

**TOWN OF SEAGROVE,
NORTH CAROLINA**

FINANCIAL STATEMENTS

June 30, 2019

Prepared by:

Finance Department

Eleanor Roberts
Finance Officer

TOWN OF SEAGROVE, NORTH CAROLINA

COUNCIL MEMBERS

David Fernandez, Mayor

Pam Allen

Ed Walker

Jason Auman

Cindy Neef

Sandra Walker

OFFICIALS

Eleanor Roberts

Town Clerk/Finance Officer

TOWN OF SEAGROVE, NORTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

The Mayor and the Town Council
Town of Seagrove
Seagrove, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Seagrove, 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 Seagrove's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Town of Seagrove, North Carolina's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Seagrove, North Carolina, as of June 30, 2019, and the respective changes in financial position 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 Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 opinions on the financial statements that collectively comprise the basic financial statements of the Town of Seagrove, North Carolina. The budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

The Mayor and the Town Council
Town of Seagrove
Seagrove, North Carolina
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United States of America. In my opinion, based on my audit, the procedures performed as described above, the budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated February 7, 2020, on my consideration of the Town of Seagrove's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Seagrove's internal control over financial reporting and compliance.

February 7, 2020

A handwritten signature in black ink, reading "William R. Huneycutt, CPA, PLLC". The signature is written in a cursive, flowing style.

William R. Huneycutt, CPA, PLLC
Asheboro, North Carolina

Management's Discussion and Analysis

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

Financial Highlights

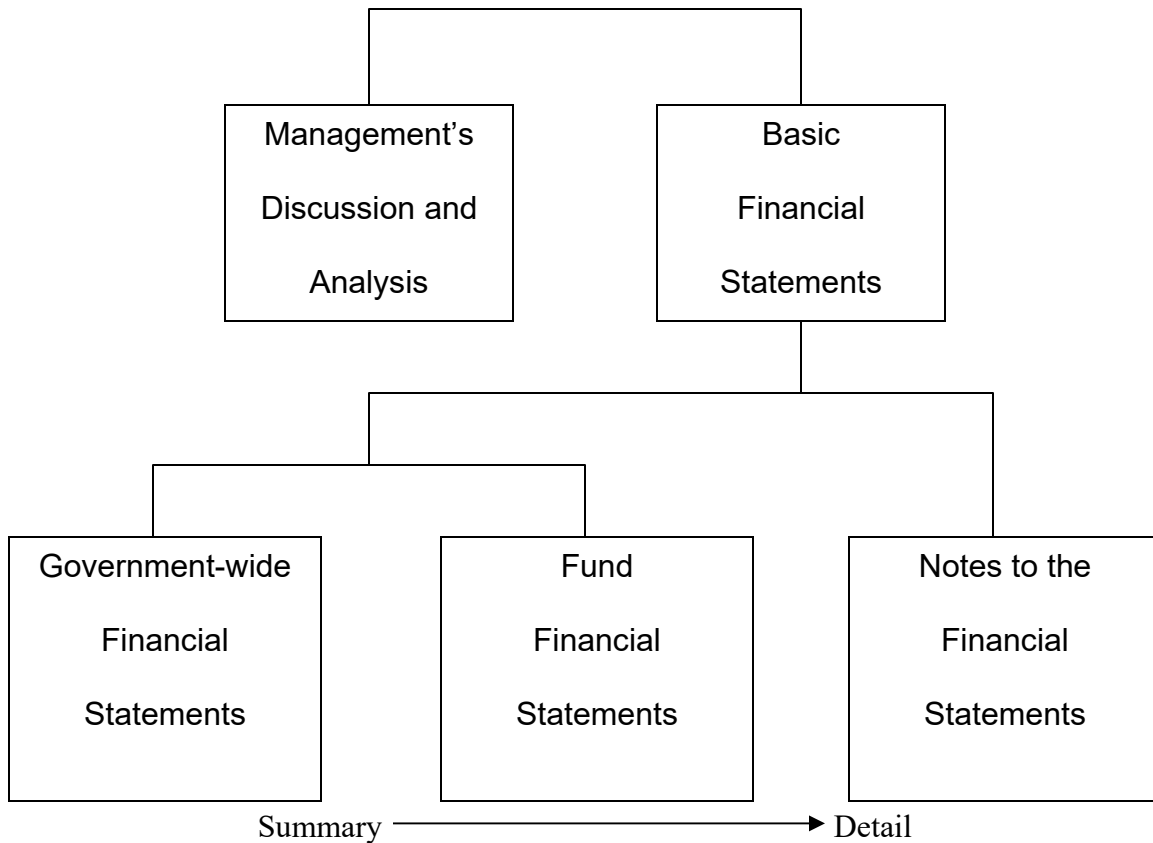
- The assets and deferred outflows of resources of the Town of Seagrove exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,818,121 (*net position*).
- The government's total net position increased by \$919,699, partially due to a prior period adjustment to record construction in progress of \$507,500 from the prior year.
- As of the close of the current fiscal year, the Town of Seagrove's governmental funds reported combined ending fund balances of \$400,827 with a net increase of \$186,109 in fund balance. Approximately 60.92% of this total amount, or \$244,188, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$150,394, or 48.09% 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 Seagrove'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 Seagrove.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements.

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

Government-Wide Financial Statements

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

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

The government-wide statements are reported as one category: 1) governmental 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 government-wide financial statements are 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 Seagrove, 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 Seagrove are governmental 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 Seagrove 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

Management Discussion and Analysis
Town of Seagrove

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.

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 18 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 Seagrove’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 45 of this report.

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

Town of Seagrove’s Net Position

Figure 2

	Governmental Activities		Governmental Activities		Total	
	2019		2018		2019	2018
Current and other assets	\$ 442,076	\$	225,971	\$	442,076	\$ 225,971
Capital assets	2,422,293		1,691,551		2,422,293	1,691,551
Deferred outflows of resources	12,828		9,209		12,828	9,209
Total assets and deferred outflows of resources	2,877,197		1,926,731		2,877,197	1,926,731
					-	-
Long-term liabilities outstanding	17,626		17,791		17,626	17,791
Other liabilities	40,786		10,263		40,786	10,263
Deferred inflows of resources	664		255		664	255
Total liabilities and deferred inflows of resources	59,076		28,309		59,076	28,309
Net position:						
Net investment in capital assets	2,422,293		1,685,695		2,422,293	1,685,695
Restricted	246,150		60,920		246,150	60,920
Unrestricted	149,678		151,807		149,678	151,807
Total net position	\$ 2,818,121	\$	1,898,422	\$	2,818,121	\$ 1,898,422

Management Discussion and Analysis

Town of Seagrove

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Seagrove exceeded liabilities and deferred inflows by \$2,818,121 as of June 30, 2019. The Town's net position increased by \$919,699 for the fiscal year ended June 30, 2019. However, the largest portion, (86%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Seagrove uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Seagrove'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. The remaining balance of \$149,678 is unrestricted.

Town of Seagrove's Changes in Net Position
Figure 3

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 3,874	\$ 1,683
Operating grants and contributions	514,903	517,128
Capital grants and contributions	-	1,002,525
General revenues:		
Property taxes	167,583	163,378
Other taxes	84,700	82,712
Grants and contributions not restricted to specific programs	-	-
Other	34,631	3,917
Total revenues	805,691	1,771,343
Expenses:		
General government	108,397	65,975
Public safety	144,564	146,780
Transportation	29,833	21,423
Environmental protection	29,326	28,008
Economic and physical development	-	506,250
Cultural and recreation	81,239	48,462
Interest on long-term debt	133	264
Total expenses	393,492	817,162
Change in net position	412,199	954,181
Net position, beginning	1,898,422	944,730
Restatement	-	(489)
Prior period adjustment	507,500	-
Net position, restated	2,405,922	944,241
Net position, June 30	\$ 2,818,121	\$ 1,898,422

Governmental activities. Governmental activities increased the Town's net position by \$919,699, which included a prior period adjustment to record construction in progress of \$507,500 from the prior year.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Seagrove. At the end of the current fiscal year, Town of Seagrove's fund balance available in the General Fund was \$175,019, while total fund balance reached \$199,518. The Town of Seagrove currently has an available fund balance of 56% of general fund expenditures, and total fund balance represents 63.8% of the same amount. At June 30, 2019, the governmental funds of Town of Seagrove reported a combined fund balance of \$400,827 with a net increase in fund balance of \$186,109. Included in this change in fund balance is an increase in fund balance in the Special revenue Fund.

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

Capital Asset and Debt Administration

Capital assets. The Town of Seagrove's investment in capital assets for its governmental-type activities as of June 30, 2019, totals \$2,422,293 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include construction in progress for the Luck Comer Lail Center in the amount of \$307,364.

**Town of Seagrove's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities	
	2019	2018
Land	\$ 743,734	\$ 743,734
Buildings and system	1,064,650	649,328
Land improvements	42,073	47,311
Infrastructure	114,128	119,551
Equipment	24,668	29,014
Vehicles and motorized equipment	36,417	53,370
Computer equipment	-	-
Construction in progress	396,623	49,243
Total	<u>\$ 2,422,293</u>	<u>\$ 1,691,551</u>

Additional information on the Town's capital assets can be found in Note 3.A.4 of the Basic Financial Statements.

**Outstanding Debt
Figure 5**

	Governmental Activities	
	2019	2018
Direct Borrowing: Installment loans	\$ -	\$ 5,856
Compensated absences	1,810	1,837
Net pension liability (LGRS)	14,235	9,014
Total pension liability (LEO)	1,581	1,084
Total	<u>\$ 17,626</u>	<u>\$ 17,791</u>

Town of Seagrove's Outstanding Debt

The Town of Seagrove's total debt decreased by \$5,856.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Seagrove is \$3,412,859. The Town has no bonds authorized or unissued at June 30, 2019.

Additional information regarding the Town of Seagrove's long-term debt can be found in Note 3.B.7 of this report.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Property taxes (benefiting from the economic growth) and revenues from permits and fees are expected to stay the same.

Budgeted expenditures in the General Fund are expected to rise, mostly in the Administration Department due to salaries and construction.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Seagrove, P. O. Box 119, Seagrove, NC 27341. One can also call (336)-873-7307, visit our website www.townofseagrove.org or send an email to townclerk@townofseagrove.org for more information.

TOWN OF SEAGROVE, NORTH CAROLINA**STATEMENT OF NET POSITION**

June 30, 2019

	<u>Primary Government</u>
	<u>Governmental Activities</u>
Assets:	
Current Assets:	
Cash and Cash Equivalents	\$ 195,463
Receivables:	
Taxes Receivable (net)	463
Accounts Receivable (net)	245
Due From Other Governments	24,254
Total Current Assets	<u>220,425</u>
Restricted Assets:	
Cash and Cash Equivalents	<u>221,651</u>
Noncurrent Assets:	
Capital Assets:	
Land and Other Non-depreciable Assets	1,140,357
Other Capital Assets, Net of Depreciation	1,281,936
Total Capital Assets	<u>2,422,293</u>
Total Assets	<u>2,864,369</u>
Deferred Outflows of Resources:	
Pension Deferrals	<u>12,828</u>
Liabilities:	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	4,536
Unearned Revenues	36,250
Long-Term Liabilities:	
Net Pension Liability	14,235
Total Pension Liability	1,581
Due Within One Year	1,810
Total Liabilities	<u>58,412</u>
Deferred Inflows of Resources:	
Pension Deferrals	<u>664</u>
Net Position:	
Net Investment in Capital Assets	2,422,293
Restricted for:	
Transportation	19,195
Stabilization by State Statute	24,499
Economic and Physical Development	202,456
Unrestricted	149,678
Total Net Position	<u><u>\$ 2,818,121</u></u>

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

TOWN OF SEAGROVE, NORTH CAROLINA**STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 108,397	\$ -	\$ -	\$ -	\$ (108,397)
Public Safety	144,564	189	-	-	(144,375)
Transportation	29,833	-	10,692	-	(19,141)
Environmental Protection	29,326	-	-	-	(29,326)
Cultural and Recreational	81,239	3,685	-	-	(77,554)
Economic and Physical Development	-	-	504,211	-	504,211
Interest on Long-term Debt	133	-	-	-	(133)
Total Primary Government	\$ 393,492	\$ 3,874	\$ 514,903	\$ -	125,285
General Revenues:					
Taxes:					
Property taxes, levied for general purpose					167,583
Other taxes					84,700
Unrestricted investment earnings					315
Miscellaneous					34,316
Total General Revenues					286,914
Change in Net Position					412,199
Net Position Beginning of Year, Previously Reported					1,898,422
Prior Period Adjustment					507,500
Net Position End of Year					\$ 2,818,121

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

TOWN OF SEAGROVE, NORTH CAROLINA**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2019

	Major Funds		
	General Fund	Grocery, Furniture and Sapona Operation Expansion Project Fund	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 195,463	\$ -	\$ 195,463
Receivables:			
Taxes Receivable (Net)	463	-	463
Accounts Receivable	245	-	245
Due From Other Governments	24,254	-	24,254
Restricted Assets:			
Cash and Cash Equivalents	20,342	201,309	221,651
Total Assets	<u>\$ 240,767</u>	<u>\$ 201,309</u>	<u>\$ 442,076</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 4,536	\$ -	\$ 4,536
Unearned Revenues	36,250	-	36,250
Total Liabilities	<u>40,786</u>	<u>-</u>	<u>40,786</u>
Deferred Inflows of Resources:			
Property Taxes Receivable	463	-	463
Total Deferred Inflows of Resources	<u>463</u>	<u>-</u>	<u>463</u>
Fund Balances:			
Restricted:			
Stabilization by State Statute	24,499	-	24,499
Streets	19,195	-	19,195
Economic and Physical Development	1,147	199,347	200,494
Committed:			
Economic and Physical Development	-	1,962	1,962
Assigned:			
Subsequent Year's Expenditures	4,283	-	4,283
Unassigned	150,394	-	150,394
Total Fund Balances	<u>199,518</u>	<u>201,309</u>	<u>400,827</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 240,767</u>	<u>\$ 201,309</u>	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross capital assets at historical cost		2,706,376	
Accumulated depreciation		(284,083)	2,422,293
Deferred outflows of resources related to pensions.			12,803
Deferred outflows of resources related to LEOSSA			25
Net pension liability			(14,235)
Total pension liability			(1,581)
Deferred inflows of resources related to pensions			(664)
Liabilities for earned revenues considered deferred inflows in fund statements.			463
Some liabilities, including bonds payable, accrued interest, and compensated absences are not due and payable in the current period and therefore are not reported in the funds.			(1,810)
Net Position of Governmental Activities			<u>\$ 2,818,121</u>

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

TOWN OF SEAGROVE, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2019

	Major Funds		
	General	Grocery, Furniture and Sapona Operation Expansion Project Fund	Total Governmental Funds
	Fund	Project Fund	Funds
Revenues:			
Ad Valorem Taxes	\$ 168,110	\$ -	\$ 168,110
Intergovernmental Revenues:			
Unrestricted	84,542	-	84,542
Restricted	10,850	350,000	360,850
Permits and Fees	189	-	189
Sales and Services	3,685	-	3,685
Investment Earnings	315	-	315
Miscellaneous Revenue	34,316	154,211	188,527
Total Revenues	302,007	504,211	806,218
Expenditures:			
Current:			
General Government	60,200	-	60,200
Public Safety	123,484	-	123,484
Transportation	29,833	-	29,833
Environmental Protection	29,326	-	29,326
Cultural and Recreational	63,913	-	63,913
Economic and Physical Development	-	307,364	307,364
Debt Service	5,989	-	5,989
Capital Outlay	-	-	-
Total Expenditures	312,745	307,364	620,109
Net Change in Fund Balances	(10,738)	196,847	186,109
Fund Balances, Beginning	210,256	4,462	214,718
Fund Balances, Ending	\$ 199,518	\$ 201,309	\$ 400,827

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

TOWN OF SEAGROVE, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds		\$	186,109
<p>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 depreciation exceeded capital outlays in the current period.</p>			
Capital outlay expenditures which were capitalized	\$	307,364	
Depreciation expense for governmental assets		<u>(84,122)</u>	223,242
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>			
Change in unavailable revenues for taxes			(527)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>			
			2,615
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>			
			5,856
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>			
Pension expense			(5,123)
Compensated absences			<u>27</u>
Total changes in net position of governmental activities		\$	<u><u>412,199</u></u>

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

TOWN OF SEAGROVE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget - Positive (Negative)
Revenues:				
Ad Valorem Taxes	\$ 184,000	\$ 184,000	\$ 168,110	\$ (15,890)
Intergovernmental Revenues:				
Unrestricted	72,350	72,350	84,542	12,192
Restricted	10,878	10,878	10,850	(28)
Permits and Fees	250	250	189	(61)
Sales and Services	1,500	1,500	3,685	2,185
Investment Earnings	25	25	315	290
Miscellaneous Revenue	1,150	1,150	34,316	33,166
Total Revenues	<u>270,153</u>	<u>270,153</u>	<u>302,007</u>	<u>31,854</u>
Expenditures:				
Current:				
General Government	57,324	60,823	60,200	623
Public Safety	127,140	129,141	123,484	5,657
Transportation	18,300	21,900	29,833	(7,933)
Environmental Protection	28,000	28,000	29,326	(1,326)
Cultural and Recreational	78,400	80,960	63,913	17,047
Debt Service	5,989	5,989	5,989	-
Total Expenditures	<u>315,153</u>	<u>326,813</u>	<u>312,745</u>	<u>14,068</u>
Revenues Over (Under) Expenditures	<u>(45,000)</u>	<u>(56,660)</u>	<u>(10,738)</u>	<u>45,922</u>
Appropriated Fund Balance	<u>45,000</u>	<u>56,660</u>	<u>-</u>	<u>(56,660)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(10,738)</u>	<u>\$ (10,738)</u>
Fund Balance, Beginning			<u>210,256</u>	
Fund Balance, Ending			<u>\$ 199,518</u>	

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Town of Seagrove 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 Seagrove is a municipal corporation which is governed by an elected mayor and a five-member council and has a population of approximately 228. The Town provides services which include general government, public safety, transportation, economic and physical development, environmental protection, and cultural and recreational. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Historic Lucks Cannery Incorporated.

The Historic Lucks Cannery Incorporated is a tax-exempt charitable corporation under the Internal Revenue Service Code Section 501(c)(3). The Town of Seagrove is the only member of the Historic Lucks Cannery Incorporated. The Historic Lucks Cannery Incorporated is presented as if it is a separate governmental fund of the Town (discrete presentation). The Historic Lucks Cannery Incorporated is governed by a minimum five-member and maximum seven-member board, of which one member is required to be from the Town council and the others shall be appointed by the Town of Seagrove. The component unit's sole purpose is to raise funds for renovation and maintenance and plan and manage programs. Complete financial statements for the Historic Lucks Cannery Incorporated may be obtained from the entity's administrative offices at The Historic Lucks Cannery, Incorporated, 798 N.C. Highway 705 East, Seagrove, N.C. 27341. For the year ended June 30, 2019 there was no financial activity for the component unit.

B. Basis of Presentation.

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

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Concluded).

Government-wide Statements (Concluded): 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. A separate statement for the governmental fund category is presented. The emphasis of the fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as non-major funds.

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 other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, sanitation services, and general government services.

Grant Special Revenue Fund. This fund is used to account for grant funds that are restricted for a particular purpose. The Town maintains one Special Revenue Fund: the Grocery, Furniture and Sapona Operations Expansion Project Fund.

C. Measurement Focus and Basis of Accounting.

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

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Concluded).

reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 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 Seagrove because the tax is levied by Randolph 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 are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Budgetary Data.

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for Grant Project Special Revenue Funds. 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. The Town clerk is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$2,500; however, any revisions that alter the total expenditures of any fund or that change functional appropriations by more than \$2,500 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, Deferred Outflows/Inflows of Resources and Fund Equity.

1. Deposits and Investments

All deposits of the Town and the Historic Lucks Cannery Incorporated are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the Historic Lucks Cannery Incorporated may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the Historic Lucks Cannery Incorporated 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 and the Historic Lucks Cannery Incorporated 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 of Seagrove has no investments nor an investment policy as of June 30, 2019; all funds are in deposit type accounts.

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. The Historic Lucks Cannery Incorporated considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash 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. Cash in the Grocery, Furniture and Sapona Operation Expansion Project Fund is also restricted for economic and physical development. Cash in the General Fund is also restricted by donors for the beautification of Town property.

<u>Town of Seagrove - Restricted Cash</u>	
Governmental Activities:	
General Fund:	
Transportation – Streets	\$ 19,195
Economic & Physical Development	1,147
Other Governmental Funds:	
Economic & Physical Development	201,309
Total Governmental Activities	<u>\$ 221,651</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13 (a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due September 1 (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.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, improvements, lines, and other plant and distribution systems, infrastructure, furniture and equipment, and vehicles, \$3,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition cost. General infrastructure assets acquired prior to July 1, 2003, consist of road network assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	20
Improvements	20
Vehicles	5 - 15
Furniture and Equipment	5 - 10
Computer Equipment	3 - 5

7. Deferred Outflows/Inflows of Resources

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In fund financial statements, governmental fund types recognize proceeds from long-term debt as other financing sources.

9. Compensated Absences

The Town provides a vacation and sick leave policy for full-time employees. For the Town's government-wide fund, an expense and a liability for the 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 policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Position/Fund Balances

Net position in government-wide 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.

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

The governmental fund types classify fund balances as follows:

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

10. Net Position/Fund Balances (Continued)

Restricted Fund Balance (Concluded)

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

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Economic and Physical Development – portion of fund balance that is restricted by contributors for improvements to beautification of Town property.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Seagrove's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body by formal resolution.

Committed for Economic and Physical Development – portion of fund balance assigned by the Town Council for economic and physical development.

Assigned Fund Balance – portion of fund balance assigned by majority vote of the governing body that the Town of Seagrove intends to use for specific purposes.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Concluded)

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

10. Net Position/Fund Balances (Concluded)

Assigned Fund Balance (Concluded)

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

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

The Town of Seagrove has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Town clerk will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds and Town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

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 Seagrove's employer contributions are recognized when due and the Town of Seagrove 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.

Note 2 - Stewardship, Compliance, and Accountability

- A. Excess of Expenditures Over Appropriations.

For the fiscal year ended June 30, 2019, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for the transportation department by \$7,933 and in the environmental protection department by \$1,326. These over-expenditures occurred because of additional paving costs and garbage services being incurred but not budgeted. Management and the Board will monitor budget reports more closely in the future to ensure compliance.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds

A. Assets.

1. Deposits

All the deposits of the Town and the Historic Lucks Cannery Incorporated 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 or the Historic Lucks Cannery Incorporated 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 and the Historic Lucks Cannery Incorporated, these deposits are considered to be held by the Town's and the Historic Lucks Cannery Incorporated's agents in the entities' 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, the Historic Lucks Cannery Incorporated, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the Historic Lucks Cannery Incorporated under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Historic Lucks Cannery Incorporated has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$417,114 and a bank balance of \$419,543. Of the bank balance, \$399,393 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The Town had no petty cash fund at June 30, 2019.

At June 30, 2019, the Historic Lucks Cannery Incorporated had no deposits.

2. Investments

At June 30, 2019 the Town of Seagrove had no investments. All funds are in deposit type accounts.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

A. Assets (Continued).

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

Fund	6/30/2019
<hr/>	
General:	
Taxes Receivable	\$ 700
	<hr/>

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

A. Assets (Concluded).

4. Capital Assets

Primary Government:

Capital asset activity for the primary government for the year ended June 30, 2019, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 743,734	\$ -	\$ -	\$ 743,734
Construction in Progress	49,243	814,864	467,484	396,623
Total Capital Assets Not Being Depreciated	<u>792,977</u>	<u>814,864</u>	<u>467,484</u>	<u>1,140,357</u>
Capital Assets Being Depreciated:				
Buildings	709,583	467,484	-	1,177,067
Land Improvements	52,382	-	-	52,382
Equipment	56,910	-	-	56,910
Computer Equipment	7,200	-	-	7,200
Infrastructure	162,691	-	-	162,691
Vehicles and Motorized Equipment	109,768	-	-	109,768
Total Capital Assets Being Depreciated	<u>1,098,534</u>	<u>467,484</u>	<u>-</u>	<u>1,566,018</u>
Less Accumulated Depreciation For:				
Buildings	60,255	52,162	-	112,417
Land Improvements	5,071	5,238	-	10,309
Equipment	27,896	4,346	-	32,242
Computer Equipment	7,200	-	-	7,200
Infrastructure	43,140	5,423	-	48,563
Vehicles and Motorized Equipment	56,398	16,953	-	73,351
Total Accumulated Depreciation	<u>199,960</u>	<u>\$ 84,122</u>	<u>\$ -</u>	<u>284,082</u>
Total Capital Assets Being Depreciated, Net	<u>898,574</u>			<u>1,281,936</u>
Governmental Activity Capital Assets, Net	<u><u>\$ 1,691,551</u></u>			<u><u>\$ 2,422,293</u></u>

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

Public Safety	\$ 18,599
General Government	48,197
Cultural and Recreational	<u>17,326</u>
	<u><u>\$ 84,122</u></u>

Discretely Presented Component Unit:

There has been no capital asset activity recorded for the Historic Lucks Cannery Incorporated.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities.

1. Payables

Payables at the government-wide level at June 30, 2019, were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental Activities:				
General	\$ 2,961	\$ 1,575	\$ - -	\$ 4,536

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Seagrove 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 government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of thirteen 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, NC 27699-1410, or 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 (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

Benefits Provided (Concluded). age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan. LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Seagrove 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 Seagrove's contractually required contribution rate for the year ended June 30, 2019 was 8.36% of compensation for law enforcement officers, 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. The Town of Seagrove's contributions to the pension plan for the year ended June 30, 2019 was \$2,615.

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.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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 \$14,235 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was .00060%.

For the year ended June 30, 2019, the Town recognized pension expense of \$4,559. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Difference between expected and actual experience	\$ 2,196	\$ 74
Changes of assumptions	3,777	- 0 -
Net difference between projected and actual earnings on pension plan investments	1,954	- 0 -
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,261	590
Town contributions subsequent to measurement date	2,615	- 0 -
Total	<hr/> \$ 12,803 <hr/>	<hr/> \$ 664 <hr/>

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued).

The \$2,615 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2020	\$ 4,399
2021	3,079
2022	1,059
2023	988
2024	--
Thereafter	--
	<u>\$ 9,525</u>

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

Inflation	3.0 percent
Salary 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 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.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued).

Actuarial Assumptions(Continued). 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 forgoing 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 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Concluded).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded).

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

Sensitivity of the Town's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
System's proportionate share of net pension liability (asset)	\$ 34,191	\$ 14,235	(\$ 2,443)

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance

(1) Plan Description

The Town of Seagrove administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees receiving benefits	--
Terminated plan members	
entitled to but not yet receiving benefits	--
Active plan members	<u>1</u>
Total	<u><u>1</u></u>

(2) Summary of Significant Accounting Policies

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

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

(3) Actuarial Assumptions

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

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

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

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on scale AA.

(4) Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. The Town paid no benefits for the reporting period.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

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

At June 30, 2019, the Town reported a total pension liability of \$1,581. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$868.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 21	\$ - 0 -
Changes of assumptions and other inputs	4	- 0 -
Benefit payments and administrative expenses subsequent to measurement date	- 0 -	- 0 -
Total	<u>\$ 25</u>	<u>\$ - 0 -</u>

The \$ 0 paid as benefits came due and \$ 0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30		
2020	\$	7
2021		7
2022		7
2023		7
2024		7
Thereafter	(10)
	<u>\$</u>	<u>25</u>

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance. (Concluded)

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.64%) or 1 percentage point higher (4.64%) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total Pension Liability	\$ 1,758	\$ 1,581	\$ 1,419

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

Beginning Balance	\$ 1,084
Service Costs	523
Interest on Pension Liability	34
Changes of Benefit Terms	- 0 -
Differences Between Expected and Actual Experience in the Measurement of Total Pension Liability	24
Changes of Assumptions and Other Inputs	(84)
Benefit Payments	- 0 -
Other Changes	- 0 -
Ending Balance Total Pension Liability	<u>\$ 1,581</u>

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

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Concluded)

c. Total Expense, Liabilities, and Deferred Outflows
and Inflows of Resources related to Pensions

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 4,559	\$ 868	\$ 5,427
Pension Liability	\$ 14,235	\$ 1,581	\$ 15,816
Proportionate Share of Net Pension Liability	.00060%	N/A	

Deferred Outflows of Resources:

Differences Between Expected & Actual Experience	\$ 2,196	\$ 21	\$ 2,217
Changes of Assumptions	\$ 3,777	\$ 4	\$ 3,781
Net Difference Between Projected & Actual Earnings on Plan Investments	\$ 1,954	\$ - 0 -	\$ 1,954
Changes in Proportion & Differences Between Contributions & Prportionate Share of Contributions	\$ 2,261	\$ - 0 -	\$ 2,261
Benefit Payments & Administrative Costs Paid Subsequent to the Measurement Date	\$ 2,615	\$ - 0 -	\$ 2,615

Deferred Inflows of Resources:

Differences Between Expected & Actual Experience	\$ 74	\$ - 0 -	\$ 74
Changes of Assumptions	\$ - 0 -	\$ - 0 -	\$ - 0 -
Net Difference Between Projected & Actual Earnings on Plan Investments	\$ - 0 -	\$ - 0 -	\$ - 0 -
Changes in Proportion & Differences Between Contributions & Proportionate Share of Contributions	\$ 590	\$ - 0 -	\$ 590

3. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

3. Other Employment Benefits (Concluded)

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. 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.

4. Deferred Outflows/Inflows of Resources

Deferred outflows of resources at June 30, 2019 is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 2,615
Benefit payments made and administrative expenses for LEOSSA	- 0 -
Differences between expected and actual experience	2,217
Changes of assumptions	3,781
Net difference between expected and actual earnings on pension plan investments	1,954
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,261
Total	<u>\$ 12,828</u>

Deferred inflows of resources at June 30, 2019 is comprised of the following:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes Receivable, Net (General)	\$ - -	\$ 463
Differences between expected and actual experience	74	- -
Changes in proportion and differences between employer contributions and proportionate share of contributions	590	- -
Total	<u>\$ 664</u>	<u>\$ 990</u>

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence; property coverage up to the total insurance 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 companies 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 N.C. 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 is not located in a flood plain, therefore, they do not carry any flood insurance.

In accordance with G.S. 159-29, the finance officer is individually bonded for \$50,000. No other employees of the Town have access to any funds.

6. Claims, Judgments, and Contingent Liabilities

At June 30, 2019, there was no material pending or threatened litigation, claims or assessments involving the Town of Seagrove.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Concluded)

B. Liabilities (Concluded).

7. Long-Term Obligations

a. Changes in Long-Term Liabilities

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental Activities:					
Direct Borrowing:					
Installment Loans	\$ 5,856	\$ - -	\$ 5,856	\$ - -	\$ - -
Compensated Absences	1,837	2,735	2,762	1,810	1,810
Net Pension Liability (LGERS)	9,014	5,221	- -	14,235	- -
Total Pension Liability (LEO)	1,084	497	- -	1,581	- -
Governmental Activity Long-term Liabilities	<u>\$ 17,791</u>	<u>\$ 8,453</u>	<u>\$ 8,618</u>	<u>\$ 17,626</u>	<u>\$ 1,810</u>

Compensated absences for governmental activities typically have been liquidated in the General Fund.

At June 30, 2019, the Town's legal debt margin is \$3,412,859.

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	<u>\$ 199,518</u>
Less:	
Streets – Powell Bill	19,195
Stabilization by State Statute	24,499
Economic and Physical Development	1,147
Appropriated Fund Balance - 2019 Budget	<u>4,283</u>
Remaining Fund balance	<u><u>\$ 150,394</u></u>

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

<u>Encumbrances</u>	
<u>General Fund</u>	<u>Non-major Funds</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

Note 4 - Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Note 5 - Jointly Governed Organization

The Town, in conjunction with seven counties and forty-two municipalities, established the Piedmont Triad Regional Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$550 to the Council during the fiscal year ended June 30, 2019.

Note 6 - Related Organization

The Seagrove-Ulah Metropolitan Water District of Randolph County was established in 1989 to provide local water and sewer services. Its primary revenues are customer fees for these services. One of the four members of the District's governing board is appointed by the Town of Seagrove; however, the Town's responsibility for this organization does not extend beyond making this appointment. The Town is not responsible for any debt issued by the District nor is it required to fund any operating deficits.

Note 7 – Restatement

Prior Period Adjustment

During the fiscal year ending June 30, 2019 the Town determined that costs associated with the renovation of the newly donated Town Hall had not been capitalized for the year ending June 30, 2018. Therefore, an adjustment to beginning net position has been recorded increasing the amount of net position by \$507,500.

TOWN OF SEAGROVE

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)

Local Government Employees' Retirement System
Last Two Fiscal Years

	<u>2019</u>	<u>2018</u>
Town's proportion of the net pension liability (asset)	0.00060%	0.00059%
Town's proportionate share of the net pension liability (asset)	\$ 14,235	\$ 9,014
Town's covered payroll	\$ 26,000	\$ 19,499
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	54.75%	46.23%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%

Notes to the schedule:

This schedule is intended to show information for ten years. Additional years' information will be displayed when it becomes available.

TOWN OF SEAGROVE

SCHEDULE OF THE TOWN'S CONTRIBUTIONS

Local Government Employees' Retirement System
Last Three Fiscal Year

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 2,615	\$ 2,109	\$ 1,532
Contributions in relation to the contractually required contribution	<u>2,615</u>	<u>2,109</u>	<u>1,532</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 31,283	\$ 26,000	\$ 19,499
Contributions as a percentage of covered payroll	8.36%	8.11%	7.86%

Notes to the schedule:

This schedule is intended to show information for ten years. Additional years' information will be displayed when it becomes available.

TOWN OF SEAGROVE

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2019</u>	<u>2018</u>
Beginning Balance	\$ 1,084	\$ 489
Service Costs	523	469
Interest on Total Pension Liability	34	19
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience in the Measurement of Total Pension Liability	24	-
Changes of Assumptions or Other Inputs	(84)	107
Benefit Payments	-	-
Other Changes	-	-
Ending Balance Total Pension Liability	<u>\$ 1,581</u>	<u>\$ 1,084</u>

Notes to the schedule:

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

This schedule is intended to show information for ten years. Additional years' information will be displayed when it becomes available.

TOWN OF SEAGROVE

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2019</u>	<u>2018</u>
Total Pension Liability	\$ 1,581	\$ 1,084
Covered Payroll	\$ 27,846	\$ 27,911
Total Pension Liability as a Percentage of Covered Payroll	5.68%	3.88%

Notes to the schedule:

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

This schedule is intended to show information for ten years. Additional years' information will be displayed when it becomes available.

TOWN OF SEAGROVE, NORTH CAROLINA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad Valorem Taxes	\$ 184,000	\$ 168,110	\$ (15,890)
Intergovernmental Revenues:			
Unrestricted Intergovernmental:			
Gas Tax Refund	350	537	187
Beer and Wine Tax	-	973	973
Sales Tax Refund	-	1,851	1,851
Local Option Sales Tax	72,000	55,412	(16,588)
Utilities Franchise Tax	-	25,769	25,769
Total	<u>72,350</u>	<u>84,542</u>	<u>12,192</u>
Restricted Intergovernmental:			
Powell Bill	10,878	10,692	(186)
Solid Waste Disposal Tax	-	158	158
Total	<u>10,878</u>	<u>10,850</u>	<u>(28)</u>
Permits and Fees:			
Officer Fees	250	189	(61)
Total	<u>250</u>	<u>189</u>	<u>(61)</u>
Sales and Services:			
Rents	1,500	3,545	2,045
Permits	-	140	140
Total	<u>1,500</u>	<u>3,685</u>	<u>2,185</u>
Investment Earnings	<u>25</u>	<u>315</u>	<u>290</u>
Miscellaneous:			
Other Revenues	1,150	34,316	33,166
Total	<u>1,150</u>	<u>34,316</u>	<u>33,166</u>
Total Revenues	<u>\$ 270,153</u>	<u>\$ 302,007</u>	<u>\$ 31,854</u>

TOWN OF SEAGROVE, NORTH CAROLINA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General Government:			
Administration:			
Salaries	\$	\$ 12,500	\$
Payroll Taxes		956	
Professional Services		14,727	
Utilities		8,881	
Telephone		2,404	
Department Supplies		518	
Postage		110	
Dues and Subscriptions		2,706	
Insurance		11,424	
Advertising		80	
Grounds Maintenance		1,387	
Beautification		1,270	
Miscellaneous		3,237	
	<u>60,823</u>	<u>60,200</u>	<u>623</u>
Total General Government			
Public Safety:			
Salaries		53,688	
Payroll Taxes		4,107	
Retirement		2,659	
Department Supplies		1,476	
Equipment, Repairs and Maintenance		3,914	
Gas and Oil		4,556	
Health Insurance		3,404	
Telephone		2,687	
Contracted Services - Fire Department		41,548	
Fire Inspection Fees		4,900	
Animal Control Fee		545	
	<u>\$ 129,141</u>	<u>\$ 123,484</u>	<u>\$ 5,657</u>
Total Public Safety			

TOWN OF SEAGROVE, NORTH CAROLINA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Concluded):			
Transportation:			
Street Lights	\$	\$ 5,663	\$
Mowing		4,973	
Paving/Engineering		18,773	
Miscellaneous		424	
	<u>21,900</u>	<u>29,833</u>	<u>(7,933)</u>
Total Transportation			
Environmental Protection:			
Contracted Services	<u>28,000</u>	<u>29,326</u>	<u>(1,326)</u>
Cultural and Recreational:			
Library		15,000	
Utilities		1,988	
Maintenance and Repairs		22,004	
Train Depot Relocation		24,921	
	<u>80,960</u>	<u>63,913</u>	<u>17,047</u>
Total Cultrural and Recreational			
Debt Service:			
Principal		5,856	
Interest		133	
	<u>5,989</u>	<u>5,989</u>	<u>-</u>
Total Debt Service			
Total Expenditures	<u>326,813</u>	<u>312,745</u>	<u>14,068</u>
Revenues Over (Under) Expenditures	<u>(56,660)</u>	<u>(10,738)</u>	<u>45,922</u>
Appropriated Fund Balance	<u>56,660</u>	<u>-</u>	<u>(56,660)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(10,738)</u>	<u>\$ (10,738)</u>
Fund Balance, Beginning		<u>210,256</u>	
Fund Balance, Ending		<u>\$ 199,518</u>	

TOWN OF SEAGROVE, NORTH CAROLINA
SPECIAL REVENUE FUND - GROCERY, FURNITURE AND SAPONA
OPERATION EXPANSION PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental:					
Randolph County	\$ 7,500	\$ 8,750	\$ -	\$ 8,750	\$ 1,250
N.C. Rural Economic Development Center	227,500	223,083	-	223,083	(4,417)
N.C. Department of Commerce Building Reuse Grant	250,000	250,000	-	250,000	-
N.C. Department of Commerce Downtown Revitalizati	100,000	-	100,000	100,000	-
N.C. Department of Commerce Convention Center	200,000	-	250,000	250,000	50,000
Private Funding	262,500	250,000	-	250,000	(12,500)
Grant Funds	50,000	-	-	-	(50,000)
Local Funds	7,500	-	154,211	154,211	146,711
Water District Funds	35,000	-	-	-	(35,000)
Total Revenues	1,140,000	731,833	504,211	1,236,044	96,044
Expenditures:					
Economic and Physical Development:					
Construction	325,216	197,716	-	197,716	127,500
Contingencies	2,984	1,595	-	1,595	1,389
Grant Administration	6,250	6,250	-	6,250	-
Construction Administration	9,815	9,825	-	9,825	(10)
Construction Inspection	8,235	8,235	-	8,235	-
Sapona Project	800,000	512,500	307,364	819,864	(19,864)
Total Expenditures	1,152,500	736,121	307,364	1,043,485	109,015
Revenues Over (Under) Expenditures	(12,500)	(4,288)	196,847	192,559	205,059
Other Financing Sources:					
Transfers From Other Funds:					
General Fund	12,500	6,250	-	6,250	(6,250)
Net Change in Fund Balance	\$ -	\$ 1,962	196,847	\$ 198,809	\$ 198,809
Fund Balance, Beginning			4,462		
Fund Balance, Ending			\$ 201,309		

TOWN OF SEAGROVE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 170,643	\$ 169,888	\$ 755
2017-2018	1,387	-	1,367	20
2016-2017	21	-	5	16
2015-2016	21	-	5	16
2014-2015	24	-	6	18
2013-2014	197	-	27	170
2012-2013	116	-	9	107
2011-2012	62	-	1	61
2010-2011	-	-	-	-
2009-2010	-	-	-	-
2008-2009	12	-	12	-
	<u>\$ 1,840</u>	<u>\$ 170,643</u>	<u>\$ 171,320</u>	1,163
Less: Allowance for Uncollectible Ad Valorem Taxes Receivable				<u>(700)</u>
Ad Valorem Taxes Receivable (Net)				<u>\$ 463</u>
Reconciliation With Revenues:				
Ad Valorem Taxes Collected-General Fund			\$ 168,110	
Interest/Penalties Collected			-	
Discounts Allowed			1,616	
Taxes Written Off			12	
Releases and Adjustments			<u>1,582</u>	
Total Collections and Credits			<u>\$ 171,320</u>	

TOWN OF SEAGROVE, NORTH CAROLINA**ANALYSIS OF CURRENT TAX LEVY****TOWN-WIDE LEVY**

For the Fiscal Year Ended June 30, 2019

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at Current Year's Rate	\$ 42,968,608	\$ 0.40	\$ 171,874	\$ 162,668	\$ 9,206
Motor Vehicles Taxed at Prior Year's Rate	-	0.40	-	-	-
Total Original Levy	<u>42,968,608</u>		<u>171,874</u>	<u>162,668</u>	<u>9,206</u>
Discoveries:					
Current Year Taxes	101,110	0.40	404	404	-
Prior Year Taxes	-		-	-	-
Total Discoveries	<u>101,110</u>		<u>404</u>	<u>404</u>	<u>-</u>
Abatements	<u>(408,983)</u>		<u>(1,636)</u>	<u>(1,636)</u>	<u>-</u>
Total Property Valuation	<u>\$ 42,660,735</u>				
Net Levy			170,643	161,436	9,206
Uncollected Taxes at June 30, 2019			<u>(755)</u>	<u>(247)</u>	<u>(508)</u>
Current Year's Taxes Collected			\$ <u>169,888</u>	\$ <u>161,189</u>	\$ <u>8,698</u>
Current Levy Collection Percentage			<u>99.56%</u>	<u>99.85%</u>	<u>94.48%</u>



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

INDEPENDENT AUDITOR'S REPORT

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

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Seagrove, 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 Seagrove's basic financial statements, and have issued my report thereon dated February 7, 2020.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Seagrove'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 statement 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2019-01, and 2019-02.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or 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.

**Report on Compliance and Other Matters and on Internal Control Over
Financial Reporting Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*
(Concluded)**

Internal Control Over Financial Reporting (Concluded)

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies and material weaknesses may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Item 2019-02 that I consider to be a significant deficiency.

Town of Seagrove's Responses to Findings

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

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 Town of Seagrove's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Seagrove's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



William R. Huneycutt, CPA, PLLC
Asheboro, North Carolina

February 7, 2020

TOWN OF SEAGROVE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2019

Section I. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u>	yes	<u> X </u>	no
Significant deficiency(s) identified that are not considered to be material weaknesses	<u> X </u>	yes	<u> </u>	none reported
Noncompliance material to financial statements noted	<u> X </u>	yes	<u> </u>	no

TOWN OF SEAGROVE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES (Concluded)

For the Year Ended June 30, 2019

Section II. Findings Related to the Audit
of the Basic Financial Statements

Significant Deficiency:

Finding 2019-01: Failure to File LGC-203 Timely

Criteria : Pursuant to G.S 159-33; "each officer having custody of any funds of any local government and public authority shall report to the secretary of the Local Government Commission on January 1 and July 1 of each year the amounts of funds then in his custody, the amounts of deposits of such funds in depositories, and a list of all investment securities and time deposits."

Condition : Finance officer failed to file the LGC-203 form for December 31, 2018 until February, 2019.

Effect : Failure to file required forms does not give the secretary of the Local Government Commission adequate evidence of funds being adequately deposited or secured.

Cause : The finance officer submitted required form late.

Recommendation : Finance officer needs to be properly informed of correct reporting procedures.

Management Response : Management agrees with this finding.

Significant Deficiency:

Finding 2019-02: Expenditures Over Budget

Criteria : Pursuant to G.S. 159-28(a); "No obligations may be incurred in a program, function, or activity accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay sums obligated for the current fiscal year".

Condition : Expenditures were incurred in the transportation and environmental protection departments of the General Fund in excess of budgeted amounts by \$7,933 and \$1,326, respectively.

Effect : Obligations could be incurred for unauthorized amounts.

Cause : Budget was not amended to increase appropriations prior to obligations being incurred for additional street paving costs in the transportation department and garbage services in the environmental protection department.

Recommendation : A budget amendment should be approved whenever there are additional costs incurred.

Management Response : Management agrees with this finding.



TOWN of Seagrove

"A Town of Progress, Pride & Possibilities"

TOWN OF SEAGROVE, NORTH CAROLINA



CORRECTIVE ACTION PLAN For the Year Ended June 30, 2019

2019-01: Failure to File LGC-203 Timely

- A. Name of contact person: Kathryn Baker, Finance Officer
- B. Corrective Action: Finance officer will be more diligent in reporting required forms in the future.
- C. Proposed Completion Date: Immediately.

2019-02: Expenditures Over Budget

- A. Name of contact person: Kathryn Baker, Finance Officer
- B. Corrective Action: Board will better monitor increases in expenses.
- C. Proposed Completion Date: Immediately.

TOWN OF SEAGROVE, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2019

Finding 2018-01

Status: Same finding in current year; 2019-01.

Finding 2018-02

Status: Same finding in current year; 2019-02.