TOWN OF SEABOARD, NORTH CAROLINA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2019

Financial Statements Town of Seaboard, North Carolina

Board of Commissioners

Geraldine Langford, Mayor LaQuita Barnes Ruth Bek Alfred Kwasikpui George Jermon, Sr. Betty Verlene Stephenson

Administrative and Financial Staff

Christine Bass, Town Clerk

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

Financial Section	Page
Independent Auditor's Report Management's Discussion and Analysis	
Wanagement's Discussion and Analysis	2
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet- Governmental Funds	5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	9
Statement of Net Position – Proprietary Fund	10
Statement of Revenues, Expenditures, and Changes in Net Position – Proprietary Fund	11
Statement of Cash Flows – Proprietary Fund	12
Notes to the Financial Statements	14
Required Supplemental Financial Data	
Schedule of the Proportionate Share of the Net Pension Liability – Local Government Employees' Retirement Systems	30
Schedule of Contributions - Local Government Employees' Retirement System	31

	<u>Page</u>
Individual Fund Statements and Schedules	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	32
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Main Street South Waterline Improvements – Water and Sewer Capital Projects Fund	35
Other Schedules	
Schedule of Ad Valorem Taxes Receivable	38
Analysis of Current Tax Levy – Town-wide Levy	39
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	40
Schedule of Findings and Questioned Costs	42
Corrective Action Plan	45
Summary Schedule of Prior Year Audit Findings	47



JOHNSON, MCLEAN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 467
200 NORTH WYNN STREET
MURFREESBORO, NORTH CAROLINA 27855

R. DON JOHNSON, JR., CPA BEN S. McLEAN, CPA

Reply To:
Post Office Box 467
Murfreesboro, North Carolina 27855
Telephone: 252-398-5141
Facsimile: 252-398-5142
Email: Don –djohnson@johnsonmclean.com
Ben –bmclean@johnsonmclean.com

Ahoskie Office: 400 East Church Street Ahoskie, North Carolina 27910 Telephone: 252-332-4417 Facsimile: 252-332-7538

Independent Auditor's Report

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

Report on the Financial Statements

I 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 Seaboard, 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

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

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

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

Opinions

In my opinion, based on my 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 Seaboard, 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 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 12, 2019 on my consideration of Town of Seaboard's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Seaboard's internal control over financial reporting and compliance.

Johnson, McLean & Company Murfreesboro, North Carolina

Hum Meleon 460

December 12, 2019



Management's Discussion and Analysis

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

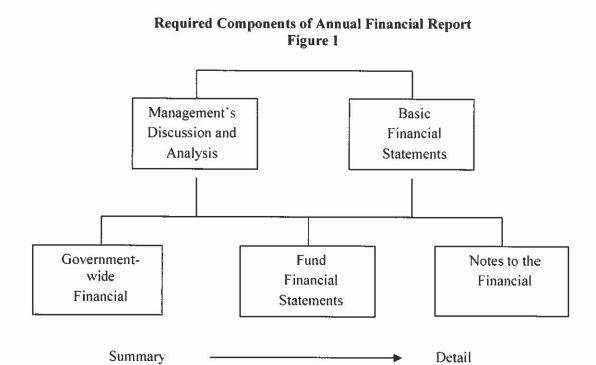
Financial Highlights

- The assets of the Town of Seaboard exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,522,572 (net position).
- The government's total net position increased by \$410,693 primarily due to increases in the governmental activities net position and water and sewer net position.
- At the close of the current fiscal year, the Town of Seaboard's governmental funds reported combined ending fund balances of \$315,327 with a net change of \$96,521 in fund balance. Approximately 26.08 percent of this total amount, or \$82,244, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$233,083, or 88.44 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 Seaboard'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 Seaboard.

Town of Seaboard



Basic Financial Statements

The first two statements (Pages 3 and 4) 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 5 through 13) 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 they have changed. Net position is the difference between the Town's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

Management Discussion and Analysis-

Town of Seaboard

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and wastewater services offered by the Town of Seaboard.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Seaboard, 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 Seaboard 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 Seaboard 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 Seaboard has one kind of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Seaboard uses enterprise funds to account for its water and sewer and wastewater activity. The fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Management Discussion and Analysis-

Town of Seaboard

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 14 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 Seaboard's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 30 of this report.

Government-wide Financial Analysis Town of Seaboard's Net Position

Figure 2

		Gover			Busine						
	Activities				Activ	viti	es	Total			
		2019		2018	2019		2018		2019		2018
Current and other assets	\$	545,024	\$	461,145	\$ 403,398	\$	389,522	\$	948,422	\$	850,667
Non-current assets		507,167		516,909	3,681,593		3,365,840		4.188.760		3,882,749
Deferred outflows of resources		28,782		29,113	24,435		9,704		53,217		38.817
Total assets and deferred outflows of	54										
resources	12	1,080,973		1,007,167	4.109,426		3,765,066		5,190,399		4,772.233
Long-term liabilities		236,943		238,984	331,992		340,511		568,935		579,495
Current liabilities		130,898		137,228	(40, 173)		(67,417)		90.725		69.811
Deferred inflows of resources		3,541		7,338	4,626		3,711		8,167		11,049
Total liabilities and deferred inflows of		33,411,000 3,000					330000000000000000000000000000000000000				
resources	-	371,382		383,550	 296,445		276,805		667,827		660,355
Net position:											
Net Investments in capital assets		288,654		292,755	3,347,316		3.008,739		3,635,970		3,301,494
Restricted		82,244		109,887	-		*		82.244		109,887
Unrestricted		338,693		220,975	465,665		479.522		804,358		700,497
Total net assets	\$	709,591	\$	623,617	\$ 3,812,981	\$	3,488,261	\$	4,522,572	\$	4,111,878

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Seaboard exceeded liabilities and deferred inflows by \$4,522,572 as of June 30, 2019. The Town's net position increased by \$410,693 for the fiscal year ended June 30, 2019. However, the largest portion (80,40%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Seaboard uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Seaboard's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Seaboard's net position \$82,244 (1.82%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$804,358 is unrestricted

Town of Seaboard's Changes in Net Position

Figure 3

	2	019	2018	20.	2019		2018		2019		2018
Revenues:											
Program revenues:											
Charges for services	\$		\$ -	\$	333,070	\$	369,762	\$	333.070	\$	369,762
Operating grants and contributions		3.740	49.117				-		3,740	-	49.117
Capital grants and contributions		18.646	90,625		-				18.646		90.625
General revenues:									10.010		70.023
Property taxes		122,520	156,022				2		122,520		156.022
Other taxes		2.345	1.980		2				2,345		1,980
Other		208.889	214,450		4.220		7,782		213,109		222.232
Total revenues		356.140	 512.194		337.290		377.544		693.430		889.738
Expenses:										_	155
General government		148.297	173.510				_		148.297		173.510
Public safety		19,667	40.356				_		19,667		40,356
Transportation		84.254	87.952		7 <u>4</u>		_		84,254		87,952
Cultural and development		8.011	19,932		_				8.011		19,932
Interest on long-term debt		9,938	8.431		18.815		21,507		28,753		29,938
Water and sewer		-	-		360,709		372,698		360.709		372.698
Total expenses		270.167	330.181		379,524		394.205		649.691		724.386
Increase in net position before transfers		85.973	182.013		(42.234)		(16.661)		43,739		165.352
Operatiing transfers		-	(7.500)		_		7.500				
Capital contributions		-			366.954		459,742		366,954		459,742
Increase (decrease) in net position	Z	85.973	174.513		324,720	_	450,581	-	410.693		625.094
Net Position, July 1		623.618	387.334		3.488,261		3.017.835		4.111.879		3,405,169
Restatement		3.	61,770				19.845		-		81.615
Net assets, July 1, restated	-	623.618	449.104		3.488,261	1	3.037.680	- 3	4.111.879	8	3.486.784
Net assets. June 30	\$	709.591	\$ 623.617	\$	3,812,981	\$	3.488,261		1.522.572		4.111.878

Governmental Activities. Governmental activities increased the Town's net position by \$85,973, accounting for 21% of the total growth in the net position of the Town of Seaboard.

Business-type Activities. Business-type activities increased the Town's net position by \$324,720. accounting for 79% of the total growth in the net position of the Town of Seaboard.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Seaboard'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 Seaboard'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 Seaboard. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$233,083, while total fund balance reached \$315,327. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

General Fund Budgetary Highlights. During the fiscal year, the Town of Seaboard made budget revisions. 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.

Proprietary Funds. The Town of Seaboard'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 \$465,665. There was an increase in net position of \$324,720. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Seaboard's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Seaboard's investment in capital assets for its governmental and business—type activities as of June 30, 2019, totals \$4.188,760 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Town of Seaboard's Capital Assets (net of depreciation)

Figure 4

	G	overnmental Activities	18	Governmental Activities	В	usiness-type Activities		siness-type Activities		Total		Total
		2019		2018		2019		2018		2019		2018
Land and non-depreciable	\$	176,415	\$	176,415	s	1.245.557	\$	878.520	\$	1.421.972	ŝ	1,054,935
Buildings and systems		236,102		245,463		2,436,036	1000	2,487,317	100	2,672,138	•	2,732,780
Machinery and equipment		53,520		53,111		740				53,520		53,111
Infrastructure		41,130	15	41,920		•				41,130		41,920
Total	\$	507,167	\$	516,909	\$	3,681,593	\$	3,365,837	\$	4,188,760	\$	3,882,746

Town of Seaboard

Additional information on the Town's capital assets can be found in Notes to the Basic Financial Statements.

Long-term Debt.

As of June 30, 2019, the Town of Seaboard had total debt outstanding of \$561,501. All of which is debt backed by the full faith and credit of the Town.

	Governmental Activities					Busine Activ		Total				
		2019		2018		2019	2018	_	2019	_	2018	
General obligation bonds	\$	2	S	- 2	s	161,750	\$ 180,750	\$	161,750	\$	180,750	
Installment purchases		218,513		224,204		172,527	181.110		391,040		405,314	
Compensated absences		6,518		2,350		2,193	3,497		8,711		5,847	
Net pension liability (LGERS		24,435		13,366		23,649	13.366		48,084		26,732	
Total	\$	249,466	\$	239,920	\$	360,119	\$ 378,723	\$	609,585	\$	618,643	

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the assessed value of taxable property located within that government's boundaries. The legal debt margin of the Town of Seaboard is \$1,322,101. The Town has \$0 in bonds authorized but unissued at June 30, 2019.

Additional information regarding the Town of Seaboard's long-term debt can be found in Notes to Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The following indicators reflect Seaboard and the surrounding area economic condition.

- High unemployment. The seasonally adjusted unemployment rate for the area is well above the State seasonally adjusted average.
- No significant jobs have been created.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: Property taxes increased at .60 cents per \$100 valuation.

Requests for Information

This report is designed to provide an overview of the Town of Seaboard's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Christine Bass, Town Clerk, Town of Seaboard, P.O. Box 327, Seaboard, North Carolina 27876. (252) 589-5061.





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

	Pr	imary Government	
	Governmental	Business-Type	
	Activities	Activities	Total
Assets		- 1842 - 1878	
Current Assets:			
Cash and cash equivalents	\$ 351,767	\$ 337,038	\$ 688,805
Restricted cash and cash equivalents	47,477	1 2	47,477
Taxes receivable (net)	84,167	•	84,167
Accrued interest receivable on taxes	26,846	3	26,846
Accounts receivable (net)	34,767	66,360	101,127
Total Current Assets	545,024	403,398	948,422
Capital Assets:			
Land, non-depreciable improvements and			
construction in progress	176,415	1,245,557	1,421,972
Other capital assets, net of depreciation	330,752	2,436,036	2,766,788
Total Capital Assets	507,167	3,681,593	4,188,760
Total Assets	1,052,191	4,084,991	5,137,182
Deferred Outflows of Resources		***	
Pension deferrals	28,782	24,435	E2 247
	20,702	24,435	53,217
Liabilities			
Current Liabilities:			
Deposits	= 0	24,093	24,093
Accounts payable	4,751	21,231	25,982
Long-term debt, current portion	6,005	25,934	31,939
Compensated absences payable - current	6,518	2,193	8,711
Due to other funds	113,624	(113,624)	
Total Current Liabilities	130,898	(40,173)	90,725
Long-term Liabilities:			
Compensated absences payable - noncurrent		-	
Net pension liability	24,435	23,649	48,084
Long-term debt	212,508	308,343	520,851
Total Long-term Liabilities	236,943	331,992	568,935
Total Liabilities	367,841	291,819	659,660
Defermed Inflores of December			
Deferred Inflows of Resources		1.22	
Prepaid taxes & water bills Pension deferrals	308	1,394	1,702
Total Deferred Inflows of Resources	3,233	3,232	6,465
Total Deferred Innows of Resources	3,541	4,626	8,167
Net Position			
Net investment in capital assets	288,654	3,347,316	3,635,970
Restricted for:			
Other functions	47,477	:=	47,477
Stabilization by State statute	34,767	S-	34,767
Unrestricted Total Not Position	338,693	465,665	804,358
Total Net Position	\$ 709,591	\$ 3,812,981	\$4,522,572

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

Net (Expense)
Revenue and
Changes in

		Program Revenues								Net P				
Functions/Programs	E	xpenses			siness-type Activities	Total								
Governmental Activities:			500				-	-	-	,				
General government	\$	148,297	\$	3,740	\$		\$	-	\$	(144,557)	\$	65 52	\$	(144,557)
Public safety		19,667		¥				3 5		(19,667)		-		(19,667)
Transportation		84,254		-		18,646		-		(65,608)		<u>=</u>		(65,608)
Cultural and recreation		8,011		<u>-</u>		-		s é		(8,011)		-		(8,011)
Economic development		-		-		-		-		(E)		-		_
Interest on long-term debt Total governmental		9,938	()	<u>=</u>	-		20		eman.	(9,938)	-		10	(9,938)
activities		270,167		3,740		18,646		3. 4		(247,781)		0=		(247,781)
Business-type activities:														
Sewer		379,524		333,070		٠	24	-				(46,454)		(46,454)
Total primary government	\$	649,691	\$	336,810	\$	18,646	\$		\$	(247,781)	\$	(46,454)	\$	(294,235)
	Gene Tax	ral Revenues es:	it.											
	Р	roperty taxes	, levi	ed for gen	eral pu	urpose				122,520		-		122,520
	0	ther taxes								2,345		•		2,345
	U	nrestricted, in	iterg	overnmen	tal					182,744		-		182,744
	Gra	ints and contr	ibuti	ons, not re	stricte	d to specific	purpose	s		-		366,954		366,954
	Оре	erating transfe	ers							12		-		-
	Unr	estricted inve	stme	ent earning	js.					68		278		346
	Sale	e of equipmer	nt							22,850		- 1		22,850
	Mis	cellaneous							#2	3,227		3,942		7,169
	To	otal general re	even	ues					8	333,754		371,174	revers env	704,928
	C	hange in Net	Posi	tion					1000	85,973		324,720		410,693
	Net P	osition, Begin	ning	of year						623,618	% cc	3,488,261		4,111,879
	Net P	osition, End o	f yea	ar					\$	709,591	\$	3,812,981	\$	4,522,572



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

	***************************************	r Fund	Non-m Fund Seabo	d ard	Total Governmental				
		inerai und	Commu Pari		Funds				
Assets									
Cash and cash equivalents	\$ 3	51,767	\$	=	\$	351,767			
Restricted cash		47,477				47,477			
Receivables, net:									
Taxes		84,167		-		84,167			
Accounts	1	34,767		=		34,767			
Total Assets	5	18,178		-	200-20	518,178			
Liabilities		2000 Tel 10							
Accounts payable and accrued liabilities		4,752		•		4,752			
Due to other funds	1	13,624				113,624			
Total Liabilities	1	18,376				118,376			
Deferred Inflows of Resources									
Property taxes receivable		84,167		-		84,167			
Prepaid taxes		308	<u> 88</u>		72 4	308			
Total Deferred Inflows of Resources		84,475		-	P	84,475			
Fund Balances									
Restricted:									
Stabilization by State statute		34,767		-		34,767			
Streets		47,477		•		47,477			
Unassigned) 	33,083				233,083			
Total Fund Balances	3	15,327	-			315,327			
Total Liabilities, Deferred Inflows									
of Resources, and Fund Balances	\$ 5	18,178	\$	-	\$	518,178			

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

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

Ending fund balance - governmental funds	\$ 315,327
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	507,167
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are not reported in the funds.	26,846
Deferred outflows of resources related to pensions are not reported in the funds	28,782
Net pension liability	(24,435)
Deferred inflows of resources related to pensions are not reported in the funds	(3,233)
Liabilities for earned but deferred revenues in fund statements.	84,168
Some liabilities, including long-term debt and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	 (225,031)
Net position of governmental activities	\$ 709,591

Town of Seaboard, North Carolina Statement of Revenues, Expenditures And Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2019

	Ma	jor Fund	Non-m	ajor Fund		
	Gen	eral Fund	V/100000000	iboard unity Park	100,000,000	Total ernmental Funds
Revenues						
Ad valorem taxes	\$	126,436	\$	•	\$	126,436
Other taxes and licenses		2,345		H		2,345
Unrestricted intergovernmental		182,744		-		182,744
Restricted intergovernmental		18,646		-		18,646
Investment earnings		68		-		68
Miscellaneous		29,817	F1000000000000000000000000000000000000	-		29,817
Total Revenues	18	360,056		-	6	360,056
Expenditures						
General government		134,279		r=		134,279
Public safety		19,667		T=		19,667
Transportation		93,192		-		93,192
Cultural and recreation		768		% =		768
Debt service		15,629) **		15,629
Economic and physical development		3 4	÷			
Total Expenditures		263,535	v	_		263,535
Insurance recovery						
Revenues Over (Under) Expenditures		96,521		-		96,521
Other Financing Sources (Uses)						
Operating transfers		-		-		*1
Insurance recovery	2 2 12 10 10 10		20.) (1)		=
Revenues Over (Under) Expenditures		96,521			-	96,521
Fund balances			**		31	
Beginning of year		218,806		9) ,	v.	218,806
End of year	\$	315,327	\$	-	\$	315,327

Town of Seaboard, North Carolina Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement Activities For the Year Ended June 30, 2019

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

Net change in fund balance - governmental funds	\$ 96,521
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded (less than) depreciation in the current period.	(9,742)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in funds.	
 Change in deferred revenue for tax revenues Accrued interest on taxes receivable 	(3,774) (142)
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 assets.	
New long-term debt issuedPrincipal payment on long-term debt	5,691
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.	
Deferred revenue	308
Compensated absences	(1,779)
Pension expense	 (1,110)
Change in net position of governmental activities	\$ 85,973

Town of Seaboard, North Carolina General Fund

Statement of Revenues, Expenditures, And Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2019

		Original		Final		Actual mounts	Fina P	ance with al Budget ositive egative)
Revenues	œ.	00.607	æ	00.607	æ	106 126	e	25 920
Ad valorem taxes	\$	90,607 1,575	\$	90,607 1,575	\$	126,436 2,345	\$	35,829 770
Other taxes and licenses		SUM TESTS (201)		S-000000000 SAV		182,744		12,744
Unrestricted intergovernmental		170,000		170,000		18,646		
Restricted intergovernmental Investment earnings		18,949		19,254		10,040		(608) 68
Miscellaneous		_		34,751		29,817		(4,934)
Total Revenues		281,131		316,187		360,056		43,869
Expenditures						:5		
General government		129,668		149,802		134,279		15,523
Public safety		62,000		62,000		19,667		42,333
Transportation		92,413		115,946		93,192		22,754
Cultural and recereation		-		2,302		768		1,534
Debt service		24,300		24,300		15,629		8,671
Total Expenditures		308,381		354,350		263,535		90,815
Revenues Over (Under) Expenditures		(27,250)		(38,163)		96,521		134,684
Other financing sources (uses):								
Fund balance appropriated		27,250		38,163		-		38,163
Transfers from other funds		-		-		-		-
Insurance recovery		-		-		; - ;		
Total other financing sources (uses)		27,250		38,163				38,163
Excess of Revenues and Other Sources								
	œ		œ.		œ.	06 521	ø	06 521
Over (Under) Expenditures	\$		\$		Ф	96,521	\$	96,521
Fund Balances								
Beginning of year					_	218,806		
End of year					\$	315,327		

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

	Major Enterprise Fund Water &	
• 00 00 0000	Se	wer Fund
Assets		
Current Assets:		
Cash and cash equivalents	\$	337,038
Accounts receivable (net)		66,360
Due from other funds	***	113,624
Total Current Assets	-	517,022
Capital Assets:		
Land and other nondepreciable assets		1,245,557
Other capital assets, net of depreciation		2,436,036
Total Capital Assets		3,681,593
Total Assets	(-	4,198,615
Deferred Outflows of Resources		
Pension deferrals	3	24,435
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities		21,231
Deferred revenue		1,394
Long-term debt (current portion)		25,934
Compensated absences payable - current		2,193
Deposits		24,093
Total Current Liabilities	f ²	74,845
Non-current liabilities:		
Long-term debt (non-current portion)		308,343
Net pension liability		23,649
Total Non-current Liabilities		331,992
Total Liabilities		406,837
Deferred Inflows of Resources		
Pension deferrals		3,232
Net Position		200 30000000000000000000000000000000000
Net investment in capital assets		3,347,316
Unrestricted	*	465,665
Total Net Position		3,812,981
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$	4,223,050

The notes to the financial statements are an integral part of this statement.

Town of Seaboard, North Carolina Statement of Revenues, Expenditures And Changes in Net Position Proprietary Funds For the Year Ended June 30, 2019

	Major Enterprise Fund Water &
	Sewer Fund
Operating Revenues	
Charges for services	\$ 326,736
Other operating revenues	5,534
Total Operating Revenues	332,270
Operating Expenses	
Salaries & employee benefits	125,084
Administration	38,149
Water treatment and distribution	68,770
Waste collection and treatment	39,889
Depreciation	88,817
Total Operating Expenses	360,709
Operating Income (Loss)	(28,439)
Nonoperating Revenues (Expenses)	
Investment earnings	278
Interest expense	(18,815)
Rent income	800
Miscellaneous revenue	3,942
Total Non-operating Revenue (Expenses)	(13,795)
Income (loss) before contributions	(42,234)
Capital contributions	366,954
Change in net position	324,720
Total Net Position - beginning of year	3,488,261
Total Net Position - end of year	\$ 3,812,981

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

	Major Enterprise Fund	
	Wat	er & Sewer Fund
Cash Flows From Operating Activities		
Cash received from customers	\$	308,633
Cash paid for goods and services		(129,038)
Cash paid to or on behalf of employees for services		(123,367)
Net Cash Provided (Used) by Operating Activities		56,228
Cash Flows From Non-capital Financing Activities		
Other revenues (expenses)		4,742
Operating transfers		
Changes in due to (from) other funds	·	8,640
Net Cash Provided (Used) by Non-capital Financing Activities		13,382
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets		(404,571)
Capital contributions		366,954
Principal paid on bonds		(22,821)
Interest paid on bonds	9/1-15199/4-	(18,815)
Net Cash Provided (Used) by Capital and	8	
Related Financing Activities	7	(79,253)
Cash Flows From Investing Activities		
Interest	400 00	278
Net Increase (Decrease) in Cash and Cash Equivalents		(9,365)
Balances - Beginning of year		346,403
Balances - End of year	\$	337,038

Town of Seaboard, North Carolina Statement of Cash Flows Proprietary Fund For the Fiscal Year Ended June 30, 2019

Reconciliation of operating income to net cash provided by operating activities

Operating income (loss)	\$ (28,439)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	88,817
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(23,240)
(Increase) decrease in deferred outflows of resources	(14,731)
Increase (decrease) in pension deferrals	786
Increase (decrease) in net pension liability	16,965
Increase (decrease) in accounts payable	17,771
Increase (decrease) in customer deposits	(526)
Increase (decrease) in compensated absences	(1,304)
Increase (decrese) in deferred revenue	 129
Net cash provided by (used for) operating activities	\$ 56,228



I. Summary of Significant Accounting Policies

The accounting policies of Town of Seaboard 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 Seaboard is a municipal corporation that is governed by an elected mayor and a five-member council.

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 and investment earnings, result from non-exchange transactions or ancillary activities.

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.

The Town reports the following non-major governmental fund:

Capital Projects Fund. This fund is used to account for grant funds that are used for construction of Town infrastructure. The Town has one capital project funds: Seaboard Community Park.

The Town reports the following major enterprise funds:

Water & Sewer Fund. This fund is used to account for the Town's water and sewer operations. A Water and Sewer Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparisons for the Water and Sewer Capital Projects Fund have been included in the supplemental information.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 60 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 is 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 beer and wine 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 Seaboard because the tax is levied by Northampton County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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. All annual appropriations lapse at the fiscal year-end. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. 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, 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. 15-31]. The Town may designate, as an official depository, and 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 investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term Portfolio has a duration of .11 years. Because the NCCCMT Government and Term Portfolios have a weighted maturity of less than 90-days, they are presented as an investment with a maturity of less than 6-months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted assets because it 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. Capital Projects funds can be expended only for purposes of the Capital Project.

Town of Seaboard Restricted Cash

Governmental Activities: General Fund

Streets \$ 47,477

Business Activities: Water and Sewer Fund: Capital Project

·-

Total Restricted Cash

\$ 47,477

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. No allowances have been recorded.

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. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimate historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Useful Lives		
Infrastructure	20-40		
Buildings	20-40		
Improvements	20		
Vehicles	5-20		
Furniture and equipment	5-10		
Computer equipment	5		

7. <u>Deferred Outflows/Inflows of Resources</u>

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

statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category - prepaid taxes, property taxes receivables, and deferrals of pension expenses.

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.

9. Compensated Absences

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

The Town's sick leave policy provides for a maximum accumulation of 12 days for an indeterminate period. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town 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

a. Net Position

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

b. Fund Balances

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

The governmental fund types classify fund balances as follows:

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 in 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 - portion of fund balance that is restricted by revenue source.

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

The Town of Seaboard 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 restricted fund balance first, followed inorder 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 Seaboard employer contributions are recognized when due and the Town of Seaboard 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. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

Noncompliance with North Carolina General Statutes

Per G.S. 105-349, the Town shall appoint a Tax Collector. G.S. 105-349(e) allows the Town Clerk position and the Tax Collector position to be combined into one individual with written permission of the Secretary of the Local Government Commission. During the year ended June 30, 2019, the Town applied for this permission, but it was not granted. Accordingly, the Town operated during the year without an appointed tax collector in violation of G.S. 105-349.

The uniformity clause in Article V. Section 2 (2) of the North Carolina Constitution says Local governments must levy taxes on registered motor vehicles at the same tax rate levied on other types of personal property and on real estate in their jurisdiction. The Town levied taxes on registered motor vehicles at 60¢ per 100 valuation, and 50¢ per 100 valuation on other personal property and real estate for the June 30, 2018 and June 30, 2019 fiscal year. The Town will issue refunds in the June 30, 2020 fiscal year estimated in the amount of \$4,500.

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

At June 30, 2019, the Town's deposits had a carrying amount of \$735,982 and a bank balance of \$765,898. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The Town had \$300 in petty cash on hand at June 30, 2019.

2. Receivables - Allowance for Doubtful Accounts

There have been no provisions for an allowance for doubtful accounts because the amount would be immaterial to these financial statements.

3. Capital Assets

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	\$	176,415	\$	-	\$	#	\$	176,415		
Capital assets being depreciated:	0:			H10.04						
Buildings	\$	321,844	\$	×	\$	2,272	\$	319,572		
Equipment and vehicles		261,099		6,890		136,322		131,667		
Infrastructure		97,368		2,250		-		99,618		
Total capital assets being depreciated	\$	680,311	\$	9,140	\$	138,594	\$	550,857		
Less accumulated depreciation for:		Table Love		d'e						
Buildings	\$	76,381	\$	9,361	\$	2,272	\$	83,470		
Equipment and vehicles		207,988		6,481		136,322		78,147		
Infrastructure		55,448		3,040		-		58,488		
Total accumulated depreciation	*	339,817		18,882		138,594		220,105		
Total capital assets being depreciated, net	-	340,494		entre en la reconstitue				330,752		
Governmental activity capital assets, net	\$	516,909					\$	507,167		

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

General government	\$ 9,284
Recreation	7,243
Transportation	2,355
Total depreciation expense	\$ 18,882

		Beginning Balances		Increases		creases	Ending Balances	
Business-type activities:							•	
Sewer Fund								
Capital assets not being depreciated:								
Land	\$	325,346	\$	-	\$	120	\$ 325,346	
Construction in progress		553,175		367,036		:	920,211	
Total	\$	878,521	\$	367,036	\$		\$ 1,245,557	
Capital assets being depreciated:								
Water & sewer system	\$	4,478,549	\$	37,535	\$	18,148	\$ 4,497,936	
Buildings		264,433					264,433	
Vehicles		15,051				-	15,051	
Total	\$	4,758,033	\$	37,535	\$	18,148	\$ 4,777,420	
Less accumulated depreciation for:								
Water & sewer distribution system	S	2,214,013	\$	81,251	\$	18,148	\$ 2,277,116	
Buildings		41,652		7,565			49,217	
Vehicles		15,051				-	15,051	
Total accumulated depreciation	\$	2.270,716	\$	88,816	\$	18,148	\$ 2,341,384	
Total capital assets being depreciated, net		2,487,317	-			400	2,436,036	
Sewer fund capital assets, net	\$	3,365,838					\$ 3,681,593	

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Seaboard 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 consist 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 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Seaboard 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 Seaboard contractually required contribution rate for the year ended June 30, 2019, was 12.46% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Seaboard were \$17,076 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 \$48,870 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, the Town's proportion was 0.00206%, which was a decrease of 0.00031% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$18,349. The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Changes of assumptions Net difference between projected and actual earnings on pension plan investments Changes in proportion and differences between Town		ed Outflows esources	Inf	eferred lows of sources
Differences between expected and actual experience	\$	7,350	\$	253
Changes of assumptions		12,968		×
Net difference between projected and actual earnings				
		6,709		
Changes in proportion and differences between Town		31, 32		
contributions and proportionate share of contributions		13,276		6.212
Town contributions subsequent to the measurement date	22.0	17,076		
Total	\$	57,379	\$	6,465

\$17,076 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 17,789
2021	9,589
2022	1,116
2023	5,533
Thereafter	
	\$ 34,027

Actuarial Assumptions. The total pension liability in the December 31, 2016 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%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. 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 asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 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	D	iscount	1%	Increase
		(6.00%)	Rat	e (7.00%)	(8.00%)
Total pension liability	\$	117,391	\$	48,870	\$	(8,386)

b. Law Enforcement Officers Special Separation Allowances

The Town of Seaboard has contracted with Northampton County Sheriff's Office to provide law enforcement. At June 30, 2019, the Town did not have any law enforcement officers for which the Town was liable for future separation allowance.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

1) 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.

2) 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. Contributions for the year ended June 30, 2019 were \$0, which consisted of \$0 from the Town and \$0 from the law enforcement officers. At June 30, 2019, the Town did not have any law enforcement officers.

d. Other Employment Benefits

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

Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

2. Deferred / Outflows and Inflows of Resources

The Town has several deferred outflows. Deferred outflows of resources at year-end are composed of the following elements:

	G	ieneral Fund
Contributions to pension plan in current fiscal year	\$	17,076
Deferred Inflows of resources at year-end is composed of the following:		
Property tax receivable		84,167
Prepaid property tax		308
Pension deferrals	V2	3,233
	\$	87,708

3. 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. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town does not carry 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 is bonded for \$50,000.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2019, the Town was not a defendant of any lawsuits.

5. Long-term Obligations

a. General Obligation Indebtedness

The Town of Seaboard has no general obligation bonds serviced by the governmental funds. Those general obligation bonds used to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2019 are comprised of the following individual issues:

1) General Obligation Bonds

\$500,000 1989 Water Serial Bonds due in annual installments of varying amounts through June 1, 2019: interest at 6.25 percent

The Town's legal debt margin at June 30, 2019 was \$1,479,755.

The following table summarizes the annual requirement to amortize the long-term debt outstanding:

	General Obligation Bonds								
Water & Sewer	P	rincipal		Interest					
2020	\$	19,000	\$	10,109					
2021		19,000		8,922					
2022		19,000		7,734					
2023		19,000		6,547					
2024		19,000		5359					
2025-2028		66,750		9,563					
Total	\$	161,750	\$	48,234					

b. Installment Purchases

The Town constructed a new Town Hall during the year. Currently, the Town is paying interest only at 4.25% to the USDA. The total debt of \$452,500 is divided between the General Fund and the Water & Sewer Fund.

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

Year		Busines	s A	ctivities		Govermen	tal	Activities	Total			
Ending	Principal			Interest	F	Principal		Interest	Pr	incipal	li	nterest
2020	\$	4,566	\$	7,332	\$	5,783	\$	9,286	\$	10,349	\$	16,618
2021		4,741		7,158		6,005		9,066		10,746		16,224
2022		4,962		6,937		6,284		8,786		11,246		15,723
2023		5,173		6,726		6,551		8,519		11,724		15,245
2024		5,393		6,506		6,830		8,240		12,223		14,746
2025-2029		30,567		28,926		38,715		36,636		69,282		65,562
2030-2034		37,662		21,832		47,701		27,651		85,363		49,483
2035-2039		46,379		13,115		58,741		16,611	1	05,120		29,726
2040-2042		33,084		2,864		41,903		3,628		74,987		6,492
	\$	172,527	\$	101,396	\$	218,513	\$	128,423	\$3	91,040	\$2	229,819

Changes in Long-term Debt

During the year, the following changes occurred in long-term debt:

	Beginning Balance		In	creases	Decreases			Ending Balance	Current Portion	
Governmental Activities:					10					
Installment Purchases	\$	224,204	\$	-	\$	5,691	S	218,513	S	6,005
Compensated absences		2,350		4,168		-		6,518		6,518
Net pension fiability (LGERS)		13,366		5,249		-		24,435		
Total	\$	239,920	S	9,417	\$	5,691	\$	249,466	\$	12,523
Business-type Activities:										
General obligation bonds	\$	180,750	S		\$	19,000	S	161,750	\$	19,000
Compensated absences		3,497				1,304		2,193		2,193
Installment purchases		181,110		-		8,583		172,527		6,934
Net pension liability (LGERS)		13,366		10.283				23,649		•
Total	\$	378,723	S	10,283	\$	28,887	S	360,119	S	28,127

C. Fund Balance

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

Total fund balance - General Fund	\$ 315,327
Less:	
Stabilization by State Statute	(34,767)
Streets - Powell Bill	(47,477)
Working Capital/Fund Balance Policy	
Remaining Fund Balance	\$ 233,083

D. Net Investment in Capital Assets

Gov	/ernmental	Business-type		
\$	507,167	\$	3,681,593	
	(218,513)		(334,277)	
	~		_	
\$	288,654	\$	3,347,316	
	-	(218,513)	\$ 507,167 \$ (218,513)	

IV. Related Party Transaction

The Town has participated in no related party transactions for the year ended June 30, 2019.

V. Estimates

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

VI. Summary Disclosure of Significant Contingencies

A. 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.

VII. Interfund Balances and Activity

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

				Water &
	Ge	neral Fund	S	ewer Fund
Due (to) from	\$	113,624	\$	(113,624)

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

VIII. Impairment of Capital Assets

In accordance with new financial reporting standards issue by the Governmental Accounting Standards Board's Statement Number 42 Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries requires certain not disclosures. During the June 30, 2019 fiscal year, the Authority experienced no impairments.

IX. Subsequent Events

As of December 12, 2019, the date of the completion of the financial statements, there were no material subsequent events that were required to be reported.



Town of Seaboard, North Carolina Town of Seaboard's 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
Town of Seaboard's proportion of the net pension liability (asset) (%) Town of Seaboard's proportion of the net	0.00175%	0.00348%	0.00347%	0.00222%	0.00280%	0.00280%
pension liability (asset) (\$)	\$ 48,870	\$ 26,735	\$ 73,857	\$ 15,573	\$ (13,092)	\$ 33,751
Town of Seaboard's covered-employee payroll	\$137,047	\$126,500	\$198,950	\$195,126	\$168,415	\$150,405
Town of Seaboard's proportionate share of the net pension liability (asset) as a percentage						
of its covered-employee payroll Plan fiduciary net position as a percentage of	35.66%	21.13%	37.12%	7.98%	-6.70%	22.44%
the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Contractually required contribution Contributions in relation to the contractually	\$ 17,076	\$ 12,139	\$ 13,086	\$ 23,029	\$ 23,317	\$ 19,937
required contributions	17,076	12,139_	13,086	23,029	23,317	19,937
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Seaboard's covered-employee payroll Contributions as a percentage of covered-	\$137,047	\$126,500	\$106,621	\$198,950	\$195,126	\$168,415
employee payroll	12.46%	9.60%	12.27%	11.58%	11.95%	11.84%



Town of Seaboard, North Carolina General Fund

Schedule of Revenues, Expenditures, And Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2019

	B	udget	Actual	Po	riance ositive egative)
Revenues	19	103.00 to			
Ad valorem taxes:					
Taxes	\$		\$ 123,533	\$:•
Penalties and interest		12	 2,903		1-1
Total	A200	90,607	126,436		35,829
Other taxes and licenses:					
Motor vehicle license		€ <u>=</u>	2,170		
Zoning permits		-	175		:=
Total		1,575	2,345		770
Unrestricted intergovernmental:					
Local option sales tax		=	143,292		-
Video programming distribution		-	3,873		-
Telecommunications sales tax		= 0	5,883		-
Utility franchise tax		-	23,423		¥8
Payments in lieu of taxes		-	3,702		E .:
Beer and wine		-:	2,571		•
Total		170,000	 182,744	2	12,744
Restricted intergovernmental:					
Powell bill allocation		19,254	18,646		(608)
Other revenue:					
Court fee and citations		-	32		_
Cell tower lease		-	3,740		6
Donations		-	1,615		-
Sale of equipment		=	22,850		:=:
Miscellaneous	(<u>)</u>		 1,580	-	
Total	-	34,751	29,817		(4,934)
Investment Earnings		H	68		68_
Total Revenues	\$	316,187	\$ 360,056	\$	43,869

Town of Seaboard, North Carolina General Fund

Schedule of Revenues, Expenditures, And Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2019

			Variance Positive
	Budget	Actual	(Negative)
Expenditures			
General Government:			
Governing body:			
Salaries	\$ -	\$ 9,600	\$ -
Election Total	40,000		4.000
	10,800	9,600	1,200
Administration:		22.2.22	
Salaries and employee benefits		59,610	**
Operating expense		53,743	
Legal and accounting Total	120,002	11,326	14 202
	139,002	124,679	14,323
Total General Government	149,802	134,279	15,523
Public safety:			
Police:			
Operating expense	-	18,667	-
Total	61,000	18,667	42,333
Fire and rescue:			
Contribution to fire department	1,000	1,000	
Total Public Safety	62,000	19,667	42,333
Transportation:			
Streets and highways:			
Salaries and employee benefits	· -	46,831	
Operating expense	Ť	19,282	-
Street lights		17,939	-
Capital outlay		9,140	
Total Transportation	115,946	93,192	22,754
Cultural and Recreation:			
Salaries and employee benefits		-	-
Operating expenses		768	-
Total Cultural Resources	\$ 2,302	\$ 768	\$ 1,534

Town of Seaboard, North Carolina General Fund

Schedule of Revenues, Expenditures, And Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2019

	Bud	lget	Actual		Variance Positive Negative)
Debt service:					5735 - 3 8
Principal retirement	\$	-	\$ 5,691	1 \$	5,691
Interest and other charges		-	9,938	3	9,938
Total Debt Service	2	4,300	15,629		8,671
Total Expenditures	35	4,350	263,535	<u> </u>	90,815
Revenues Over (Under) Expenditures	(3	8,163)	96,521	<u>_</u> _	134,684
Other Financing Sources (Uses):					
Insurance recovery		-			121
Transfers from other funds		(4)		-	-
Appropriated fund balance	3	8,163	,	-0	
Total Other Financing Sources (Uses)	3	8,163			(38,163)
Excess of Revenues Over (Under) Expenditures					
and Other Uses	\$		96,521	\$	96,521
Fund Balances:					
Beginning of Year, July 1			218,806	3	
End of Year, June 30		-	\$ 315,327	/	

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

	Dud		Actual	P	ariance ositive
Operating Revenues:	Bud	ger	 Actual	(N	egative)
Water and sewer charges Taps and connection fees Total Operating Revenues	\$	- 49,075	\$ 326,736 5,534	\$	- (10.005)
		19,075	 332,270	(a)	(16,805)
Non-Operating Revenues: Interest earned on investments Rent		-	278 800		2 0
Miscellaneous revenue		12	3,942		13 %
Total Non-operating Revenues		975	 5,020		4,045
		0.0	 0,020		4,043
Appropriated fund balance		-	-		E
Transfers in		3,750	 		(3,750)
Total Revenues	3	53,380	 337,290	(a sec	(16,090)
Operating Expenditures:					
Salaries		1.	83,723		-
Payroll taxes		-	6,791		2
Group insurance		1	22,346		-
Retirement			12,223		÷-
Postage and office supplies		-	2,104		(-
Utilities		_	22,572		
Chemicals		-	20,521		:=
Legal and audit			8,500		-
Maintenance		_	31,670		-
Laboratory analysis		-	7,272		(
Water & sewer lines		. 	19,769		·
Dues & subscriptions		-	2,954		_
Telephone		-	3,595		=
Travel			260		-
Supplies		-	2,402		_
Insurance		-	9,719		1 55
Software		=	5,400		
Gas, oil & auto supplies		-	3,200		_
Contract Services		-	66		=
Uniforms		*	1,301		3 ** 5
Equipment			3,590		
Advertising		-	1,914		-
Total Operating Expenditures	\$ 31	2,302	\$ 271,892	\$	40,410

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

	Budget		Actual	Varia Posi (Nega	
Other Evnenditures				1.1090	,
Other Expenditures:		_		40	
Principal retirement	\$	- \$		\$	= 0
Interest expense Capital outlay		-	18,815		=0
Total Other Expenditures	******		37,534		-
Total Other Expenditures			79,170		77
Total Expenditures	312,30	<u> </u>	351,062	(3	8,760)
Revenues Over (Under) Expenditures	41,07	3	(13,772)	(54	4,850)
Other Financing Sources (Uses):					
Fund balance appropriated	48,58	9	_	(4:	8,589)
Transfers to General Fund	,	<u></u>		9	0,000)
Total Other Financing Sources (Uses)	40.50	<u> </u>			2 500
Total Other Financing Sources (Oses)	48,58	<u> </u>		(4	8,589)
Revenues Over (Under) Expenditures and Other					
Financing (Uses)	\$ 89,66	7\$	(13,772)	\$ (10	3,439)
Reconciliation of modified accrual basis					
to full accrual basis:					
Excess of Revenues Over (Under) Expenditures		\$	(13,772)		
Depreciation			(88,817)		
Capital contributions			366,954		
Debt principal			22,821		
Capital outlay			37,534		
Net Income (Loss) Accrual Basis		_\$	324,720		

Town of Seaboard, North Carolina

Water and Sewer Capital Project Funds - Main Street/NC305 Sewer Improvement Statement of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual

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

						Actual			-	Variance
		Project		Prior	C	urrent	Total to		Favorable	
	Au	thorization		Years		Year		Date	(Unfavorable)	
Revenues:										
CDBG 14-I-2664	\$	655,848	\$	427,567	\$	107,834	\$	535,401	\$	(120,447)
Town contribution		<u>120</u>				-				
Total Revenues		655,848		427,567	-	107,834		535,401		(120,447)
Expenditures:										
Sewer Improvement		577,507		416,362		107,916		524,278		53,229
Rehab-Water connections		18,720						9		18,720
Administration		59,621		11,123				11,123		48,498
Total Expenditures		655,848	_	427,485		107,916		535,401		120,447
Revenues Over (Under) Expenditures	\$		\$	82	\$	(82)	\$	-	\$	
Fund Balance:										
Beginning of year, July 1						-				
End of year, June 30					\$	(82)				
Revenues:										
CDBG - 16-I-2726	\$	1,344,152	\$	32,175	\$	259,121	\$	291,296	\$	(1,052,856)
Total Revenues		1,344,152		32,175		259,121		291,296		(1,052,856)
Expenditures:										
Sewer Improvements		1,211,414		3H		-		-		1,211,414
Administration		132,738		32,175		259,121		291,296	-	(158,558)
Total Expenditures		1,344,152		32,175		259,121		291,296		1,052,856
Revenues Over (Under) Expenditures	\$		\$		\$	•	\$		\$	



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

	Ва	llected lance				ollections		collected Salance
Fiscal Year		une 30, 2018		Additions		d Credits	Jun	e 30, 2019
2018-2019	\$	-	\$	121,980	\$	107,745	\$	14,235
2017-2018		17,586		-		1,816		15,770
2016-2017		14,348				2,530		11,818
2015-2016		16,301		•		3,096		13,205
2014-2015		13,867		(46)		3,341		10,526
2013-2014		7,569		-		1,395		6,174
2012-2013		4,315		=		758		3,557
2011-2012		4,247				873		3,374
2010-2011		2,597		_		591		2,006
2009-2010		4,379		-		877		3,502
2008-2009		2,732				2,732		**************************************
Total	\$	87,941	\$	121,980	\$	125,754	\$	84,167
Reconciliation with revenues:								
				valorem taxes		eral Fund	\$	126,436
				Taxes writter				2,221
				Interest & pe	nalties			(2,903)
				Discoveries a		atements		-
			Total	collections ar	nd cred	lits	\$	125,754

Town of Seaboard, North Carolina Analysis of Current Tax Levy - Town-wide Levy For the Year Ended June 30, 2019

				Total Levy	
	То	wn - Wide		Property excluding	Registered
	Property Valuation	Rate	Total Levy	Registered Motor Vehicles	Motor Vehicles
Original levy: Property taxed at current years' rate Property taxed at current years' rate	\$ 18,636,800 4,799,333	0.50%	\$ 93,184 28,796	\$ 93,184	\$ -
Net Levy	\$ 23,436,133	0.00%	121,980	93,184	28,796 28,796
Uncollected taxes at June 30, 2019			14,235	14,235	
Current year's taxes collected			\$ 107,745	\$ 78,949	28,796
Current levy collection percentage			88.33%	84.72%	100.00%



JOHNSON, MCLEAN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 467
200 NORTH WYNN STREET
MURFREESBORO, NORTH CAROLINA 27855

R. DON JOHNSON, JR., CPA BEN S. McLEAN, CPA

Reply To:
Post Office Box 467
Murfreesboro, North Carolina 27855
Telephone: 252-398-5141
Facsimile: 252-398-5142
Email: Don -djohnson@johnsonmclean.com
Ben -bmclean@johnsonmclean.com

Ahoskie Office: 400 East Church Street Ahoskie, North Carolina 27910 Telephone: 252-332-4417 Facsimile: 252-332-7538

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Seaboard, 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 of Seaboard, North Carolina's basic financial statements, and have issued my report thereon dated December 12, 2019.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Seaboard, North Carolina's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operating of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I do not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and response that I consider to be significant deficiencies reported as Finding 2019-001, 2019-002, and 2019-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Seaboard, North Carolina's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on

the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as Finding 2019-001, 2019-002, and 2019-003.

Town of Seaboard's Response to Findings

The Town of Seaboard's response to the findings identified in my audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion 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.

R. Don Jøhnson, Jr., CPA Murfreesboro, North Carolina

December 12, 2019

Section I – Summary of Auditor's Results						
Financial Statements						
Type of auditor's report issued: Unmodified						
Internal control over financial reporting:						
Material weakness(es) identified?	yes	Xno				
 Significant deficiencie(s) identified that are not considered to be material weaknesses 	Xyes	none reported				
Noncompliance material to financial statements noted	ves	X no				

Section II - Financial Statement Findings

Finding 2019-001 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are

handled appropriately.

Condition: There is lack of segregation of duties among Town personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, and alternative controls should

be used to compensate for lack of separation. The governing board should provide

some of these controls.

Views of responsible officials and planned corrective actions:

The Town agrees with this finding.

This was also reported as Finding 2018-001 for the year ended June 30, 2018.

Section II - Financial Statement Findings

Finding 2019-002 Appointment of Tax Collector

Criteria: In accordance with G.S. 105-349, the Town shall appoint a Tax Collector. G.S. 105-

349(e) allows the Town Clerk position and the Tax Collector position to be combined into one individual with written permission from the Secretary of the Local

Government Commission.

Condition: During the year ended June 30, 2019, the Town did not have an appointed Tax

Collector. The Town did request permission to combine the positions, but the

Secretary of the Local Government Commission denied the request.

Effect: In violation of G.S. 105-349, the Town did not have an appointed Tax Collector during

the year ended June 30, 2019.

Recommendation: Until the time that the Secretary of the Local Government Commission determines

that the internal controls are sufficient to approve this type of request, the Town will be in violation of this Statute. Accordingly, the Town should work to improve the internal controls to satisfy this requirement or appoint another qualified individual to

be the Tax Collector.

Views of responsible officials and planned corrective actions:

Management understands the requirements of G.S. 105-349 and will work to improve the internal controls and will consider appointing a separate individual as Tax Collector. Northampton County has been contracted to bill and collect ad valorem taxes for the current fiscal year. The Finance Officer will serve a dual role as Tax

Collector for all prior year taxes for the fiscal year ended June 30, 2020.

This was also reported as Finding 2019-003 for the year ended June 30, 2019.

Section II - Financial Statement Findings

Finding 2019-003

Uniformity of Tax Levy

Criteria:

The uniformity clause of Article V Section 2(2) of the North Carolina Constitution says Local governments must levy taxes on registered motor vehicles at the same tax rate levied on other types of personal property and real estate in their jurisdiction.

Condition:

During the year ended June 30, 2018 and 2019, the Town levied taxes on registered motor vehicles at 60¢ per \$100.00 valuation and other personal property and real estate at 50¢ per \$100.00 valuation.

Effect:

The Town Board over collected taxes on registered motor vehicles.

Recommendation:

Refund over assessed and collected taxes.

View of responsible officials and planned corrective action:

The Town will refund approximately \$4,500.00 in tax on registered motor vehicles in the June 30, 2020 year.

Section II - Corrective Acton Plan

Finding 2019-001

Segregation of Duties

Name of Contact Person:

Geraldine Langford

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:

The Board will implement the above procedure immediately.

Finding 2019-002

Appointment of Tax Collector

Name of Contact Person:

Geraldine Langford

Mayor

Corrective Action:

The Town has contracted with Northampton County to bill and collect

current year's ad valorem taxes. The Town will collect prior year's taxes

with the Finance Officer approved as Tax Collector.

Proposed Completion Date:

June 30, 2019.

Finding 2019-003

Uniformity of Tax Levy

Name of Contact Person:

Geraldine Langford

Mayor

Corrective Action:

The Town will refund 10¢ per \$100.00 valuation on all personal property for

the fiscal year ended June 30, 2018 and June 30, 2019 that was taxed at

60¢ per \$100.00 valuation.

Proposed Completion Date:

All refunds will be made by June 30, 2020.

Town of Seaboard, North Carolina Summary Schedule of Prior Year Audit Findings For the Year Ended June 30, 2019

Finding 2018-001 Segregation of Duties

This is reported in the current year as Finding 2019-001.

Finding 2018-002 Appointment of Tax Collection

This is reported in the current year as Finding 2019-002