

TOWN OF FAIR BLUFF, NORTH CAROLINA

Report of Audit

For the Fiscal Year Ended June 30, 2019



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Financial Section

Independent Auditor's Report

To the Honorable Mayor
And the Town Council
Fair Bluff, 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 Fair Bluff, 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 of material misstatement.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fair Bluff, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate share of the Net Pension Liability 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 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Fair Bluff, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, and other schedules 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 January 29, 2020 on our consideration of Town of Fair Bluff'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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Fair Bluff's internal control over financial reporting and compliance.

W Greene, PLLC

Whiteville, North Carolina
January 29, 2020

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

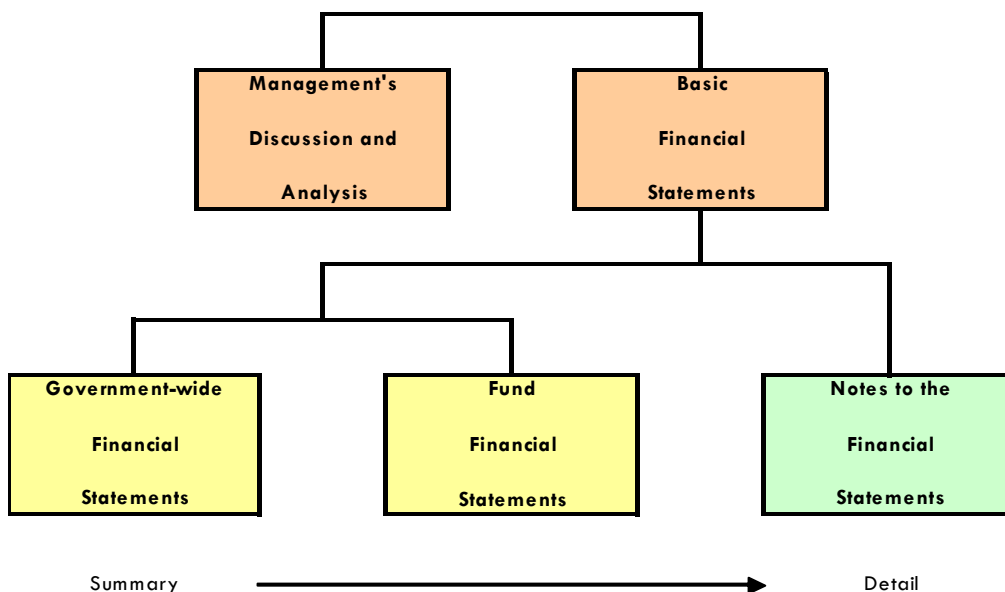
- The assets and deferred outflows of resources of the Town of Fair Bluff exceeded its liabilities and deferred inflows at the close of the fiscal year by \$9,437,339 (net position).
- The government's total net position increased by \$1,608,478, primarily due to increases in operating and capital grants within governmental activities.
- As of the close of the current fiscal year, the Town of Fair Bluff's governmental funds reported combined ending fund balances of \$1,258,672 with a net increase of \$719,018 in fund balance. Approximately 67.64 percent of this total amount, or \$851,350, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$407,322, or 15.36 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 18 through 21) 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 (pages 22 through 31) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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 administration, streets and highways, and public safety. 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. This includes the water and sewer services offered by the Town of Fair Bluff.

The government-wide financial statements are on pages 18 through 21 of this report.

Fund Financial Statements

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

Proprietary Funds – Town of Fair Bluff has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Fair Bluff uses enterprise funds to account for its water and sewer activity. This fund is the same as those functions shown in 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 are on pages 32 through 59 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 Fair Bluff's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 62 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, both 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

Town of Fair Bluff's Net Position

Figure 2

	Governmental		Business-Type		Total	
	Activities		Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,456,718	\$ 839,781	\$ 307,516	\$ 218,700	\$ 1,764,234	\$ 1,058,481
Capital assets	1,748,734	511,414	6,932,283	6,977,224	8,681,017	7,488,638
Deferred outflows of resources	63,110	59,905	-	-	63,110	59,905
Total assets and deferred outflows of resources	3,268,562	1,411,100	7,239,799	7,195,924	10,508,361	8,607,024
Long-term liabilities outstanding	779,781	119,372	-	300,500	779,781	419,872
Other liabilities	2,329	6,902	99,481	13,295	101,810	138,197
Deferred inflows of resources	158,433	220,094	30,998	-	189,431	220,094
Total liabilities and deferred inflows of resources	940,543	346,368	130,479	431,795	1,071,022	778,163
Net position:						
Net investment in capital assets	1,748,734	484,671	6,932,283	6,665,724	8,681,017	7,150,395
Restricted	851,350	203,994	-	-	851,350	203,994
Unrestricted	(272,065)	376,067	177,037	98,405	(95,028)	474,472
Total net position	\$ 2,328,019	\$ 1,064,732	\$ 7,109,320	\$ 6,764,129	\$ 9,437,339	\$ 7,828,861

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 Fair Bluff exceeded liabilities and deferred inflows by \$9,437,339 as of June 30, 2019. The Town's net position increased by \$1,608,478 for the fiscal year ended June 30, 2019. However, the largest portion (91.99%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Fair Bluff uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Fair Bluff's net investment in its 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 Fair Bluff's net position, \$851,350, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(95,028) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 95.75%

Management's Discussion and Analysis (Continued)

The Town of Fair Bluff's Changes in Net Position

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 89,017	\$ 116,984	\$ 235,947	\$ 269,008	\$ 324,964	\$ 385,992
Operating grants and contributions	1,059,587	126,053	-	-	1,059,587	126,053
Capital grants and contributions	1,252,358	-	107,909	3,346,629	1,360,267	3,346,629
General Revenues						
Property taxes	256,668	268,352	-	-	256,668	268,352
Other taxes	286,318	376,828	-	-	286,318	376,828
Other	64,766	27,627	516,597	269	581,363	27,896
Total revenues	3,008,714	915,844	860,453	3,615,906	3,869,167	4,531,750
Expenses:						
Administration	859,443	344,309	-	-	859,443	344,309
Public Works	37,282	35,846	-	-	37,282	35,846
Police Department	234,180	231,878	-	-	234,180	231,878
Fire Department	27,000	27,000	-	-	27,000	27,000
Visitors Center	-	-	-	-	-	-
Planning and Inspections	24,720	12,258	-	-	24,720	12,258
Street Department	77,647	92,691	-	-	77,647	92,691
Economic and Physical Development	357,186	-	-	-	357,186	-
Sanitation	127,470	121,858	-	-	127,470	121,858
Interest on long-term debt	499	1,027	-	-	499	1,027
Water and Sewer	-	-	515,262	452,269	515,262	452,269
Total expenses	1,745,427	866,867	515,262	452,269	2,260,689	1,319,136
Increase(Decrease) in net position before transfers	1,263,287	48,977	345,191	3,163,637	1,608,478	3,212,614
Transfers	-	10,924	-	(10,924)	-	-
Change in net position	1,263,287	59,901	345,191	3,152,713	1,608,478	3,212,614
Net position, beginning	1,064,732	1,004,831	6,764,129	3,611,416	7,828,861	4,616,247
Net position, beginning, restated	1,064,732	1,004,831	6,764,129	3,611,416	7,828,861	4,616,247
Net position, June 30	\$ 2,328,019	\$ 1,064,732	\$ 7,109,320	\$ 6,764,129	\$ 9,437,339	\$ 7,828,861

Governmental activities. Governmental activities increased the Town's net position by \$1,263,287. A key element of this increase is as follows:

- Increase in operating and capital grants and contributions.

Business-type activities. Business-type activities increased the Town of Fair Bluff's net position by \$345,191.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Fair Bluff'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 Fair Bluff'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 Fair Bluff. At the end of the current fiscal year, Town of Fair Bluff's fund balance available in the General fund was \$407,322. while total fund balance reached \$558,672. The Town currently has an available fund balance of 15.36% of general fund expenditures, while the total balance represents 21.06% of the same amount.

At June 30, 2019, the governmental funds of Town of Fair Bluff reported a combined fund balance of \$1,258,672 with a net increase in fund balance of \$719,018. Included in this change in fund balance are increases in fund balance in the General Fund.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were greater than the budgeted amounts. Expenditures were also greater than the budgeted amounts.

Proprietary Funds. The Town of Fair Bluff's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$177,037. The total change in net position for the water and sewer fund was an increase of \$345,191.

Capital Asset and Debt Administration

Capital assets. The Town of Fair Bluff's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$8,681,017 (net of accumulated depreciation). These assets include buildings, land, construction in progress, vehicles, infrastructure, and equipment.

Major capital asset transactions during the year include:

- Building improvements and construction on Town Hall and vehicle purchased in the governmental activities.
- Addition of construction in progress on water and sewer plant and distribution system.

The Town of Fair Bluff's Capital Assets

Figure 4

(Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 106,545	\$ 106,545	\$ 10,626	\$ 10,626	\$ 117,171	\$ 117,171
Construction in Progress	1,252,358	-	632,275	523,688	1,884,633	523,688
Buildings	189,850	195,052	198,632	202,720	388,482	397,772
Infrastructure	143,111	152,419	-	-	143,111	152,419
Plant and Distribution	-	-	6,090,750	6,240,190	6,090,750	6,240,190
Equipment & Vehicles	56,870	57,398	-	-	56,870	57,398
Total	\$ 1,748,734	\$ 511,414	\$ 6,932,283	\$ 6,977,224	\$ 8,681,017	\$ 7,488,638

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

Long-term Debt. As of June 30, 2019, the Town of Fair Bluff had total long-term debt outstanding of \$779,781. Of this, \$-0- is debt backed by the full faith and credit of the Town of Fair Bluff.

The Town of Fair Bluff's Outstanding Liabilities
Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Installment purchases	\$ -	\$ 26,743	\$ -	\$ -	\$ -	\$ 26,743
General Obligation Bonds	-	-	-	311,500	-	311,500
Line of Credit	700,000	-	-	-	700,000	-
Pension related debt (LGERS)	52,192	47,054	-	-	52,192	47,054
Pension related debt (LEO)	27,589	50,588	-	-	27,589	50,588
Total	\$ 779,781	\$ 124,385	\$ -	\$ 311,500	\$ 779,781	\$ 435,885

Town of Fair Bluff Outstanding Debt

The Town of Fair Bluff's total debt increased by \$343,896 during the fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Fair Bluff is \$3,082,628. The Town of Fair Bluff does not have any authorized but un-issued debt at June 30, 2019.

Additional information regarding the Town of Fair Bluff's long-term debt can be found beginning on page 55 in the Notes to the Financial Statements.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Budgeted revenues and expenditures in the General Fund are expected to increase.

Business-type Activities. Utility rates in the Town will remain the same for the next year.

Requests for Information

This report is designed to provide an overview of the Town 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 following:

**Peggy Moore
Finance Officer
Town of Fair Bluff
Post Office Box 157
Fair Bluff, NC 28439**

Basic Financial Statements

TOWN OF FAIR BLUFF, NORTH CAROLINA

Statement of Net Position

June 30, 2019

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 409,601	\$ 157,324	\$ 566,925
Receivables (net):			
Ad Valorem Taxes	46,783	-	46,783
Interest	17,633	-	17,633
Accounts	4,267	14,276	18,543
Due from (to) Other Funds	29,375	(29,375)	-
Due from Other Governments	474,844	30,142	504,986
Restricted Cash and Cash Equivalents	474,215	135,149	609,364
Total Current Assets	1,456,718	307,516	1,764,234
Noncurrent Assets:			
Capital Assets			
Land, Nondepreciable Improvements, and Construction in Progress	1,358,903	642,901	2,001,804
Other Capital Assets, Net of Depreciation	389,831	6,289,382	6,679,213
Total Noncurrent Assets	1,748,734	6,932,283	8,681,017
Total Assets	3,205,452	7,239,799	10,445,251
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferral	63,110	-	63,110
Total Deferred Outflows of Resources	\$ 63,110	\$ -	\$ 63,110

TOWN OF FAIR BLUFF, NORTH CAROLINA

Statement of Net Position (Continued)

June 30, 2019

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable and			
Accrued Liabilities	\$ 2,329	\$ 19,810	\$ 22,139
Due to Other Governments	-	-	-
Customer Deposits	-	79,671	79,671
Current Portion of Long-Term Liabilities	-	-	-
Total Current Liabilities	2,329	99,481	101,810
Long-Term Liabilities:			
Net Pension Liability - LGERS	52,192	-	52,192
Total Pension Liability - LEOSSA	27,589	-	27,589
Due in More Than One year	700,000	-	700,000
Total Long-Term Liabilities	779,781	-	779,781
Total Liabilities	782,110	99,481	881,591
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Grants	131,301	30,998	162,299
Pension Deferrals	27,132	-	27,132
Total Deferred Inflows of Resources	158,433	30,998	189,431
NET POSITION			
Net Investment in Capital Assets	1,748,734	6,932,283	8,681,017
Restricted for:			
Transportation	-	-	-
Stabilization by State Statute	508,486	-	508,486
Economic and Physical Development	342,864	-	342,864
Unrestricted	(272,065)	177,037	(95,028)
Total Net Position	\$ 2,328,019	\$ 7,109,320	\$ 9,437,339

TOWN OF FAIR BLUFF, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Administration	\$ 859,443	\$ -	663,199	\$ 1,252,358
Public Works	37,282	-	-	-
Police Department	234,180	-	-	-
Fire Department	27,000	-	-	-
Planning and Inspections	24,720	20,245	-	-
Street Department	77,647	-	39,252	-
Economic and Physical Development	357,186	-	357,136	-
Sanitation	127,470	68,772	-	-
Interest on long-term debt	499	-	-	-
Total Governmental Activities	1,745,427	89,017	1,059,587	1,252,358
Business-Type Activities:				
Water and Sewer	515,262	235,947	-	107,909
Total Business-Type Activities	515,262	235,947	-	107,909
Total Primary Government	\$ 2,260,689	\$ 324,964	\$ 1,059,587	\$ 1,360,267

TOWN OF FAIR BLUFF, NORTH CAROLINA

Statement of Activities (Continued)

For the Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Functions/Programs	Governmental Activities	Business-Type Activities	Totals
Primary Government:			
Governmental Activities:			
Administration	\$ 1,056,114	\$ -	\$ 1,056,114
Public Works	(37,282)	-	(37,282)
Police Department	(234,180)	-	(234,180)
Fire Department	(27,000)	-	(27,000)
Planning and Inspections	(4,475)	-	(4,475)
Street Department	(38,395)	-	(38,395)
Economic and Physical Development	(50)	-	(50)
Sanitation	(58,698)	-	(58,698)
Interest on long-term debt	(499)	-	(499)
Total Governmental Activities	655,535	-	655,535
Business-Type Activities:			
Water and Sewer	-	(171,406)	(171,406)
Total Business-Type Activities	-	(171,406)	(171,406)
Total Primary Government	655,535	(171,406)	484,129
General Revenues:			
Property Taxes, Levied for General Purpose	256,668	-	256,668
Other Taxes and Licenses	286,318	-	286,318
Investment Earnings	1,628	408	2,036
Miscellaneous	63,138	516,189	579,327
Transfers	-	-	-
Total General Revenues and Transfers	607,752	516,597	1,124,349
Change in Net Position	1,263,287	345,191	1,608,478
Net Position - Beginning of Year	1,064,732	6,764,129	7,828,861
Net Position - End of Year	\$ 2,328,019	\$ 7,109,320	\$ 9,437,339

TOWN OF FAIR BLUFF, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2019

	Major Funds		
	General Fund	Hazard Mitigation Grant Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 409,601	\$ -	\$ 409,601
Restricted Cash	131,351	342,864	474,215
Receivables (net):			
Ad Valorem Taxes	46,783	-	46,783
Sanitation	4,267	-	4,267
Due from Other Funds	29,375	-	29,375
Due from Other Governments	117,708	357,136	474,844
Total Assets	739,085	700,000	1,439,085
LIABILITIES			
Accounts Payable and			
Accrued Liabilities	2,329	-	2,329
Due to Other Governments	-	-	-
Total Liabilities	2,329	-	2,329
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Grants	131,301	-	131,301
Property Taxes Receivable	46,783	-	46,783
Total Deferred Inflows of Resources	178,084	-	178,084
FUND BALANCES			
Restricted			
Stabilization by State Statute	151,350	357,136	508,486
Streets	-	-	-
Economic and Physical Development	-	342,864	342,864
Assigned			
Subsequent Year's Expenditures:	-	-	-
Unassigned	407,322	-	407,322
Total Fund Balances	558,672	700,000	1,258,672
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 739,085	\$ 700,000	\$ 1,439,085

TOWN OF FAIR BLUFF, NORTH CAROLINA

Balance Sheet (Continued)

Governmental Funds

June 30, 2019

		Total Governmental Funds
<hr/>		
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total Governmental Fund Balance	\$	1,258,672
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical costs	\$	2,286,165
Accumulated depreciation	<u>(537,431)</u>	<u>1,748,734</u>
Deferred outflows of resources related to pensions are not reported in the funds	<u>63,110</u>	<u>63,110</u>
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred		
Accrued interest - taxes	<u>17,633</u>	<u>17,633</u>
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Ad valorem taxes	<u>46,783</u>	<u>46,783</u>
Deferred inflows of resources related to pensions are not reported in the funds	<u>(27,132)</u>	<u>(27,132)</u>
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Long-term debt	(700,000)	
Net Pension Liability	(52,192)	
Total Pension Liability	(27,589)	
Other Postemployment Benefits	<u>-</u>	<u>(779,781)</u>
Net position of governmental activities.	<u>\$</u>	<u><u>2,328,019</u></u>

TOWN OF FAIR BLUFF, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2019

	Major Funds		
	General Fund	Hazard Mitigation Grant Fund	Total Governmental Funds
Revenues			
Ad Valorem Taxes	\$ 276,495	\$ -	\$ 276,495
Other Taxes and Licenses	60	-	60
Unrestricted Intergovernmental	285,614	-	285,614
Restricted Intergovernmental	1,955,453	357,136	2,312,589
Permits and Fees	20,245	-	20,245
Sales and Services	68,772	-	68,772
Investment Earnings	1,628	-	1,628
Miscellaneous	63,138	-	63,138
Total Revenues	2,671,405	357,136	3,028,541
Expenditures			
Current			
Administration	849,782	-	849,782
Public Works	37,282	-	37,282
Police Department	223,201	-	223,201
Fire Department	27,000	-	27,000
Visitors Center	-	-	-
Planning and Inspections	24,720	-	24,720
Street Department	68,313	-	68,313
Economic and Physical Development	-	357,186	357,186
Sanitation	127,439	-	127,439
Debt Service			
Principal	26,743	-	26,743
Interest and Other charges	499	-	499
Capital Outlay			
Administration	1,252,358	-	1,252,358
Police	15,000	-	15,000
Total Expenditures	2,652,337	357,186	3,009,523
Excess (Deficiency) of Revenues Over Expenditures	19,068	(50)	19,018
Other Financing Sources (Uses)			
Transfers from Other Funds	-	50	50
Transfers to Other Funds	(50)	-	(50)
Debt Proceeds	-	700,000	700,000
Total Other Financing Sources (Uses)	(50)	700,050	700,000
Net Change in Fund Balance	19,018	700,000	719,018
Fund Balance - Beginning of Year	539,654	-	539,654
Fund Balance - End of Year	\$ 558,672	\$ 700,000	\$ 1,258,672

TOWN OF FAIR BLUFF, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Governmental Funds

For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds	\$	719,018
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures which were capitalized	\$	1,267,358	
Depreciation expense		<u>(30,038)</u>	1,237,320

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities

	18,191	
Benefit payments paid and administrative expenses for the LEOSA are not included on the Statement of Activities	<u>-</u>	18,191

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Change in unavailable revenue for tax revenues	(13,073)	
Interest earned on ad valorem taxes	<u>(6,754)</u>	(19,827)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issuance	(700,000)	
Debt retirement	<u>26,743</u>	(673,257)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Pension Expense	(18,158)	
Other Postemployment Benefits	<u>-</u>	(18,158)

Total changes in net position of governmental activities	\$	<u><u>1,263,287</u></u>
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TOWN OF FAIR BLUFF, 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			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Ad Valorem Taxes	\$ 234,500	\$ 266,210	\$ 276,495	\$ 10,285
Other Taxes and Licenses	40	50	60	10
Unrestricted Intergovernmental	274,314	280,916	285,614	4,698
Restricted Intergovernmental	86,476	1,815,656	1,955,453	139,797
Permits and Fees	15,225	17,100	20,245	3,145
Sales and Services	104,899	109,700	68,772	(40,928)
Investment Earnings	375	1,400	1,628	228
Miscellaneous	51,000	69,500	63,138	(6,362)
Total Revenues	766,829	2,560,532	2,671,405	110,873
Expenditures				
Administration	185,530	2,004,950	2,102,140	(97,190)
Public Works	43,796	47,846	37,282	10,564
Police Department	251,167	250,092	238,201	11,891
Fire Department	27,000	27,000	27,000	-
Visitors Center	46,428	-	-	-
Planning and Inspections	15,000	28,000	24,720	3,280
Street Department	44,925	76,312	68,313	7,999
Sanitation	126,408	131,884	127,439	4,445
Debt Service	26,575	-	27,242	(27,242)
Total Expenditures	766,829	2,566,084	2,652,337	(86,253)
Revenues Over (Under) Expenditures	-	(5,552)	19,068	24,620
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	(50)	(50)
Transfers to Other Funds	-	(24,000)	-	24,000
Installment Purchase Obligation Issued	-	-	-	-
Total Other Financing Sources (Uses)	-	(24,000)	(50)	23,950
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(29,552)	19,018	48,570
Appropriated Fund Balance	-	29,552	-	(29,552)
Net Change in Fund Balance	\$ -	\$ -	19,018	\$ 19,018
Fund Balance - Beginning of Year			539,654	
Fund Balance - End of Year			\$ 558,672	

TOWN OF FAIR BLUFF, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Fund
June 30, 2019

	Water and Sewer Fund
<hr/>	
ASSETS	
Current Assets	
Cash and Investments	\$ 157,324
Accounts Receivable (net)	14,276
Due from Other Governments	30,142
Restricted Cash and Investments	135,149
Total Current Assets	<u>336,891</u>
Noncurrent Assets	
Capital Assets	
Land, Nondepreciable Improvements, and Construction in Progress	642,901
Other Capital Assets, Net of Depreciation	6,289,382
Total Noncurrent Assets	<u>6,932,283</u>
Total Assets	<u><u>7,269,174</u></u>
LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Liabilities	19,810
Customer Deposits	79,671
General Obligation Bonds	-
Due to Other Funds	29,375
Total Current Liabilities	<u>128,856</u>
Noncurrent Liabilities	
General Obligation Bonds	
Total Noncurrent Liabilities	<u>-</u>
Total Liabilities	<u>128,856</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Grant	<u>30,998</u>
NET POSITION	
Net Investment in Capital Assets	6,932,283
Unrestricted	177,037
Total Net Position	<u><u>\$ 7,109,320</u></u>

TOWN OF FAIR BLUFF, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Fund

For the Year Ended June 30, 2019

	Water and Sewer Fund
	<hr/>
Operating Revenues	
Water Charges	\$ 58,305
Sewer Charges	166,485
Tap Fees	900
Reconnect Fees	6,402
Penalties and Interest	3,855
Total Operating Revenues	<hr/> 235,947 <hr/>
Operating Expenses	
Water Treatment and Distribution	346,643
Depreciation	153,528
Total Operating Expenses	<hr/> 500,171 <hr/>
Operating Income (Loss)	<hr/> (264,224) <hr/>
Nonoperating Revenues (Expenses)	
Investment Earnings	408
Miscellaneous Income	516,189
Interest Expense	(15,091)
Total Nonoperating Revenues (Expenses)	<hr/> 501,506 <hr/>
Total Income (Loss) Before Contributions and Transfers	237,282
Capital Contributions	107,909
Transfers to Other Funds	<hr/> -
Change in Net Position	345,191
Total Net Position - Beginning of Year	<hr/> 6,764,129 <hr/>
Total Net Position - End of Year	<hr/> \$ 7,109,320 <hr/>

TOWN OF FAIR BLUFF, NORTH CAROLINA

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2019

	Water and Sewer Fund
	<hr/>
Cash Flows from Operating Activities	
Cash Received from Customers and Users	\$ 237,434
Cash Paid for Goods and Services	(370,805)
Customer Deposits Received	5,407
Customer Deposits Returned	(2,059)
Miscellaneous Income	516,189
Net Cash Provided(Used) by Operating Activities	<hr/> 386,166 <hr/>
Cash Flows from Noncapital Financing Activities	
Decrease in Due to Other Funds	(113,354)
Transfers to Other Funds	-
Net Cash Provided(Used) by Noncapital Financing Activities	<hr/> (113,354) <hr/>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(108,587)
Interest Paid on Bond Maturities and Equipment Contracts	(15,091)
Principal Paid on Bond Maturities and Equipment Contracts	(311,500)
Capital Contributions	160,297
Net Cash Provided(Used) by Capital and Related Financing Activities	<hr/> (274,881) <hr/>
Cash Flows from Investing Activities	
Interest on Investments	408
Net Increase(Decrease) in Cash and Cash Equivalents	<hr/> (1,661) <hr/>
Cash and Cash Equivalents - Beginning of Year	<hr/> 294,134 <hr/>
Cash and Cash Equivalents - End of Year	<hr/> \$ 292,473 <hr/>

TOWN OF FAIR BLUFF, NORTH CAROLINA

Statement of Cash Flows (Continued)

Proprietary Fund

For the Year Ended June 30, 2019

	Water and Sewer Fund
	<hr/>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (264,224)
	<hr/>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	153,528
Miscellaneous Income (Expense)	516,189
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	1,487
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(24,162)
Increase (Decrease) in Customer Deposits	3,348
	<hr/>
Total Adjustments	650,390
	<hr/>
Net Cash Provided(Used) by Operating Activities	\$ 386,166
	<hr/>

TOWN OF FAIR BLUFF, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

B. Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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.

Grant Project Fund. The Hazard Mitigation Grant Fund is used to account for grant funds that are restricted for use for Hurricane Matthew related expenditures.

The Town reports the following major enterprise funds:

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

2014 CDBG-1 Program Fund. This fund is used for sewer improvements and rehabilitation.

C. Measurement Focus and Basis of Accounting

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise fund is 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. Issuance 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 of Fair Bluff because the tax is levied by Columbus 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 general revenues.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Enterprise Capital Project 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. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. 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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT – Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT – Term Portfolio is a 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. The Town of Fair Bluff did not have any investments at June 30, 2019 other than certificates of deposit.

2. Cash and Cash Equivalents

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Restricted Assets

Grant funds are classified as restricted cash because their use is completely restricted to the grant expenditures. Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S.136-41.1 through 136-41.4. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Fair Bluff Restricted Cash	
Governmental Activities	
General Fund	
Streets	\$ -
Hazard Mitigation	342,864
Hurricane Relief	119,714
Municipal Building	11,637
Total Governmental Activities	<u>474,215</u>
Business-type Activities	
Water and Sewer Fund	
Sewer System Improvements	55,478
Customer Deposits	79,671
Total Business-type Activities	<u>135,149</u>
Total Restricted Cash	<u>\$ 609,364</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. As allowed by State Law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Due to very limited capital asset acquisition, minimum capitalization costs are \$1,000 for all items. 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. There were no general infrastructure assets acquired prior to July 1, 2003. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings	50
Other Improvements	50
Infrastructure	25
Equipment	10
Furniture and Fixtures	10
Computers	10
Vehicles	6
Miscellaneous	3

7. Deferred Outflows/Inflows of Resources

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. 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 are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

9. Compensated Absences

Full time employees of the Town earn five days' vacation per calendar year, while department heads of the Town earn ten days' vacation per calendar year. The vacation policies of the Town do not provide for the accumulation of earned vacation leave. Due to the small number of employees and the limitations of vacation accumulation, the current portion of the accumulated vacation pay is not considered to be material; therefore no expenditure or liability has been reported.

The Town's sick leave policy permits the accumulation of 18 days' sick leave time to be held over from year to year. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Net Position/Fund Balances (Continued)

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

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 in 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 revenues 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 by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. 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.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Fair Bluff'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.

Assigned Fund Balance – portion of fund balance that Town of Fair Bluff intends to use for specific purposes.

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Net Position/Fund Balances (Continued)

The Town of Fair Bluff has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, Town funds. For purposes of fund balance classification expenditures are to be spent from the 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.

11. 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 Governmental 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 of Fair Bluff's employer contributions are recognized when due and the Town of Fair Bluff 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.

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. 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 the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no 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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

1. Deposits (Continued)

At June 30, 2019, the Town's deposits had a carrying amount of \$1,175,989 and a bank balance of \$1,197,983. Of the bank balance, \$418,515 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 fund totaled \$300.

2. 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:

Fund	06/30/2019
General Fund:	
Taxes receivable	\$ 12,000
Accounts Receivable	1,900
Total General Fund	<u>13,900</u>
Enterprise Fund:	
Utilities receivable	6,200
Total Enterprise Fund	<u>6,200</u>
Total	<u><u>\$ 20,100</u></u>

3. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 106,545	\$ -	\$ -	\$ 106,545
Construction in Progress	-	1,252,358	-	1,252,358
Total capital assets not being depreciated	<u>106,545</u>	<u>1,252,358</u>	<u>-</u>	<u>1,358,903</u>
Capital assets being depreciated:				
Buildings and Improvements	260,104	-	-	260,104
Equipment and Vehicles	419,453	15,000	-	434,453
Infrastructure	232,705	-	-	232,705
Total capital assets being depreciated	<u>912,262</u>	<u>15,000</u>	<u>-</u>	<u>927,262</u>
Less accumulated depreciation for:				
Buildings and Improvements	65,052	5,202	-	70,254
Equipment and Vehicles	362,055	15,528	-	377,583
Infrastructure	80,286	9,308	-	89,594
Total accumulated depreciation	<u>507,393</u>	<u>30,038</u>	<u>-</u>	<u>537,431</u>
Total capital assets being depreciated, net	<u>404,869</u>			<u>389,831</u>
Governmental activity capital assets, net	<u><u>\$ 511,414</u></u>			<u><u>\$ 1,748,734</u></u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

3. Capital Assets (Continued)

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

Administration	\$ 9,634
Police Department	11,096
Street Department	9,308
Total	<u>\$ 30,038</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 10,626	\$ -	\$ -	\$ 10,626
Construction in Progress	523,688	108,587	-	632,275
Total capital assets not being depreciated	534,314	108,587	-	642,901
Capital assets being depreciated:				
Plant and Distribution System	8,359,807	-	-	8,359,807
Buildings and Improvements	204,424	-	-	204,424
Equipment	188,865	-	-	188,865
Total capital assets being depreciated	8,753,096	-	-	8,753,096
Less accumulated depreciation for:				
Plant and Distribution System	2,119,617	149,440	-	2,269,057
Building and Improvements	1,704	4,088	-	5,792
Equipment	188,865	-	-	188,865
Total accumulated depreciation	2,310,186	153,528	-	2,463,714
Total capital assets being depreciated, net	6,442,910			6,289,382
Water and Sewer fund capital assets, net	<u>\$ 6,977,224</u>			<u>\$ 6,932,283</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Fair Bluff is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.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. 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 or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Fair Bluff employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Fair Bluff's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Fair Bluff were \$18,191 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 \$52,192 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, 2018 (measurement date), the Town's proportion was 0.00220%, which was a decrease of 0.00088% from its proportion measured as of June 30, 2017.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

For the year ended June 30, 2019, the Town recognized pension expense of \$18,385. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,052	\$ 270
Changes of assumptions	13,850	-
Net difference between projected and actual earnings on pension plan investments	7,164	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	12,947	3,712
Town contributions subsequent to the measurement date	18,191	-
Total	<u>\$ 60,204</u>	<u>\$ 3,982</u>

\$18,191 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ 17,894
2021	11,438
2022	4,959
2023	3,740
2024	-
Thereafter	-
Total	<u>\$ 38,031</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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 Increases	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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100%	

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability 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 percent, 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 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 125,369	\$ 52,192	\$ (8,956)

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.

TOWN OF FAIR BLUFF, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****b. Law Enforcement Officers Special Separation Allowance****1. Plan Description**

The Town of Fair Bluff 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 .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.

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 receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	3
Total	<u>3</u>

2. 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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. 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	2.5 percent
Salary Increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount Rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned 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 \$-0- 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 \$27,589. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$(228).

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 428	\$ 21,484
Changes of assumptions	2,478	1,666
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 2,906</u>	<u>\$ 23,150</u>

\$-0- reported as deferred outflows of resources related to pensions resulting from 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 ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2020	\$ (3,687)
2021	(3,687)
2022	(3,687)
2023	(3,687)
2024	(3,728)
Thereafter	(1,768)
	<u>\$ (20,244)</u>

\$-0- paid as benefits came due and \$-0- of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

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 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.64 percent) or 1-percentage point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 29,745	\$ 27,589	\$ 25,575

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions (Continued)

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

	2019
Beginning balance	\$ 50,588
Service Cost	1,860
Interest on the total pension liability	1,599
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(25,441)
Changes of assumptions and other inputs	(1,017)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 27,589</u>

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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 18,385	\$ (228)	\$ 18,157
Pension Liability	52,192	27,589	79,781
Proportionate share of the net pension liability	0.00220%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	8,052	428	8,480
Changes of assumptions	13,850	2,478	16,328
Net difference between projected and actual earnings on plan investments	7,164	-	7,164
Changes in proportion and differences between contributions and proportionate share of contributions	12,947	-	12,947
Benefit payments and administrative costs paid subsequent to the measurement date	18,191	-	18,191
Deferred Inflows of Resources			
Differences between expected and actual experience	270	21,484	21,754
Changes of assumptions	-	1,666	1,666
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	3,712	-	3,712

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (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 Supplemental Retirement Income Plan for Law Enforcement Officers 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.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town made contributions of \$7,339 for the reporting year. No amounts were forfeited.

2. Other Postemployment Benefit

Plan Description. Under the terms of a Town resolution, the Town's policy provides that retirees may participate in the Town's healthcare plan. However, the retirees will pay 100% of the cost of their insurance. The Town has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

3. Deferred Outflows and Inflows of Resources

The Town has deferred outflows of resources. Deferred Outflows of resources is comprised of the following:

Contributions to Pension Plan in Current Fiscal Year	\$	18,191
Benefit payments made and administrative expenses for LEOSSA		-
Differences between expected and actual experience		8,480
Changes of assumptions		16,328
Net difference between projected and actual		7,164
Changes in proportion and differences between employer contributions and proportionate share of contributions		12,947
Total	\$	<u>63,110</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable (General Fund)	-	46,783
Deferred Revenue – Grants	162,299	131,301
Changes in assumptions	1,666	-
Differences between expected and actual experience	21,754	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,712	-
Total	\$ <u>189,431</u>	\$ <u>178,084</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in one self-funded risk financing pool administered by a private insurance agency. Through this pool, the Town obtains employee health insurance coverage up to \$2 million lifetime limit. The pool is reinsured for annual employee health claims in excess of \$150,000.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not have flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded in the amounts of \$50,000 and \$50,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2019, the Town did not have any litigation pending.

6. Long-Term Obligations

a. Installment Purchases

In October 2015, the Town entered into a \$36,300 installment purchase contract with USDA to assist in financing two police vehicles. The financing contract requires annual payments of \$5,882, including interest at 3.625% per annum. Final payment is due October 7, 2022. This debt was paid off during the current year.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$-0- of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ -	\$ -
2021	-	-
2022	-	-
2023	-	-
2024	-	-
2025	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

b. General Obligation Indebtedness

The Town's general obligation bonds serviced by the proprietary fund, issued to finance the construction of facilities utilized in the operations of the water and sewer system, which are being retired by its resources, are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due. The Town's general obligation bond debt was paid off during the current fiscal year.

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

Year Ending June 30	Business Type Activities	
	Principal	Interest
2020	\$ -	\$ -
2021	-	-
2022	-	-
2023	-	-
2024	-	-
2025-2029	-	-
2030-2034	-	-
2035-2039	-	-
Total	\$ -	\$ -

At June 30, 2019, the Town of Fair Bluff had a legal debt margin of \$3,082,628.

c. Line of Credit

The North Carolina Office of Recovery and Resiliency has provided the Town a loan in the form of a line-of-credit in the amount of \$2,000,000. This principal only line-of-credit does not carry interest charges or administrative fees and has a term of three years. On March 14, 2019, \$700,000 was disbursed to the Town for expenditures related to activities allowed by the loan documents.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

d. Changes in Long-Term Liabilities

	Balance 07/01/18	Increases	Decrease	Balance 06/30/19	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 26,743	\$ -	\$ 26,743	\$ -	-
Line of Credit	-	700,000	-	700,000	-
Net pension liability (LGERS)	47,054	5,138	-	52,192	-
Total Pension Liability (LEO)	50,588	-	22,999	27,589	-
Governmental activity long-term liabilities	<u>\$ 124,385</u>	<u>\$ 705,138</u>	<u>\$ 49,742</u>	<u>\$ 779,781</u>	<u>-</u>
Business-type activities:					
General Obligation Bonds	\$ 311,500	\$ -	\$ 311,500	\$ -	-
Business-type activity long-term liabilities	<u>\$ 311,500</u>	<u>\$ -</u>	<u>\$ 311,500</u>	<u>\$ -</u>	<u>-</u>

C. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 1,748,734	\$ 6,932,283
Less: long-term debt	-	-
Add: unexpended debt proceeds	-	-
Net Investment in Capital Assets	<u>\$ 1,748,734</u>	<u>\$ 6,983,283</u>

D. Interfund Balances and Activity

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

Due to the General Fund for the allocation of costs from the:

Water and Sewer Fund	\$ 29,375
Total	<u>\$ 29,375</u>

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

D. Interfund Balances and Activity (Continued)

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

From the General Fund to the Hazard Mitigation Grant Fund for opening account.	\$ 50
Total	<u>\$ 50</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

E. Fund Balance

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

<i>Total fund balance – General Fund</i>	\$ 558,672
Less:	
Stabilization by State Statute	151,350
Streets	-
Appropriated Fund Balance in 2019-2020 budget	-
Remaining Fund Balance	407,322

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<i>Encumbrances</i>	General Fund	Non-Major Funds
-	\$ -	\$ -

III. JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with several other local governments, participates in the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board.

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys 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 moneys.

TOWN OF FAIR BLUFF, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

V. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2019, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for Administration by \$97,190 and for Debt Service by \$27,242 and in the Water and Sewer Fund for Debt Service by \$326,591. This over-expenditure occurred because of unbudgeted expenditures in this area. Management and the Town Council will more closely review the budget reports to ensure compliance in future years.

VI. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 29, 2020, which is the date the financial statements were available to be issued. The Town believes there have been no significant events.



***Required Supplementary
Financial Data***

TOWN OF FAIR BLUFF, NORTH CAROLINA
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years*

Local Government Employees' Retirement System						
	2019	2018	2017	2016	2015	2014
Fair Bluff's proportion of the net pension liability (asset) (%)	0.00220%	0.00308%	0.00185%	0.00408%	0.00317%	0.00360%
Fair Bluff's proportion of the net pension liability (asset) (\$)	\$ 52,192	\$ 47,054	\$ 39,263	\$ 18,311	\$ (18,695)	\$ 43,394
Fair Bluff's covered-employee payroll	\$ 182,811	\$ 184,879	\$ 200,651	\$ 211,789	\$ 201,388	\$ 200,831
Fair Bluff's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	28.55%	25.45%	19.57%	8.65%	(9.28%)	21.61%
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.

TOWN OF FAIR BLUFF, NORTH CAROLINA

Town of Fair Bluff's Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 18,191	\$ 16,689	\$ 22,613	\$ 17,690	\$ 19,223	\$ 23,704
Contributions in relation to the contractually required contribution	18,191	16,689	22,613	17,690	19,223	23,704
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fair Bluff's covered employee payroll	\$ 224,645	\$ 182,811	\$ 184,879	\$ 200,651	\$ 211,789	\$ 201,388
Contributions as a percentage of covered-employee payroll	8.10%	9.13%	12.23%	8.82%	9.08%	11.77%

TOWN OF FAIR BLUFF, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
June 30, 2019

Law Enforcement Officers' Special Separation Allowance

	2019	2018	2017
Beginning balance	\$ 50,588	\$ 42,217	\$ 38,875
Service cost	1,860	2,591	3,343
Interest on the total pension liability	1,599	1,630	1,388
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(25,441)	612	-
Changes of assumptions or other inputs	(1,017)	3,538	(1,389)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 27,589</u>	<u>\$ 50,588</u>	<u>\$ 42,217</u>

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

TOWN OF FAIR BLUFF, NORTH CAROLINA

Schedule of Total Pension Liability as a Percentage of Covered Payroll

June 30, 2019

Law Enforcement Officers' Special Separation Allowance

	2019	2018	2017
Total pension liability	\$ 27,589	\$ 50,588	\$ 42,217
Covered payroll	101,335	134,220	142,978
Total pension liability as a percentage of covered payroll	<u>27.23%</u>	<u>37.69%</u>	<u>29.53%</u>

Notes to the schedules:

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



Major Governmental Funds

General Fund

TOWN OF FAIR BLUFF, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Taxes		\$ 268,109	
Penalties and Interest		8,386	
Total Ad Valorem Taxes	\$ 266,210	276,495	\$ 10,285
Other Taxes and Licenses			
Privilege Licenses		60	
Total Other Taxes and Licenses	50	60	10
Unrestricted Intergovernmental			
Local Option Sales Tax		222,191	
Utility Sales Tax		49,890	
Telecommunications Tax		6,590	
Video Franchise Tax		2,976	
Beer and Wine Tax		3,967	
Sales Tax Refund		-	
Total Unrestricted Intergovernmental	280,916	285,614	4,698
Restricted Intergovernmental			
Federal and State Grants		1,915,557	
Powell Bill Allocation		39,252	
Police Grants		-	
Solid Waste Disposal Tax		644	
Total Restricted Intergovernmental	1,815,656	1,955,453	139,797
Permits and Fees			
Inspection Fees		17,919	
Miscellaneous		2,326	
Total Permits and Fees	17,100	20,245	3,145
Sales and Services			
Solid Waste		68,772	
Total Sales and Services	109,700	68,772	(40,928)
Investment Earnings			
General		234	
Powell Bill		1,394	
Total Investment Earnings	1,400	1,628	228
Miscellaneous			
Other		63,138	
Total Miscellaneous	69,500	63,138	(6,362)
Total Revenues	\$ 2,560,532	\$ 2,671,405	\$ 110,873

TOWN OF FAIR BLUFF, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
Administration			
Salaries and Employee Benefits		\$ 98,830	
Other Expenditures		750,952	
Capital Outlay		1,252,358	
Total Administration	\$ 2,004,950	2,102,140	\$ (97,190)
Public Works			
Other Expenditures		37,282	
Total Public Works	47,846	37,282	10,564
Police Department			
Salaries and Employee Benefits		166,096	
Other Expenditures		57,105	
Capital Outlay		15,000	
Total Police	250,092	238,201	11,891
Fire Department			
Other Expenditures		27,000	
Total Fire Department	27,000	27,000	-
Visitors Center			
Salaries and Employee Benefits		-	
Other Expenditures		-	
Grant Refund		-	
Total Visitors Center	-	-	-
Planning and Inspections			
Other Expenditures		24,720	
Total Planning and Inspections	28,000	24,720	3,280
Street Department			
Salaries and Employee Benefits		34,598	
Other Expenditures		33,715	
Total Street Department	76,312	68,313	7,999
Sanitation			
Salaries and Employee Benefits		48,033	
Other Expenditures		79,406	
Total Sanitation	131,884	127,439	4,445
Debt Service			
Principal Retirement		26,743	
Interest and Other Charges		499	
Total Debt Service	-	27,242	(27,242)
Total Expenditures	\$ 2,566,084	\$ 2,652,337	\$ (86,253)

TOWN OF FAIR BLUFF, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (5,552)	\$ 19,068	\$ 24,620
Other Financing Sources (Uses)			
Transfer To/From Other Funds:			
Water and Sewer Fund		-	
Hazard Mitigation Grant Fund		(50)	
Total Other Financing Sources (Uses)	(24,000)	(50)	23,950
Fund Balance Appropriated	29,552	-	(29,552)
Net Change in Fund Balance	\$ -	19,018	\$ 19,018
Fund Balance - Beginning of Year		539,654	
Fund Balance - End of Year		\$ 558,672	

Special Revenue Fund

Grant Project Fund

TOWN OF FAIR BLUFF, NORTH CAROLINA

Hazard Mitigation Grant Project Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

From Inception and for the Fiscal Year Ended June 30, 2019

	Actual		Totals	Variance
Project	Prior	Current	to	Positive
Authorization	Year	Year	Date	(Negative)
Revenues				
Restricted Intergovernmental				
Federal and State Grants	\$ 8,290,786	\$ -	\$ 357,136	\$ 357,136
Investment Earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total Restricted Intergovernmental	8,290,786	-	357,136	357,136
Total Revenues	8,290,786	-	357,136	357,136
Expenditures				
Other Expenditures	8,290,786	-	357,186	357,186
Total Expenditures	8,290,786	-	357,186	357,186
Excess (Deficiency) of Revenues				
Over Expenditures	-	-	(50)	(50)
Other Financing Sources (Uses)				
Transfers In:				
General Fund	-	-	50	50
Debt Proceeds	-	-	700,000	700,000
Total Other Financing	-	-	700,050	700,050
Sources (Uses)	-	-	700,050	700,050
Net Change in Fund Balance	\$ -	\$ -	700,000	\$ 700,000
Fund Balance - Beginning			-	
Fund Balance - Ending			\$ 700,000	

Enterprise Funds

TOWN OF FAIR BLUFF, NORTH CAROLINA

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating Revenues			
Water Charges		\$ 58,305	
Sewer Charges		166,485	
Tap Fees		900	
Reconnect Fees		6,402	
Penalties and Interest		3,855	
Total Operating Revenues	\$ 293,693	235,947	\$ (57,746)
Nonoperating Revenues			
Federal and State Grants	-	15,405	
Investment Earnings	-	408	
Miscellaneous	-	516,050	
Total Nonoperating Revenues	78,860	531,863	453,003
Total Revenues	372,553	767,810	395,257
Expenditures			
Water Treatment and Distribution			
Repairs and Maintenance		40,154	
Other Expenditures		306,489	
Total Water Treatment and Distribution	372,553	346,643	25,910
Debt Service			
Principal Retirement		311,500	
Interest Expense		15,091	
Total Debt Service	-	326,591	(326,591)
Total Expenditures	372,553	673,234	(300,681)
Revenues Over (Under) Expenditures	-	94,576	94,576
Other Financing Sources (Uses)			
Transfers In (Out)		-	
Total Other Financing Sources (Uses)	-	-	-
Appropriated Fund Balance	-	-	-
Revenues and Other Sources Over Expenditures and Other Uses	\$ -	\$ 94,576	\$ 94,576

TOWN OF FAIR BLUFF, NORTH CAROLINA
Water and Sewer Fund
Schedule of Revenues and Expenditures (Continued)
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Sources Over Expenditures and Other Uses		\$ 94,576	
Reconciling Items:			
Depreciation Expense		(153,528)	
Principal Retirement		311,500	
Capital Contributions		92,504	
Miscellaneous Income from Capital Project Fund		139	
Transfer in from 2014 CDBG-I Program Fund to Water and Sewer Fund		-	
Transfer from 2014 CDBG-I Program Fund to General Fund		-	
Total Reconciling Items		250,615	
Change in Net Position		\$ 345,191	

TOWN OF FAIR BLUFF, NORTH CAROLINA
2014 CDBG-I Program Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

		Actual		Totals to Date	Variance Positive (Negative)
	Project Authorization	Prior Year	Current Year		
Revenues					
Restricted Intergovernmental					
Federal Grants	\$ 3,000,000	\$ 3,333,346	\$ 92,504	\$ 3,425,850	\$ 425,850
State Grants	-	200,000	-	200,000	200,000
Investment Earnings					
Interest	-	7	-	7	7
Miscellaneous	-	-	139	139	139
Total Revenues	3,000,000	3,533,353	92,643	3,625,996	625,996
Expenditures					
Water and Sewer					
Sewer Improvements	2,670,400	327,387	10,000	337,387	2,333,013
Rehabilitation - Sewer	29,600	3,114,780	98,587	3,213,367	(3,183,767)
Administration	300,000	30,542	-	30,542	269,458
Total Expenditures	3,000,000	3,472,709	108,587	3,581,296	(581,296)
Revenues Over (Under)					
Expenditures	-	60,644	(15,944)	44,700	44,700
Other Financing Sources (Uses)					
Appropriated Fund Balance	-	-	-	-	-
Transfers in:					
Water and Sewer Fund	-	145	-	145	145
Transfers out:					
General Fund	-	(10,924)	-	(10,924)	(10,924)
Water and Sewer Fund	-	(28,484)	-	(28,484)	(28,484)
Total Other Financing Sources (Uses)	-	(39,263)	-	(39,263)	(39,263)
Net Change in Fund Balance	\$ -	\$ 21,381	\$ (15,944)	\$ 5,437	\$ 5,437

Other Schedules

TOWN OF FAIR BLUFF, NORTH CAROLINA

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2019

Fiscal Year	Uncollected Balance 7-1-18	Additions and Adjustments	Collections and Credits	Uncollected Balance 6-30-19
2018-19	\$ -	\$ 256,714	\$ 245,806	10,908
2017-18	13,826	-	6,422	7,404
2016-17	4,505	-	1,398	3,107
2015-16	3,110	-	878	2,232
2014-15	2,266	-	322	1,944
2013-14	3,370	-	200	3,170
2012-13	6,632	-	249	6,383
2011-12	9,441	-	211	9,230
2010-11	15,063	-	5,114	9,949
2009-10	8,571	-	4,115	4,456
2008-09	8,072	-	8,072	-
	<u>\$ 74,856</u>	<u>\$ 256,714</u>	<u>\$ 272,787</u>	58,783

Less: Allowance for Uncollectible Accounts:

General Fund

12,000

Ad Valorem Taxes Receivable - Net

\$ 46,783Reconcilement with Revenues

Ad Valorem Taxes - General Fund

276,495

Reconciling Items:

Interest and Penalties Collected

(8,386)

Taxes Released

-

Taxes Written Off

4,678

Total Collections and Credits

\$ 272,787

TOWN OF FAIR BLUFF, NORTH CAROLINA
Analysis of Current Tax Levy
Town-Wide Levy
June 30, 2019

	Town-Wide			Total Levy	
	Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at					
Current Year's Rate	\$ 38,532,845	0.6500	\$ 256,136	\$ 229,540	\$ 26,596
Penalties	-		578	578	-
	<u>38,532,845</u>		<u>256,714</u>	<u>230,118</u>	<u>26,596</u>
Discoveries:					
Current Year Taxes	-	0.6500	-	-	-
Penalties	-		-	-	-
	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements:					
Property Taxes -					
Current Year's Rate	-	0.6500	-	-	-
	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Total Property Valuations	<u>\$ 38,532,845</u>				
Net Levy			256,714	230,118	26,596
Uncollected Taxes at June 30, 2019			10,908	10,908	-
Current Year's Taxes Collected			<u>\$ 245,806</u>	<u>\$ 219,210</u>	<u>\$ 26,596</u>
Current Levy Collection Percentage			<u>95.75%</u>	<u>95.26%</u>	<u>100.00%</u>



Compliance Section

**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
Members of the Town Council
Town of Fair Bluff, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fair Bluff, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Fair Bluff's basic financial statements, and have issued our report thereon dated January 29, 2020.

Internal Control Over Financial Reporting

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

Our consideration of the internal control was for limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. [2019-1].

A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. [2019-2].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Fair Bluff's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item [2019-2].

Town of Fair Bluff's Response to Findings

The Town of Fair Bluff's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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.

W Greene, PLLC

Whiteville, North Carolina
January 29, 2020

**Report on Compliance for Each Major State Program; Report on
Internal Control Over Compliance; In Accordance with OMB Uniform Guidance;
and the State Single Audit Implementation Act**

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited Town of Fair Bluff, North Carolina, compliance 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 Town of Fair Bluff's major state programs for the year ended June 30, 2019. Town of Fair Bluff's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings 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 Town of Fair Bluff'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; and 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, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 of Fair Bluff'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 Town of Fair Bluff's compliance.

Opinion on Each Major State Program

In our opinion, Town of Fair Bluff 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 Town of Fair Bluff 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 Town of Fair Bluff'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, noncompliance 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance 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 significant deficiencies or material weaknesses. 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

W Greene, PLLC

Whiteville, North Carolina
January 29, 2020

TOWN OF FAIR BLUFF, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2019

SECTION I. SUMMARY OF AUDITOR'S RESULTS
--

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Significant deficiency(s)

 X Yes None
 Reported

Noncompliance material to financial statements noted?

 X Yes No

TOWN OF FAIR BLUFF, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2018

SECTION I. SUMMARY OF AUDITOR'S RESULTS
--

State Awards

Internal control over major State programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(s) identified ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major State programs ☐ Modified ☒ Unmodified

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

Identification of major State programs:

Program Name

Golden Leaf Foundation - Municipal Buildings

TOWN OF FAIR BLUFF, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2019

SECTION II. FINANCIAL STATEMENT FINDINGS

Finding: 2019-1 Segregation of Duties

MATERIAL WEAKNESS

Criteria:	Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.
Condition:	There is a lack of segregation of duties among Town personnel.
Effect:	Transactions could be mishandled.
Cause:	There are a limited number of personnel to complete certain functions.
Identification of a repeat finding:	This is a repeat finding from the immediate previous audit, 2018-1.
Recommendation:	The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of controls. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the corrective action plan on page 90 in this audit report.

Finding: 2019-2

MATERIAL NONCOMPLIANCE/SIGNIFICANT DEFICIENCY

Criteria:	G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.
Condition:	The expenditures made in the Town's General Fund for Administration and Debt Service and in the Water and Sewer Fund for Debt Service exceeded the authorized appropriations made in the annual budget by \$97,190, \$27,242 and \$326,591, respectively.
Effect:	Monies were spent that had not been obligated and appropriated.
Cause:	The Town expended more than had been budgeted for in the budget ordinance and a budget amendment was not adopted.
Identification of a repeat finding:	This is a repeat finding from the immediate previous audit, 2018-2.
Recommendation:	Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts. Please refer to corrective action plan on page 90.

TOWN OF FAIR BLUFF, NORTH CAROLINA

Schedule of Findings and Questioned Costs (Continued)

For the Fiscal Year Ended June 30, 2019

SECTION III. STATE AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

COMMISSIONERS
CARL W. MEARES, JR
JAMES H. MEARES, JR
CLARICE V. FAISON
F. LESTER DREW
SPRUELL R. BRITT



TOWN OF FAIR BLUFF

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Phone (910) 649-7426 – Fax (910) 649-7151

BILLY W. HAMMOND
Mayor

PEGGY MOORE
Clerk-Treasurer

Corrective Action Plan For the Fiscal Year Ended June 30, 2019

SECTION II. FINANCIAL STATEMENT FINDINGS

Finding: 2019-1

Name of Contact: Billy Hammond, Mayor

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: Immediately

Finding: 2019-2

Name of Contact: Billy Hammond, Mayor

Corrective Action: The Town will attempt to make sure that budget amendments are made before year-end to account for any adjustments and/or accruals that will be recorded after year-end.

Proposed Completion Date: Immediately

TOWN OF FAIR BLUFF, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2019

Finding: 2018-1

Status: Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of separation. The governing board is becoming more involved in providing some of these controls.

Finding: 2018-2

Status: Budget amendments are being made, however, the Town is still expending more than appropriated.

TOWN OF FAIR BLUFF, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
Federal Awards:						
<u>U.S. Department of Homeland Security</u>						
Passed-through the N.C. Department of Public Safety						
Division of Emergency Management						
Disaster Grants - Public Assistance						
(Presidentially Declared Disasters)	97.036		\$ 92,451	\$ 30,817	\$ -	\$ -
Hazard Mitigation Grant	97.039		267,852	89,284		
Total U.S. Department of Homeland Security			<u>360,303</u>	<u>120,101</u>	<u>-</u>	<u>-</u>
Total Federal Awards			<u>360,303</u>	<u>120,101</u>	<u>-</u>	<u>-</u>
State Awards:						
Cash Assistance						
<u>N.C. Department of Transportation</u>						
Powell Bill	-	DOT-4	-	39,252	-	-
<u>Golden Leaf Foundation</u>						
Municipal Buildings	-	FY 2017-205	-	1,252,358	-	-
<u>N.C. Office of State Budget and Management</u>						
Planning Grant	-	-	-	175,000	-	-
Hurricane Disaster Relief and Recovery			-	380,336	-	-
<u>N.C. Department of Environmental Quality</u>						
Capitalization Grants for Clean Water						
State Revolving Funds - Disaster Recovery		E-SAP-W-17-0009	-	65,661	-	-
Capitalization Grants for Clean Water						
State Revolving Funds - Sewer Grant		E-AIA-W-017-0060	-	10,000	-	-
Capitalization Grants for Drinking Water						
State Revolving Funds - Water Well		H-SAP-D-17-0014	-	26,843	-	-
Total State Awards			<u>-</u>	<u>1,949,450</u>	<u>-</u>	<u>-</u>
Total Federal and State Awards			<u>\$ 360,303</u>	<u>\$ 2,069,551</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF FAIR BLUFF, NORTH CAROLINA

Notes to Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

I. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the Town of Fair Bluff, North Carolina 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 US 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 Town of Fair Bluff, North Carolina, it is not intended to and does not present the financial position, changes in net position, or cash flows of Town of Fair Bluff, North Carolina.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND INDIRECT COST RATE

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Town of Fair Bluff, North Carolina has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

