	222
2010/11	307	-	94	213
2009/10	397	-	117	280
2008/09	<u>368</u>	<u>-</u>	<u>89</u>	<u>279</u>
	<u>\$ 7,628</u>	<u>\$ 39,976</u>	<u>\$ 42,047</u>	5,557
Less - allowance for uncollectible accounts				<u>(1,638)</u>
Ad valorem taxes receivable - net				<u>\$ 3,919</u>

Reconciliation with Revenues:

Ad valorem taxes	\$ 43,122
Add - abatements	147
Less - penalties and interest	<u>(1,222)</u>
Total collections	<u>\$ 42,047</u>

TOWN OF BOGUE, NC
SCHEDULE OF CURRENT YEAR TAX LEVY
For the Year Ended June 30, 2019

Schedule 3

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax Levy	\$ 79,954,000	\$ 0.05	\$ 39,977	\$ 35,746	\$ 4,231
Discoveries	-		-	-	-
Abatements	(478,000)		(239)	(239)	-
Totals	<u>\$ 79,476,000</u>		39,738	35,507	4,231
Less - uncollected tax at June 30, 2019			(1,426)	(1,426)	-
Current year's taxes collected			<u>\$ 38,312</u>	<u>\$ 34,081</u>	<u>\$ 4,231</u>
Percentage of current year's taxes collected			96.41%	95.98%	100.00%

G. Lee Carroll, Jr., CPA

1406 Arendell Street - PO Box 679
Morehead City, North Carolina 28557-0679
E-mail – glc@glcarrollcpa.com
Telephone - 252.247.5390
Fax - 252.247.3271

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 Standard*

The Honorable Mayor and
Members of the Town Council
Town of Bogue, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standard applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and major fund of Town of Bogue, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the town's basic financial statements, and have issued my report thereon dated October 7, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Bogue's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the town's internal control. Accordingly, I do not issue 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the town'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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a deficiency in internal control as follows.

In accordance with North Carolina General Statutes, expenditures may not exceed amounts appropriated by the governing board. During the year ended June 30, 2019, expenditures in the General Fund Administration Department exceeded appropriations by \$83,353, which is a violation of the General Statutes.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bogue's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not as object of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*. The noncompliance is the same matter that is identified as a significant deficiency in the preceding paragraph of this letter.

Town of Bogue's Response to the Finding

The Town of Bogue's response to the finding is as follows. In September 2018, Hurricane Florence caused much damage and destruction in the Town of Bogue and many other parts of North Carolina and neighboring states. The town's utilization of FEMA reimbursements was a new experience for the staff. In spite of much diligence to properly understand and comply with appropriate rules and regulations and report in compliance with those rules, there was a misunderstanding regarding the need for a budget amendment. Town staff now understands the relevant rules and will be careful to be aware of such needs in the future and prepare budget amendments for board approval on a timely basis.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion of the effectiveness of the town'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 town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

G. Lee Carroll, Jr., CPA

October 7, 2019