

# Town of Vanceboro, North Carolina

## FINANCIAL STATEMENTS

June 30, 2019



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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Aldermen  
Town of Vanceboro, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Vanceboro, North Carolina, (the "Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedule of the Town's Proportionate Share of Net Pension Liability (Asset) and Schedule of Town Contributions, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on pages 4-13 and 58-61, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

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

The individual fund financial statements, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Caru, Riggs & Ingram, L.L.C.*

Goldsboro, North Carolina  
June 22, 2020

## Town of Vanceboro, North Carolina Management's Discussion and Analysis

As management of the Town of Vanceboro, we offer readers of the Town of Vanceboro's financial statements this narrative overview and analysis of the financial activities of the Town of Vanceboro for the 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 Vanceboro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,708,537 (net position).
- The government's total net position decreased by \$226,642, due to decreases in governmental and business-type activities net position, primarily related to increased transportation costs and utility related expenses, respectively.
- As of close of the current fiscal year, the Town of Vanceboro's governmental funds reported combined ending fund balances of \$910,530 a decrease of \$91,756 in comparison with the prior year. Approximately 39.1% of this total amount, or \$355,991, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund of \$355,991, represented 43% of total general fund expenditures for the fiscal year.
- The Town of Vanceboro's total debt decreased by \$75,140 during the current fiscal year. The key factors in this decrease were principal payments of \$75,140 on general obligation bonds and a note payable to the North Carolina Department of Environmental Quality for rehabilitation of the Town's sewer lines.

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

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

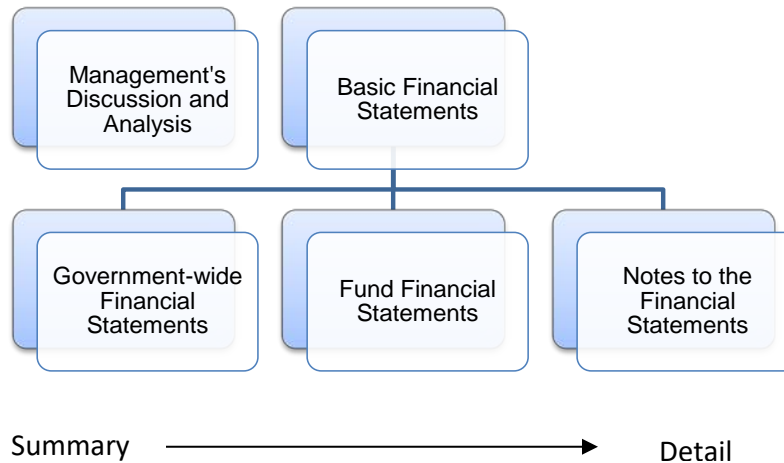
### ***Basic Financial Statements***

The first two statements (Exhibits 1 & 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 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

# Town of Vanceboro, North Carolina Management's Discussion and Analysis

## Required Components of an Annual Financial Report



The next section of the basic financial statements is the **Notes to the Financial Statements**. 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 divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, streets, cemetery and general administration. Property taxes and State and Federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Vanceboro.

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



## Town of Vanceboro, North Carolina Management's Discussion and Analysis

### ***Fund Financial Statements***

The fund financial statements 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 Vanceboro, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Vanceboro can be divided into two categories: governmental funds and proprietary funds.

*Governmental Funds* – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. The 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 governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

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

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

## Town of Vanceboro, North Carolina Management's Discussion and Analysis

*Notes to the Financial Statements* – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on pages 25 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 Vanceboro's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 58 of this report. In addition, the Town presents other supplementary information relating to its individual fund schedules and property tax schedules that can be found beginning on page 62.

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

### Government-Wide Financial Analysis

*Figure 1*  
Town of Vanceboro, North Carolina  
Condensed Statement of Net Position  
June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 955,003	\$ 1,035,059	\$ 236,402	\$ 311,881	\$ 1,191,405	\$ 1,346,940
Capital assets	281,669	238,128	3,356,125	3,524,203	3,637,794	3,762,331
Deferred outflows of resources	64,445	52,633	27,215	21,587	91,660	74,220
<b>Total assets and deferred outflows of resources</b>	<b>1,301,117</b>	<b>1,325,820</b>	<b>3,619,742</b>	<b>3,857,671</b>	<b>4,920,859</b>	<b>5,183,491</b>
Current liabilities	36,245	32,066	144,037	132,375	180,282	164,441
Long-term liabilities	81,611	70,974	932,093	1,002,052	1,013,704	1,073,026
Deferred inflows of resources	14,360	7,392	3,976	3,453	18,336	10,845
<b>Total liabilities and deferred inflows of resources</b>	<b>132,216</b>	<b>110,432</b>	<b>1,080,106</b>	<b>1,137,880</b>	<b>1,212,322</b>	<b>1,248,312</b>
<b>Net Position</b>						
Net investment in capital assets	281,669	238,128	2,380,439	2,473,377	2,662,108	2,711,505
Restricted	512,836	467,988	-	-	512,836	467,988
Unrestricted	374,396	509,272	159,197	246,414	533,593	755,686
<b>Total net position</b>	<b>\$ 1,168,901</b>	<b>\$ 1,215,388</b>	<b>\$ 2,539,636</b>	<b>\$ 2,719,791</b>	<b>\$ 3,708,537</b>	<b>\$ 3,935,179</b>

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 resources of the Town of Vanceboro exceed liabilities and deferred inflows of resources by \$3,708,537 as of June 30, 2019. The Town's net position

## Town of Vanceboro, North Carolina Management's Discussion and Analysis

decreased by \$226,642 for the fiscal year ended June 30, 2019. The largest portion, 71.8%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, equipment, and construction in progress), less any related debt still outstanding that was issued to acquire those items. The Town of Vanceboro uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Vanceboro's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Vanceboro's net position represents resources that are subject to external restrictions on how they may be used. \$82,202 of net position is restricted for cemetery, and \$430,634 is restricted by state statute. The remaining balance of \$533,593 is unrestricted.

*Figure 2*  
Town of Vanceboro, North Carolina  
Condensed Statement of Revenue, Expenses, and Changes in Net Position  
For the Fiscal Years Ended June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 133,300	\$ 144,237	\$ 518,007	\$ 499,860	\$ 651,307	\$ 644,097
Operating grants and contributions	66,191	40,383	10,000	-	76,191	40,383
Capital grants and contributions	15,000	-	-	-	15,000	-
General revenues:						
Property taxes	290,377	289,715	-	-	290,377	289,715
Other taxes	1,860	1,745	-	-	1,860	1,745
Grants and contributions not restricted to specific programs	220,969	208,338	-	-	220,969	208,338
Other	12,225	24,334	-	-	12,225	24,334
<b>Total revenues</b>	<b>739,922</b>	<b>708,752</b>	<b>528,007</b>	<b>499,860</b>	<b>1,267,929</b>	<b>1,208,612</b>
<b>Expenses:</b>						
General government	238,380	248,217	-	-	238,380	248,217
Public safety	245,418	216,091	-	-	245,418	216,091
Transportation	187,481	95,878	-	-	187,481	95,878
Environmental protection	110,845	90,444	-	-	110,845	90,444
Cultural and recreational	4,285	7,148	-	-	4,285	7,148
Water and sewer	-	-	708,162	654,852	708,162	654,852
<b>Total expenses</b>	<b>786,409</b>	<b>657,778</b>	<b>708,162</b>	<b>654,852</b>	<b>1,494,571</b>	<b>1,312,630</b>
Change in net position	(46,487)	50,974	(180,155)	(154,992)	(226,642)	(104,018)
Net position, beginning	1,215,388	1,164,414	2,719,791	2,874,783	3,935,179	4,039,197
<b>Net position, ending</b>	<b>\$ 1,168,901</b>	<b>\$ 1,215,388</b>	<b>\$ 2,539,636</b>	<b>\$ 2,719,791</b>	<b>\$ 3,708,537</b>	<b>\$ 3,935,179</b>

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.79%. The statewide average in fiscal year 2019 was 98.78%.
- Increased sales tax revenues of approximately \$11,816 due to economic growth in the Town.

## Town of Vanceboro, North Carolina Management's Discussion and Analysis

### Governmental activities

Revenues for general governmental functions (General Fund) amounted to \$735,513 for the year ended June 30, 2019. Revenues from various sources and increases and decreases in relation to prior year's revenues are shown in the following table:

*Figure 3*  
Town of Vanceboro, North Carolina  
Summary of Revenues – Governmental Funds  
For the Fiscal Years Ended June 30, 2019 and 2018

Revenue Source	Year Ended June 30, 2019		Year Ended June 30, 2018	
	% of Total	Amount	% of Total	Amount
Ad valorem taxes	39.20%	\$ 288,321	41.86%	\$ 292,131
Other taxes and licenses	0.25%	1,860	0.25%	1,745
Unrestricted intergovernmental	30.04%	220,969	29.85%	208,338
Restricted intergovernmental	10.63%	78,200	4.79%	33,455
Permits and fees	1.84%	13,555	1.87%	13,071
Sales and services	15.96%	117,392	18.62%	129,918
Investment earnings	1.19%	8,772	0.77%	5,380
Miscellaneous	0.47%	3,453	1.00%	6,954
Contributions	0.41%	2,991	0.99%	6,928
<b>Total</b>	<b>100.00%</b>	<b>\$ 735,513</b>	<b>100.00%</b>	<b>\$ 697,920</b>

Assessed valuation of all taxable property in the Town is \$54,414,783 compared to \$54,280,394 for the previous fiscal year. Assessed property values increased \$134,389 (0.25%). The Town of Vanceboro's property tax rate for the fiscal year ended June 30, 2019 was \$0.53 per \$100 of assessed valuation, the same tax rate as the previous year. This resulted in a net decrease of \$3,810 (1.3%) in ad valorem tax revenues due to a decrease in prior year tax collections.

Restricted intergovernmental revenues increased by \$44,745. The Town received a grant from the Harold Bate Foundation of \$15,000 for the construction of basketball courts at Richard W. Bowers' Park. The Town also received reimbursements of \$30,306 from the Federal Emergency Management Agency for damages related to Hurricane Florence in the current year. Sales and services revenues decreased \$12,526 (9.64%) due to decreased sales of cemetery plots.

Expenditures for general government purposes (General Fund) for the year ended June 30, 2019 totaled \$827,269. Total expenditures increased by \$145,804 (21.4%) from the previous year. Transportation expenditures increased by \$91,707 due to the expenditure of Powell Bill and Town funds in the current year to resurface streets throughout the Town. General government expenditures decreased by \$15,781 due to lower salaries and benefits as a result of employee turnover. Public safety expenditures increased by \$52,644 due to the purchase of a new police vehicle for \$29,714 and increased salaries and benefits as the Town filled a vacant position. Environmental protection expenditure increased by \$20,401 due to the removal of debris caused by Hurricane Florence. Increases and decreases in relation to prior year's expenditures by major functions of the Town are shown in the following table:

## Town of Vanceboro, North Carolina Management's Discussion and Analysis

*Figure 4*  
Town of Vanceboro, North Carolina  
Summary of Expenditures by Function – Governmental Funds  
For the Fiscal Years Ended June 30, 2019 and 2018

Expenditure Function	Year Ended June 30, 2019		Year Ended June 30, 2018	
	% of Total	Amount	% of Total	Amount
General government	33.34%	\$ 275,802	42.79%	\$ 291,583
Public safety	30.64%	253,446	29.47%	200,802
Transportation	22.14%	183,195	13.43%	91,488
Environmental protection	13.40%	110,845	13.27%	90,444
Cultural and recreational	0.48%	3,981	1.05%	7,148
<b>Total</b>	<b>100.00%</b>	<b>\$ 827,269</b>	<b>100.00%</b>	<b>\$ 681,465</b>

Fund Balance in the General Fund at June 30, 2019 was \$828,328, a decrease of \$91,756 from the previous fiscal year, due primarily to the increase in General Fund expenditures mentioned above. Fund Balance continues to remain at a level that compliments the Town's financial position, maintains credit worthiness, and provides a resource for unforeseen emergencies.

### ***Business-type activities***

The Town's enterprise operations consist of water and sewer utilities. The Water/Sewer net position at June 30, 2019 was \$2,539,636 compared to \$2,719,791 the preceding year. Operations after depreciation resulted in a net loss of (\$180,155) for the year ended June 30, 2019, compared to a net loss of (\$154,992) for the year ended June 30, 2018. Depreciation expense for the current year was \$168,078 compared to \$168,740 for the previous fiscal year.

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

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

*Governmental Funds* - The focus of the Town of Vanceboro'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 Vanceboro's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Vanceboro. At the end of the current fiscal year, the Town of Vanceboro's fund balance available in the General Fund was \$395,991, while total fund balance was \$828,328. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents approximately 48% of total General Fund expenditures, while total fund balance represents approximately 100% of that same amount.

## Town of Vanceboro, North Carolina Management's Discussion and Analysis

At June 30, 2019, the governmental funds of the Town of Vanceboro reported a combined fund balance of \$910,530 with a net decrease in fund balance of \$91,756.

*General Fund Budgetary Highlights:* During the fiscal year, the Town made various revisions to its original budget. These changes are shown in Exhibit 5. 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. Actual revenues exceeded budgeted amounts by \$37,748, and total budgeted expenditures exceeded actual expenditures by \$82,607.

*Proprietary Funds:* The Town of Vanceboro's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$159,197. The total change in net position for the Water and Sewer Funds was a decrease of \$180,155.

### **Capital Asset and Debt Administration**

*Capital Assets:* The Town of Vanceboro's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$3,637,794 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles, streets and infrastructure and construction in progress.

*Figure 5*  
Town of Vanceboro, North Carolina  
Condensed Statement of Capital Assets (net of depreciation)  
June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 138,544	\$ 138,544	\$ 43,517	\$ 43,517	\$ 182,061	\$ 182,061
Improvements	78,144	45,237	-	-	78,144	45,237
Streets and infrastructure	-	-	3,288,693	3,451,683	3,288,693	3,451,683
Equipment	17,485	23,316	23,915	29,003	41,400	52,319
Vehicles	47,496	31,031	-	-	47,496	31,031
<b>Total</b>	<b>\$ 281,669</b>	<b>\$ 238,128</b>	<b>\$ 3,356,125</b>	<b>\$ 3,524,203</b>	<b>\$ 3,637,794</b>	<b>\$ 3,762,331</b>

Major capital asset transactions during the year include the following:

- \$29,714 to purchase a new vehicle for the Police Department.
- \$35,561 to build a basketball court at Richard W. Bowers' Park

Additional information on the Town's capital assets can be found in Note 6 of the Notes to the Financial Statements.

## Town of Vanceboro, North Carolina Management's Discussion and Analysis

**Long-term Debt:** As of June 30, 2019 the Town of Vanceboro had total debt outstanding of \$975,686, all of which belongs to business-type activities. \$319,025 of this debt is backed by the full faith and credit of the Town. The note payable of \$656,661 is backed by security interest in the property for which it was issued.

*Figure 6*  
Town of Vanceboro, North Carolina  
Condensed Statement of Outstanding Liabilities  
June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ -	\$ -	\$ 319,025	\$ 353,124	\$ 319,025	\$ 353,124
Note payable	-	-	656,661	697,702	656,661	697,702
Compensated absences	9,974	13,103	4,219	3,392	14,193	16,495
Net pension liability NCLGERS	70,085	55,062	32,875	26,366	102,960	81,428
Net pension liability LEOSSA	11,526	15,912	-	-	11,526	15,912
<b>Total</b>	<b>\$ 91,585</b>	<b>\$ 84,077</b>	<b>\$ 1,012,780</b>	<b>\$ 1,080,584</b>	<b>\$ 1,104,365</b>	<b>\$ 1,164,661</b>

The Town of Vanceboro's total debt decreased by \$75,140 (7.15%) during the past fiscal year. 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 the government's boundaries. The legal debt margin for the Town of Vanceboro is \$4,353,183.

Additional information regarding the Town of Vanceboro's long-term debt can be found in Note 12 of this report.

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

The following key economic indicators reflect the growth and prosperity of the Town.

- The Town of Vanceboro has a population of 985.
- The Town's tax collection rates for property excluding motor vehicles and registered motor vehicles are 97.52% and 100.00%, respectively.
- Sales tax revenues for the current year increased by \$11,816 (8.6%) over the previous year.
- Craven County's unemployment rate was 4.3% for the month of June, 2019 compared to the average unemployment for the State of North Carolina of 4.2%

### ***Budget Highlights for the Fiscal Year Ending June 30, 2020***

**Governmental Activities:** The property tax rate will remain at \$0.53 per \$100 of assessed property value. Total budgeted expenditures in the General Fund are expected to decrease to \$705,000. Garbage collection fees will increase by \$1 to \$17 per month. Town employees will receive a 2% cost of living adjustment in compensation. The budget for fiscal year 2019 includes appropriation of fund balance in the amount of \$70,754.



## Town of Vanceboro, North Carolina Management's Discussion and Analysis

*Business-type Activities:* The water and sewer consumption rates in the Town will remain the same. However, the minimum (base rate) charge for water and sewer will increase by \$3.00 each per month.

### ***Requests for Information***

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Administrator, Town of Vanceboro, North Carolina, 7905 Main Street, P. O. Box 306, Vanceboro, NC 28586. One can also call (252) 244-0919 or visit our website <http://www.vanceboronc.com> for more information.



**Town of Vanceboro, North Carolina**  
**Statement of Net Position**  
**June 30, 2019**  
**Exhibit 1**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 35,501	\$ 498,945	\$ 534,446
Investments	386,761	-	386,761
Receivables, net	18,202	38,487	56,689
Due from other governments	67,034	15,925	82,959
Internal balances	363,600	(363,600)	-
Inventories	-	8,019	8,019
Restricted cash and cash equivalents	82,202	38,626	120,828
<b>Total current assets</b>	<b>955,003</b>	<b>236,402</b>	<b>1,191,405</b>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	138,544	43,517	182,061
Other capital assets, net of depreciation	143,125	3,312,608	3,455,733
<b>Total capital assets</b>	<b>281,669</b>	<b>3,356,125</b>	<b>3,637,794</b>
<b>Total assets</b>	<b>1,236,672</b>	<b>3,592,527</b>	<b>4,829,199</b>
<b>Deferred Outflows of Resources</b>			
Pension deferrals	64,445	27,215	91,660
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	26,271	24,724	50,995
Payable from restricted assets	-	38,626	38,626
Compensated absences	9,974	4,219	14,193
Current portion of long-term liabilities	-	76,468	76,468
<b>Total current liabilities</b>	<b>36,245</b>	<b>144,037</b>	<b>180,282</b>
Noncurrent liabilities:			
Net pension liability NCLGERS	70,085	32,875	102,960
Total pension liability LEOSA	11,526	-	11,526
Bonds and notes payable	-	899,218	899,218
<b>Total liabilities</b>	<b>117,856</b>	<b>1,076,130</b>	<b>1,193,986</b>
<b>Deferred Inflows of Resources</b>			
Pension deferrals	14,360	3,976	18,336
<b>Total deferred inflows of resources</b>	<b>14,360</b>	<b>3,976</b>	<b>18,336</b>
<b>Net Position</b>			
Net investment in capital assets	281,669	2,380,439	2,662,108
Restricted for:			
Stabilization by state statute	430,634	-	430,634
Cemetery maintenance	82,202	-	82,202
Unrestricted	374,396	159,197	533,593
<b>Total net position</b>	<b>\$ 1,168,901</b>	<b>\$ 2,539,636</b>	<b>\$ 3,708,537</b>

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

**Town of Vanceboro, North Carolina**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2019**  
**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 238,380	\$ -	\$ -	\$ -	\$ (238,380)	\$ -	\$ (238,380)
Public safety	245,418	13,555	33,297	-	(198,566)	-	(198,566)
Transportation	187,481	-	32,162	-	(155,319)	-	(155,319)
Environmental protection	110,845	119,745	732	-	9,632	-	9,632
Cultural and recreational	4,285	-	-	15,000	10,715	-	10,715
<b>Total governmental activities</b>	<b>786,409</b>	<b>133,300</b>	<b>66,191</b>	<b>15,000</b>	<b>(571,918)</b>	<b>-</b>	<b>(571,918)</b>
Business-type activities:							
Water and sewer	708,162	518,007	10,000	-	-	(180,155)	(180,155)
<b>Total primary government</b>	<b>\$ 1,494,571</b>	<b>\$ 651,307</b>	<b>\$ 76,191</b>	<b>\$ 15,000</b>			
General revenues:							
Property taxes, levied for general purpose					290,377	-	290,377
Other taxes and licenses					1,860	-	1,860
Grants and contributions not restricted to specific program					220,969	-	220,969
Unrestricted investment earnings					8,772	-	8,772
Unrestricted miscellaneous revenue					3,453	-	3,453
<b>Total general revenues</b>					<b>525,431</b>	<b>-</b>	<b>525,431</b>
Change in net position					(46,487)	(180,155)	(226,642)
Net position, beginning of year					1,215,388	2,719,791	3,935,179
Net position, end of year					\$ 1,168,901	\$ 2,539,636	\$ 3,708,537

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

**Town of Vanceboro, North Carolina**  
**Balance Sheet –Governmental Funds**  
**June 30, 2019**  
**Exhibit 3**

	Major	Non-major	
	General Fund	Cemetery Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 35,501	\$ -	\$ 35,501
Investments	386,761	-	386,761
Receivables, net:			
Taxes	7,725	-	7,725
Accounts	10,477	-	10,477
Due from other governments	67,034	-	67,034
Due from Water and Sewer Fund	363,600	-	363,600
Prepaid expenses	1,703	-	1,703
Restricted cash and cash equivalents	-	82,202	82,202
<b>Total assets</b>	<b>\$ 872,801</b>	<b>\$ 82,202</b>	<b>\$ 955,003</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 26,271	\$ -	\$ 26,271
<b>Deferred Inflows of Resources</b>			
Property taxes receivable, net	7,725	-	7,725
Sanitation receivables, net	10,477	-	10,477
<b>Total deferred inflows of resources</b>	<b>18,202</b>	<b>-</b>	<b>18,202</b>
<b>Fund Balances</b>			
Nonspendable:			
Prepaid expenses	1,703	-	1,703
Restricted:			
Stabilization by state statute	430,634	-	430,634
Cemetery maintenance	-	82,202	82,202
Assigned			
Subsequent year's expenditures	40,000	-	40,000
Unassigned	355,991	-	355,991
<b>Total fund balances</b>	<b>828,328</b>	<b>82,202</b>	<b>910,530</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 872,801</b>	<b>\$ 82,202</b>	<b>\$ 955,003</b>

*The accompanying footnotes are an integral part of these financial statements.*

**Town of Vanceboro, North Carolina**  
**Reconciliation of the Governmental Funds Balance**  
**Sheet to the Statement of Net Position**  
**June 30, 2019**  
**Exhibit 3**

**Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:**

Total fund balances - governmental funds		\$ 910,530
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds:		
Gross capital assets at historical cost	5,692,692	
Accumulated depreciation	(5,411,023)	281,669
Net pension liability NCLGERS		(70,085)
Total pension liability LEOSSA		(11,526)
Liabilities for earned revenues considered deferred inflows of resources in governmental funds		
Property taxes receivable, net	7,725	
Sanitation receivables, net	10,477	18,202
Pension related deferrals		
Deferred outflows of resources related to pensions are not reported in the funds		64,445
Deferred inflows of resources related to pensions are not reported in the funds		(14,360)
Other long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in governmental funds		
		(9,974)
<b>Net position of governmental activities</b>		<b>\$ 1,168,901</b>

*The accompanying footnotes are an integral part of these financial statements.*

**Town of Vanceboro, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance –Governmental Funds**  
**For the Fiscal Year Ended June 30, 2019**  
**Exhibit 4**

	Major General Fund	Non-major Cemetery Fund	Total
<b>Revenues</b>			
Ad valorem taxes	\$ 288,321	\$ -	\$ 288,321
Other taxes and licenses	1,860	-	1,860
Unrestricted intergovernmental	220,969	-	220,969
Restricted intergovernmental	78,200	-	78,200
Permits and fees	13,555	-	13,555
Sales and services	117,392	-	117,392
Investment earnings	8,772	-	8,772
Miscellaneous	3,453	-	3,453
Contributions	2,991	-	2,991
Total revenues	735,513	-	735,513
<b>Expenditures</b>			
Current:			
General government	275,802	-	275,802
Public safety	253,446	-	253,446
Transportation	183,195	-	183,195
Environmental protection	110,845	-	110,845
Cultural and recreational	3,981	-	3,981
Total expenditures	827,269	-	827,269
Revenues over (under) expenditures	(91,756)	-	(91,756)
Net change in fund balance	(91,756)	-	(91,756)
Fund balance, beginning of year	920,084	82,202	1,002,286
Fund balance, end of year	\$ 828,328	\$ 82,202	\$ 910,530

*The accompanying footnotes are an integral part of these financial statements.*

**Town of Vanceboro, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2019**  
**Exhibit 4**

**Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:**

Net change in fund balances- total governmental funds \$ (91,756)

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

Capital outlay expenditures which were capitalized	65,275	
Depreciation expense	(21,734)	

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	16,866	
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds:

Change in unavailable tax revenue	2,056	
Change in unavailable sanitation revenue	2,353	4,409

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

Pension expense	(22,676)	
Compensated absences	3,129	(19,547)
Total changes in net position of governmental activities	\$ (46,487)	

*The accompanying footnotes are an integral part of these financial statements.*

**Town of Vanceboro, North Carolina**  
**General Fund Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance –Budget to Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**Exhibit 5**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 284,000	\$ 284,000	\$ 288,321	\$ 4,321
Other taxes and licenses	2,000	2,000	1,860	(140)
Unrestricted intergovernmental	209,500	223,069	220,969	(2,100)
Restricted intergovernmental	33,150	33,150	78,200	45,050
Permits and fees	6,500	11,500	13,555	2,055
Sales and services	116,250	119,846	117,392	(2,454)
Investment earnings	-	-	8,772	8,772
Miscellaneous	9,000	20,200	3,453	(16,747)
Contributions	4,000	4,000	2,991	(1,009)
Total revenues	664,400	697,765	735,513	37,748
<b>Expenditures</b>				
Current:				
General government	269,143	290,680	275,802	14,878
Public safety	213,568	291,631	253,446	38,185
Transportation	192,482	203,385	183,195	20,190
Environmental protection	96,000	116,150	110,845	5,305
Cultural and recreational	8,000	8,030	3,981	4,049
Total expenditures	779,193	909,876	827,269	82,607
Revenues over (under ) expenditures	(114,793)	(212,111)	(91,756)	120,355
Fund balance appropriated	114,793	114,793	-	(114,793)
Net change in fund balance	\$ -	\$ (97,318)	(91,756)	\$ 5,562
Fund balance, beginning of year			920,084	
Fund balance, end of year			\$ 828,328	

*The accompanying footnotes are an integral part of these financial statements.*

**Town of Vanceboro, North Carolina**  
**Statement of Net Position – Proprietary Fund**  
**June 30, 2019**  
**Exhibit 6**

	Water and Sewer Fund
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 498,945
Accounts receivables, net	38,487
Due from other governments	15,925
Inventories	8,019
Restricted cash and cash equivalents	38,626
Total current assets	600,002
Noncurrent assets:	
Capital assets:	
Land and construction in progress	43,517
Other capital assets, net of depreciation	3,312,608
Total capital assets	3,356,125
Total noncurrent assets	3,356,125
Total assets	3,956,127
<b>Deferred Outflows of Resources</b>	
Pension deferrals	27,215
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	24,724
Compensated absences	4,219
Due to General Fund	363,600
General obligation bonds - current	35,427
Note payable - current	41,041
Liabilities payable from restricted assets	
Customer deposits	38,626
Total current liabilities	507,637
Noncurrent liabilities:	
Net pension liability	32,875
General obligation bonds - noncurrent	283,598
Note payable - noncurrent	615,620
Total noncurrent liabilities	932,093
Total liabilities	1,439,730
<b>Deferred Inflows of Resources</b>	
Pension deferrals	3,976
<b>Net Position</b>	
Net investment in capital assets	2,380,439
Unrestricted	159,197
Total net position	\$ 2,539,636

*The accompanying footnotes are an integral part of these financial statements.*



**Town of Vanceboro, North Carolina**  
**Statement of Revenues, Expenses, and Changes in**  
**Net Position – Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2019**  
**Exhibit 7**

	Water and Sewer Fund
<hr/>	
<b>Operating Revenues</b>	
Charges for services	\$ 518,007
<hr/>	
<b>Operating Expenses</b>	
Water operations	278,748
Sewer operations	248,757
Depreciation	168,078
Total operating expenses	695,583
<hr/>	
Operating loss	(177,576)
<b>Nonoperating revenues (expenses)</b>	
Federal and state grants	10,000
Interest and fees	(12,579)
Total nonoperating revenues (expenses)	(2,579)
<hr/>	
Change in net position	(180,155)
Net position, beginning of year	2,719,791
<hr/>	
Net position, end of year	\$ 2,539,636
<hr/> <hr/>	

*The accompanying footnotes are an integral part of these financial statements.*

**Town of Vanceboro, North Carolina**  
**Statement of Cash Flows – Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2019**  
**Exhibit 8**

	Water and Sewer Fund
<hr/>	
<b>Cash Flows From Operating Activities</b>	
Cash received from customers	\$ 507,551
Cash paid for goods and services	(376,329)
Cash paid to employees for services	(141,922)
Customer deposits received	3,975
Customer deposits returned	(750)
<hr/>	
Net cash used by operating activities	(7,475)
<hr/>	
<b>Cash Flows From Noncapital Financing Activities</b>	
Increase in due to other funds	35,598
<hr/>	
<b>Cash Flows From Capital and Related Financing Activities</b>	
Principal paid on debt maturities	(75,140)
Interest paid on debt maturities	(12,677)
<hr/>	
Net cash used by capital and related financing activities	(87,817)
<hr/>	
Net decrease in cash and cash equivalents	(59,694)
<hr/>	
Cash and cash equivalents, beginning of year	597,265
<hr/>	
Cash and cash equivalents, end of year	\$ 537,571
<hr/>	
Unrestricted cash and cash equivalents	\$ 498,945
Restricted cash and cash equivalents	38,626
Total cash and cash equivalents	\$ 537,571
<hr/>	

*The accompanying footnotes are an integral part of these financial statements.*

**Town of Vanceboro, North Carolina**  
**Statement of Cash Flows – Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2019**  
**Exhibit 8 (continued)**

**Reconciliation of operating loss to net cash provided by operating activities:**

Operating loss	\$ (177,576)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	168,078
Changes in assets, liabilities and deferred inflows and outflows of resources:	
(Increase) decrease in accounts receivable	(10,448)
(Increase) decrease in due from other governments	635
Increase (decrease) in accounts payable and accrued liabilities	6,380
Increase (decrease) in customer deposits	3,225
(Increase) decrease in deferred outflows of resources for pensions	(5,628)
Increase (decrease) in deferred inflows of resources for pensions	523
Increase (decrease) in net pension liability	6,509
Increase (decrease) in compensated absences payable	827
Total adjustments	170,101
Net cash used by operating activities	\$ (7,475)

*The accompanying footnotes are an integral part of these financial statements.*

## Town of Vanceboro, North Carolina Notes to Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Vanceboro, North Carolina conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

#### ***Reporting Entity***

The Town of Vanceboro (the "Town") is a municipal corporation, which is governed by an elected mayor and a five-member board. As required by generally accepted accounting principles, these financial statements include all funds of the Town.

#### ***Basis of Presentation***

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

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

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

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

## Town of Vanceboro, North Carolina Notes to Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental funds:

**Cemetery Fund** – This fund is used to account for the expenditures required to maintain the Town's two cemeteries.

The Town reports the following major enterprise funds:

**Water and Sewer Fund** – This fund is used to account for the water and sewer operations of the Town.

#### ***Measurement Focus, Basis of Accounting***

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services.

## Town of Vanceboro, North Carolina Notes to Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30<sup>th</sup>, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance 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 franchise taxes, 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 Vanceboro because the tax is levied by Craven 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. Grant revenues, which are unearned at year-end, are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

## Town of Vanceboro, North Carolina Notes to Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### ***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, Cemetery Fund and the Water and Sewer Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for any Capital Project Fund. The Water and Sewer Capital Project Fund is consolidated with the Water and Sewer Fund for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the line item level for all annually budgeted funds and at the project level for the multi-year funds. The Town's finance officer is authorized by the budget ordinance to transfer appropriations between line item areas within a fund up to \$2,500; however, any revisions that alter the total expenditures of any fund or change functional appropriations by more than \$2,500 must be approved by the governing board. The Town must adopt an interim budget that covers that time until the annual ordinance can be adopted.

A budget calendar is included in the North Carolina General Statutes, which prescribes the last day on which certain steps of that budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

- April 30 - Each department head will transmit to the budget officer the budget requests and the revenue estimates for their department for the budget year.
- June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget shall be scheduled at this time.
- July 1 - The budget ordinance shall be adopted by the governing board.

#### ***Deposits and Investments***

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

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost.

**Town of Vanceboro, North Carolina**  
**Notes to Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool which complies with criteria in Section 150: Investments of the GASB Codification and has elected to measure the investments at amortized cost, which is the NCCMT’s share price. The NCCMT – Term Portfolio’s securities are valued at fair value.

The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

***Cash and Cash Equivalents***

The Town pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments with an original maturity date of three months or less are considered cash and cash equivalents. Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool’s authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of June 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the Town’s access to 100 percent of their account value in either external investment pool.

***Restricted Assets***

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. As of June 30, 2019, the Town has expended all of its Powell Bill funds. All funds in the Cemetery Fund are restricted per the agreement between the Town and the cemetery’s previous owner. As a condition of the cemetery donation, the Town agreed to restrict the funds for cemetery maintenance and upkeep expenditures. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Restricted cash and cash equivalents at June 30, 2019 consists of the following:

<b>Governmental Activities:</b>	
Cemetery Fund:	
Cemetery maintenance and upkeep	\$ 82,202
Total governmental activities	\$ 82,202
<hr style="border-top: 3px double #000;"/>	
<b>Business-type Activities:</b>	
Water and Sewer Fund:	
Customer deposits	\$ 38,626
<hr style="border-top: 3px double #000;"/>	
<b>Total Restricted Cash</b>	<b>\$ 120,828</b>
<hr style="border-top: 3px double #000;"/>	



**Town of Vanceboro, North Carolina**  
**Notes to Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Ad Valorem Taxes Receivable***

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

***Allowance for Doubtful Accounts***

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

***Inventory and Prepaid items***

The inventories of the Town are valued at cost (first-in, first-out), which approximates market.

The inventories of the Town's enterprise fund consist of materials and supplies held for subsequent use. The costs of these inventories are expensed when consumed rather than when purchased.

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

***Capital Assets***

Capital assets 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, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$20,000; equipment and furniture, \$1,000; vehicles and motorized equipment, \$5,000; computer software and computer equipment \$1,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the time of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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 of the Town are depreciated on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Water and sewer plant	20-50 years
Water and Sewer system	20-50 years
Infrastructure	40 years
Machinery and equipment	5-10 years
Automobiles and light trucks	5-10 years

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

***Long-term Obligations***

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

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

***Compensated Absences***

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

## Town of Vanceboro, North Carolina Notes to Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### ***Net Position***

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

#### ***Fund Balances***

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

The governmental fund types classify fund balances as follows:

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

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

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

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

**Restricted for Cemetery Maintenance** – portion of fund balance that is restricted by the contributor and may only be used for cemetery maintenance and upkeep expenditures.

## Town of Vanceboro, North Carolina Notes to Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

#### ***Pensions***

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 Vanceboro’s employer contributions are recognized when due and the Town of Vanceboro 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.

#### ***Use of Estimates***

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Adoption of New Financial Accounting Standards***

The following GASB Statements recently issued and adopted by the GASB impacted the Town's financial statements:

GASB Statement No. 83, Certain Asset Retirement Obligations ("GASB 83"), requires that a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. GASB 83 will be effective for the fiscal years beginning after June 15, 2018. Currently, this new standard has minimal effect on the Town's financial statements.

GASB Statement No. 85, Omnibus 2017 ("GASB 85"), seeks to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB 85 will be effective for the fiscal years beginning after June 15, 2017. Currently, this new standard has minimal effect on the Town's financial statements.

GASB Statement No. 86, Certain Debt Extinguishment Issues ("GASB 86"), seeks to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB 86 will be effective for the fiscal years beginning after June 15, 2017. Currently, this new standard has minimal effect on the Town's financial statements.

GASB Statement No. 88, Certain Disclosures Related to Debt ("GASB 88"), seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. GASB 88 will be effective for the fiscal years beginning after June 15, 2018. Currently, this new standard has minimal effect on the Town's financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Future Accounting Pronouncements***

The Town is currently reviewing the financial impact of the following future accounting pronouncements.

GASB Statement No. 84, *Fiduciary Activities* ("GASB 84"), seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2018. The Town is reviewing this standard to determine the effect on the Town's financial statements.

GASB Statement No. 87, *Leases* ("GASB 87"), seeks to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the fiscal years beginning after December 15, 2019. The Town is reviewing this standard to determine the effect on the Town's financial statements.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61* ("GASB 90"), seeks to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

**Town of Vanceboro, North Carolina**  
**Notes to Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Town is reviewing this standard to determine the effect on the Town’s financial statements.

GASB Statement No. 91, Conduit Debt Obligations (“GASB 91”), seeks to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Town is reviewing this standard to determine the effect on the Town’s financial statements.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***Violation of State Statute***

NCGS 159-8 and 159-15 require local governments to adopt a balanced budget ordinance for all funds including amendments to the original budget. The Town’s original budget ordinance for the fiscal year ended June 30, 2019 was in balance. However, several amendments to the budget were not in balance resulting in the final budget ordinance being out of balance by \$97,138 in the General Fund and \$55,063 in the Water and Sewer Fund. Also, the Town did not document expenditures were pre-audited in the manner required by the Local Government Budget & Fiscal Control Act as required by NCGS 159-28.

***Excess of Expenditures over Appropriations***

Budgets are adopted at the line item level. The Budget Officer is authorized to transfer appropriations within a fund in amounts not to exceed \$2,500 of the appropriated monies for the line item whose allocation is reduced. Any revisions that alter total expenditures of any fund must be approved by the governing board. For the fiscal year ended June 30, 2019, the following expenditures exceeded the authorized appropriations made by the governing board. Management and the Board will more closely review the budget reports to ensure compliance in future years.

<u>General Fund:</u>		
Environmental Protection		
Cemetery	\$	1,232
<u>Water and Sewer Fund:</u>		
Water Operations	\$	17,357
Sewer Operations	\$	11,083

## Town of Vanceboro, North Carolina Notes to Financial Statements

### NOTE 3 – DEPOSITS

All of the Town's deposits 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 agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$655,144 and a bank balance of \$662,821. Of the bank balance \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method as detailed above. At June 30, 2019, Town of Vanceboro had \$130 cash on hand.

### NOTE 4 – INVESTMENTS

At June 30, 2019, the Town's investment balances were as follows:

Investment Type	Valuation Measurement Method	Value	Maturity	Rating
NCCMT - Government Portfolio	Amortized Cost	\$ 10,645	N/A	AAAm
NCCMT - Term Portfolio *	Fair Value Level 1	376,116	.11 years	Unrated
Total		\$ 386,761		

\* Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was present as an investment with a maturity of less than 6 months.



**Town of Vanceboro, North Carolina**  
**Notes to Financial Statements**

**NOTE 4 – INVESTMENTS (continued)**

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. The Town does not have a formal investment policy.

Level of fair value hierarchy: Level 1: Debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

*Interest Rate Risk.* The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town’s internal investment policy limits at least half of the Town’s investment portfolio to maturities of less than 12 months. Also, the Town’s internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

*Credit risk.* The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town’s investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town’s investment in the North Carolina Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2019. The Town’s investment in the North Carolina Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

**NOTE 5 - RECEIVABLES**

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

	Accounts Receivable	Taxes Receivable	Total
<b>Governmental Activities:</b>			
General Fund	\$ 13,900	\$ 10,985	\$ 24,885
Allowance for doubtful accounts	(3,423)	(3,260)	(6,683)
<b>Total governmental activities</b>	<b>\$ 10,477</b>	<b>\$ 7,725</b>	<b>\$ 18,202</b>
<b>Business-type Activities:</b>			
Water and Sewer Fund	\$ 51,064	\$ -	\$ 51,064
Allowance for doubtful accounts	(12,577)	-	(12,577)
<b>Total business-type activities</b>	<b>\$ 38,487</b>	<b>\$ -</b>	<b>\$ 38,487</b>

**Town of Vanceboro, North Carolina**  
**Notes to Financial Statements**

**NOTE 5 – RECEIVABLES (continued)**

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

	Governmental Activities	Business-type Activities	Total
<b>State of North Carolina:</b>			
Local option sales taxes	\$ 41,111	\$ -	\$ 41,111
Excise and franchise taxes	13,735	-	13,735
Solid waste disposal taxes	182	-	182
Sales and use tax refund	3,581	5,925	9,506
Grant receivable - NCDEQ	-	10,000	10,000
Total	58,609	15,925	74,534
<b>Craven County, North Carolina:</b>			
Ad valorem taxes	8,425	-	8,425
<b>Total due from other governments</b>	<b>\$ 67,034</b>	<b>\$ 15,925</b>	<b>\$ 82,959</b>

**Town of Vanceboro, North Carolina**  
**Notes to Financial Statements**

**NOTE 6 – CAPITAL ASSETS**

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

Governmental Activities:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 138,544	\$ -	\$ -	\$ 138,544
Capital assets being depreciated:				
Buildings	237,308	-	-	237,308
Improvements	89,461	35,561	-	125,022
Streets and infrastructure	5,000,000	-	-	5,000,000
Equipment	66,963	-	-	66,963
Vehicles	95,141	29,714	-	124,855
Total capital assets being depreciated	5,488,873	65,275	-	5,554,148
Less accumulated depreciation for:				
Buildings	237,308	-	-	237,308
Improvements	44,224	2,654	-	46,878
Streets and infrastructure	5,000,000	-	-	5,000,000
Equipment	43,647	5,831	-	49,478
Vehicles	64,110	13,249	-	77,359
Total accumulated depreciation	5,389,289	21,734	-	5,411,023
Total capital assets being depreciated, net	99,584	43,541	-	143,125
Total governmental activities capital assets, net	\$ 238,128	\$ 43,541	\$ -	\$ 281,669

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

General government	\$ 2,766
Public safety	14,727
Transportation	3,937
Cultural and recreation	304
Total	\$ 21,734

**Town of Vanceboro, North Carolina**  
**Notes to Financial Statements**

**NOTE 6 – CAPITAL ASSETS (continued)**

Business-type Activities:

<i>Water and Sewer Fund:</i>	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 43,517	\$ -	\$ -	\$ 43,517
<b>Total capital assets not being depreciated</b>	<b>43,517</b>	<b>-</b>	<b>-</b>	<b>43,517</b>
Capital assets being depreciated:				
Plant and distribution systems	6,416,246	-	-	6,416,246
Water tank	436,679	-	-	436,679
Equipment	85,604	-	-	85,604
Vehicles	64,374	-	-	64,374
<b>Total capital assets being depreciated</b>	<b>7,002,903</b>	<b>-</b>	<b>-</b>	<b>7,002,903</b>
Less accumulated depreciation for:				
Plant and distribution systems	3,057,658	153,191	-	3,210,849
Water tank	343,584	9,799	-	353,383
Equipment	56,601	5,088	-	61,689
Vehicles	64,374	-	-	64,374
<b>Total accumulated depreciation</b>	<b>3,522,217</b>	<b>168,078</b>	<b>-</b>	<b>3,690,295</b>
<b>Total capital assets being depreciated, net</b>	<b>3,480,686</b>	<b>(168,078)</b>	<b>-</b>	<b>3,312,608</b>
<b>Total business-type activities capital assets, net</b>	<b>\$ 3,524,203</b>	<b>\$ (168,078)</b>	<b>\$ -</b>	<b>\$ 3,356,125</b>

**NOTE 7 – PAYABLES**

Accounts payable and accrued expenses at the government-wide level at June 30, 2019, were as follows:

	Vendors	Payroll and Employee Benefits	Accrued Interest	Total
Governmental Activities:				
General Fund	\$ 23,849	\$ 2,422	\$ -	\$ 26,271
Business-type Activities:				
Water and Sewer Fund	\$ 22,961	\$ 853	\$ 910	\$ 24,724

**NOTE 8 – PENSION PLAN OBLIGATIONS**

***Local Governmental Employees' Retirement System***

*Plan Description:* The Town of Vanceboro is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters).

Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

**NOTE 8 – PENSION PLAN OBLIGATIONS (continued)**

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Vanceboro 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 Vanceboro's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Vanceboro were \$24,797 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$102,960 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.00434%, which was a decrease of 0.00099% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$27,758. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Town of Vanceboro, North Carolina**  
**Notes to Financial Statements**

**NOTE 8 – PENSION PLAN OBLIGATIONS (continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 15,884	\$ 533
Changes of assumptions	27,322	-
Net difference between projected and actual earnings on pension plan investments	14,134	-
Changes in proportion and difference between Town contributions and proportionate share of contributions	3,097	11,920
Town contributions subsequent to the measurement date	24,797	-
<b>Total</b>	<b>\$ 85,234</b>	<b>\$ 12,453</b>

\$24,797 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

2020	\$ 23,488
2021	15,525
2022	2,530
2023	6,441
2024	-
Thereafter	-
	<u>\$ 47,984</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 investment expense, including inflation

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

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

## Town of Vanceboro, North Carolina Notes to Financial Statements

### NOTE 8 – PENSION PLAN OBLIGATIONS (continued)

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

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

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. 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.



**Town of Vanceboro, North Carolina**  
**Notes to Financial Statements**

**NOTE 8 – PENSION PLAN OBLIGATIONS (continued)**

*Sensitivity of the Town's proportionate share of the net pension liability (asset) to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 247,318	\$ 102,960	\$ (17,668)

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

***Law Enforcement Officers Special Separation Allowance***

*Plan Description:* The Town of Vanceboro 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	2
Total	2

A separate report was not issued for the plan.

**NOTE 8 – PENSION PLAN OBLIGATIONS (continued)**

*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 following criteria which are outlined in GASB Statement 73:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

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

**DEATHS AFTER RETIREMENT (HEALTHY):** RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

**DEATHS BEFORE RETIREMENT:** RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

**DEATHS AFTER RETIREMENT (BENEFICIARY):** RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

**DEATHS AFTER RETIREMENT (DISABLED):** RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

**Town of Vanceboro, North Carolina**  
**Notes to Financial Statements**

**NOTE 8 – PENSION PLAN OBLIGATIONS (continued)**

*Contributions:* The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financial through investment earnings. The Town paid \$0 and \$0, respectively, as benefits came due, for the fiscal year end June 30, 2019, and the calendar year ended December 31, 2018, the actuarial valuation period.

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

At June 30, 2019, the Town reported a total pension liability of \$11,526. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$2,458.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,189	\$ 5,230
Changes of assumptions	1,237	653
Town benefit payments and administrative expenses made subsequent to the measurement date	-	-
<b>Total</b>	<b>\$ 6,426</b>	<b>\$ 5,883</b>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>		
2020	\$	231
2021		231
2022		231
2023		231
2024		231
Thereafter		(612)
	<b>\$</b>	<b>543</b>

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

**Town of Vanceboro, North Carolina**  
**Notes to Financial Statements**

**NOTE 8 – PENSION PLAN OBLIGATIONS (continued)**

*Sensitivity of the Town’s total pension liability to changes in the discount rate.* The following presents the Town’s total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town’s total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	<b>1% Decrease (2.64%)</b>	<b>Discount Rate (3.64%)</b>	<b>1% Increase (4.64%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 12,791	\$ 11,526	\$ 10,366

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 15,912	\$ 5,359	\$ 4,708
Changes for the year			
Service Cost	1,724	1,670	701
Interest	503	207	168
Change in benefit terms	-	-	-
Difference between expected and actuarial experience in the measurement of the total pension liability	(6,019)	7,007	-
Changes in assumptions or other inputs	(594)	1,669	(218)
Benefit payments	-	-	-
Other changes	-	-	-
Net changes	(4,386)	10,553	651
Ending balance of the total pension liability	\$ 11,526	\$ 15,912	\$ 5,359

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.

**Town of Vanceboro, North Carolina**  
**Notes to Financial Statements**

**NOTE 8 – PENSION PLAN OBLIGATIONS (continued)**

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 27,758	\$ 2,458	\$ 30,216
Pension Liability	102,960	11,526	114,486
Proportionate share of the net pension liability	0.000434%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	15,884	5,189	21,073
Changes of assumptions	27,322	1,237	28,559
Net difference between expected and actual earnings on plan investments	14,134	-	14,134
Changes in proportion and differences between contributions and proportionate share of contributions	3,097	-	3,097
Benefit payments and administrative costs paid subsequent to the measurement date	24,797	-	24,797
Deferred of Inflows of Resources			
Differences between expected and actual experience	533	5,230	5,763
Changes of assumptions	-	653	653
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	11,920	-	11,920

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

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

**NOTE 8 – PENSION PLAN OBLIGATIONS (continued)**

*Funding Policy:* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers and other employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$7,228, which consisted of \$6,968 from the Town and \$260 from law enforcement officers and other employees. No amounts were forfeited.

***Deferred Compensation Plan***

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Town has implemented Government Auditing Standards Board Statement No. 32 relating to the reporting of this information.

***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 System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers.

For the fiscal year ended June 30, 2019, the Town made contributions to the State for death benefits of \$167. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.14% of covered payroll, respectively. The Town considers these contributions to be immaterial.

**Town of Vanceboro, North Carolina**  
**Notes to Financial Statements**

**NOTE 9 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

Deferred outflows and inflows of resources at June 30, 2019 are comprised of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Pensions</b>		
Difference between expected and actual experience	\$ 21,073	\$ 5,763
Changes of assumptions	28,559	653
Net difference between projected and actual earnings on pension plan investments	14,134	-
Change in proportion and difference between employer contributions and proportionate share of contributions	3,097	11,920
Contributions to pension plan in the current fiscal year	24,797	-
Benefit payments and administrative expenses for LEOSSA	-	-
<b>Total - Exhibit 1 Statement of Net Position</b>	<b>\$ 91,660</b>	<b>\$ 18,336</b>
Taxes receivable, net, less penalties (General)	\$ -	\$ 7,725
Sanitation accounts receivable (General)	-	10,477
<b>Total - Exhibit 3 Balance Sheet Governmental Funds</b>	<b>\$ -</b>	<b>\$ 18,202</b>

**NOTE 10 - COMMITMENTS**

The Town has contracted with the North Carolina Department of Corrections to provide water to, and to treat wastewater from the Eastern Processing Center. The rate charged to the Processing Center is two and two-thirds (2 2/3) times the rate being charged to Vanceboro residents. The Town will receive a minimum monthly charge of \$14,433 based on water usage of 76,000 gallons per day. The total amount charged to the Eastern Processing Center was \$173,192 for the year ended June 30, 2019.

The Town has 2 maintenance contracts with Utility Service Co., Inc. for repairs, maintenance and inspection of the Town's 2 elevated water storage tanks. The Town also leases a postage meter for \$61 per month under an operating lease expiring May 21, 2023. The Town leases a copier for \$62 per month under an operating lease effective July 1, 2019 through June 30, 2024. The expenses under these agreements for fiscal year 2019 were \$103,722. Annual payments due under the terms of the contracts are as follows:

Fiscal Year	Water Tank 1	Water Tank 2	Copier	Postage Meter	Total
2020	\$ 43,269	\$ 59,726	\$ 744	\$ 728	\$ 104,467
2021	43,269	59,726	744	728	104,467
2022	43,269	59,726	744	728	104,467
2023	-	-	744	728	1,472
2024	-	-	744	-	744
<b>Total</b>	<b>\$ 129,807</b>	<b>\$ 179,178</b>	<b>\$ 3,720</b>	<b>\$ 2,912</b>	<b>\$ 315,617</b>

**NOTE 11 – 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 a self-funded risk financing pool administered by the North Carolina League of Municipalities. Through this pool, the Town has worker's compensation coverage of \$1,000,000 per occurrence. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

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

**NOTE 12 – LONG-TERM OBLIGATIONS**

***General Obligation Indebtedness***

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

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

Serviced by the Water and Sewer Fund:

\$532,109, Refunding Bond Series 2012, dated June 19, 2012,  
due in annual installments beginning June 1, 2013 of \$27,596  
and increasing periodically thereafter with a final payment of  
\$44,363 on June 1, 2027, interest at a rate of 3.59 percent.      \$ 319,025

Annual debt service payments to maturity of the general obligation bonds as of June 30, 2019, including interest of \$53,468, are as follows:



**Town of Vanceboro, North Carolina**  
**Notes to Financial Statements**

**NOTE 12 – LONG-TERM OBLIGATIONS (continued)**

Year Ending June 30,	Principal	Interest
2020	\$ 35,427	\$ 11,453
2021	36,660	10,181
2022	37,941	8,865
2023	39,223	7,503
2024	40,543	6,095
2025-2027	129,231	9,371
<b>Totals</b>	<b>\$ 319,025</b>	<b>\$ 53,468</b>

**Note Payable – North Carolina Department of Environment and Natural Resources**

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

\$820,826 Note payable to the North Carolina Department of Environmental Quality payable in 20 annual installments of \$41,042 without interest beginning May 1, 2016 and ending May 1, 2035.

\$ 656,661

Annual debt service payments for the note payable as of June 30, 2019, including interest of \$0, are as follows:

Year Ending June 30,	Principal	Interest
2020	\$ 41,041	\$ -
2021	41,041	-
2022	41,041	-
2023	41,041	-
2024	41,042	-
2025-2029	205,207	-
2030-2034	205,206	-
2035	41,042	-
<b>Totals</b>	<b>\$ 656,661</b>	<b>\$ -</b>

At June 30, 2019, the Town of Vanceboro had a legal debt margin of \$4,353,183.

**Town of Vanceboro, North Carolina**  
**Notes to Financial Statements**

**NOTE 12 – LONG-TERM OBLIGATIONS (continued)**

***Changes in Long-Term Liabilities***

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balances
<b>Governmental Activities:</b>					
Compensated absences	\$ 13,103	\$ -	\$ 3,129	\$ 9,974	\$ 9,974
Net pension liability NCLGERS	55,062	15,023	-	70,085	-
Total pension liability LEOSSA	15,912	-	4,386	11,526	-
<b>Total</b>	<b>\$ 84,077</b>	<b>\$ 15,023</b>	<b>\$ 7,515</b>	<b>\$ 91,585</b>	<b>\$ 9,974</b>
<b>Business-type Activities:</b>					
Compensated absences	\$ 3,392	\$ 827	\$ -	\$ 4,219	\$ 4,219
Net pension liability NCLGERS	26,366	6,509	-	32,875	-
General obligation bonds	353,124	-	34,099	319,025	35,427
Note payable	697,702	-	41,041	656,661	41,041
<b>Total</b>	<b>\$ 1,080,584</b>	<b>\$ 7,336</b>	<b>\$ 75,140</b>	<b>\$ 1,012,780</b>	<b>\$ 80,687</b>

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

**NOTE 13 – INTERFUND BALANCES AND ACTIVITY**

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

Receivable Fund	Payable Fund	Total
General Fund	Water and Sewer Fund	\$ 363,600

The General Fund has advanced monies to the Water and Sewer Fund for operating purposes. As excess operating funds are received in the Water and Sewer Fund, the outstanding balance will be repaid. The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE 14 – NET INVESTMENT IN CAPITAL ASSETS**

Net investment in capital assets at June 30, 2019 consist of the following:

	Governmental Activities	Business-type Activities	Total
Capital assets, net of depreciation	\$ 281,669	\$ 3,356,125	\$ 3,637,794
Less: General obligation debt	-	(319,025)	(319,025)
Note payable	-	(656,661)	(656,661)
<b>Net investment in capital assets</b>	<b>\$ 281,669</b>	<b>\$ 2,380,439</b>	<b>\$ 2,662,108</b>

**Town of Vanceboro, North Carolina**  
**Notes to Financial Statements**

**NOTE 15 – 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	\$ 828,328
Less:	
Nonspendable - prepaid expenses	1,703
Stabilization by state statute	430,634
Appropriated Fund Balance in 2020 budget	40,000
<u>Remaining Fund Balance</u>	<u>\$ 355,991</u>

**NOTE 16 – JOINTLY GOVERNED ORGANIZATION**

The Town, in conjunction with nine counties and thirty-eight other municipalities, established the East Carolina 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 \$351 to the Council during the fiscal year ended June 30, 2019.

**NOTE 17 – RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2019, the Town engaged in a related party transaction with a business owned by an elected official. The Town purchased its property, general liability, crime, inland marine, public officials and management liability, and automobile insurance policies for fiscal years 2019 and 2020 through the elected official’s insurance agency. The total premium for these policies amounted to \$24,958 for the fiscal year ended June 30, 2019.

**NOTE 18 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

The Board has evaluated subsequent events through June 22, 2020, the date which the financial statements were available to be issued.

**Grants**

The Town of Vanceboro has received approval of federal state and local grants as listed below:

- Craven County \$20,000 for Richard W. Bowers’ Park.
- State of North Carolina \$50,000 for Richard W. Bowers’ Park.
- North Carolina Department of Environmental Quality \$150,000 for Wastewater Asset Inventory Assessment.
- North Carolina Department of Public Safety Governor’s Crime Commission \$24,390.
- Craven County Schools for School Resource Officer reimbursement of salaries and benefits.

**NOTE 18 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS (continued)**

***Corona Virus (COVID-19)***

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Town. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

In response to the COVID-19 pandemic many businesses and local governments have temporarily closed. This could have an effect on certain state shared revenues of the Town including sales tax, franchise tax, and Powell Bill (gas tax) received from the State of North Carolina for fiscal years 2020 and 2021. The State has also granted a 6 month extension to all citizens for payment of motor vehicle property taxes for FY 2020. The Town may need to adjust its budget for fiscal years 2020 and 2021 to allow for the possible reduction in revenues. The amount of lost or reduced revenues cannot be estimated at this time.

**NOTE 19 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

***Federal and State Assisted Programs***

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

***Unemployment Taxes***

The Town elected to pay the direct cost of employment security benefits in lieu of state unemployment payroll taxes. A liability for benefit payments could accrue in the year following discharge of an employee.

**Town of Vanceboro, North Carolina**  
**Local Government Employees' Retirement System**  
**Required Supplementary Information**  
**Schedule of the Town's Proportionate Share of the**  
**Net Pension Liability (Asset)**  
**Last Six Fiscal Years \***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) %	0.00434%	0.00533%	0.00418%	0.00548%	0.00575%	0.00400%
Town's proportion of the net pension liability (asset) \$	\$ 102,960	\$ 81,428	\$ 88,714	\$ 24,594	\$ (33,910)	\$ 48,215
Town's covered-employee payroll	\$ 298,137	\$ 269,768	\$ 248,984	\$ 238,034	\$ 265,064	\$ 265,064
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.53%	30.18%	35.63%	10.33%	-12.79%	18.19%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

Notes to schedule:

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

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

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

**Town of Vanceboro, North Carolina  
Local Government Employees' Retirement System  
Required Supplementary Information  
Schedule of Town Contributions  
Last Six Fiscal Years**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 24,797	\$ 23,049	\$ 20,125	\$ 16,923	\$ 17,068	\$ 18,740
Contributions in relation to the contractually required contribution	24,797	23,049	20,125	16,923	17,068	18,740
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 308,404	\$ 298,137	\$ 269,768	\$ 248,984	\$ 238,034	\$ 265,064
Contributions as a percentage of covered-employee payroll	8.04%	7.73%	7.46%	6.80%	7.17%	7.07%

Notes to schedule:

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

**Town of Vanceboro, North Carolina  
Law Enforcement Officers' Special Separation Allowance  
Required Supplementary Information  
Schedule of Changes in Total Pension Liability  
For the Fiscal Year Ended June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 15,912	\$ 5,359	\$ 4,708
Changes for the year			
Service Cost	1,724	1,670	701
Interest	503	207	168
Change in benefit terms	-	-	-
Difference between expected and actuarial experience in the measurement of the total pension liability	(6,019)	7,007	-
Changes in assumptions or other inputs	(594)	1,669	(218)
Benefit payments	-	-	-
Other changes	-	-	-
Net changes	<u>(4,386)</u>	<u>10,553</u>	<u>651</u>
Ending balance of the total pension liability	<u>\$ 11,526</u>	<u>\$ 15,912</u>	<u>\$ 5,359</u>

Notes to schedule:

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

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

**Town of Vanceboro, North Carolina**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**For the Fiscal Year Ended June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 11,526	\$ 15,912	\$ 5,359
Town's covered-employee payroll	\$ 85,361	\$ 85,376	\$ 44,904
Total pension liability as a percentage of covered payroll	13.50%	18.64%	11.93%

Notes to schedule:

The Town of Vanceboro 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 as it becomes available.



**Town of Vanceboro, North Carolina**  
**General Fund Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

**Exhibit A-1**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes:			
Taxes	\$ 284,000	\$ 286,670	\$ 2,670
Penalties and interest	-	1,651	1,651
<b>Total</b>	<b>284,000</b>	<b>288,321</b>	<b>4,321</b>
Other taxes and licenses:			
Privilege licenses	2,000	1,860	(140)
<b>Total</b>	<b>2,000</b>	<b>1,860</b>	<b>(140)</b>
Unrestricted Intergovernmental :			
Local option sales taxes	151,000	149,441	(1,559)
Motor fuel tax refund	2,500	2,657	157
Franchise taxes	63,569	63,279	(290)
ABC profit distribution	1,000	1,336	336
Beer and wine taxes	5,000	4,256	(744)
<b>Total</b>	<b>223,069</b>	<b>220,969</b>	<b>(2,100)</b>
Restricted Intergovernmental:			
Solid waste disposal tax	-	732	732
Controlled substance tax	150	-	(150)
Harold Bate Foundation Grant	-	15,000	15,000
Federal Emergency Management Agency	-	30,306	30,306
Powell Bill allocation	33,000	32,162	(838)
<b>Total</b>	<b>33,150</b>	<b>78,200</b>	<b>45,050</b>
Permits and fees:			
Officer fees	500	450	(50)
Police department fees	11,000	13,105	2,105
<b>Total</b>	<b>11,500</b>	<b>13,555</b>	<b>2,055</b>
Sales and services:			
Sanitation revenues	93,731	90,727	(3,004)
Cemetery sales	26,115	26,665	550
<b>Total</b>	<b>119,846</b>	<b>117,392</b>	<b>(2,454)</b>
Investment earnings	-	8,772	8,772
Miscellaneous:			
Other revenues	20,200	3,453	(16,747)
<b>Total</b>	<b>20,200</b>	<b>3,453</b>	<b>(16,747)</b>
Contributions	4,000	2,991	(1,009)
<b>Total revenues</b>	<b>697,765</b>	<b>735,513</b>	<b>37,748</b>

**Town of Vanceboro, North Carolina**  
**General Fund Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**Exhibit A-1 (continued)**

	Final Budget	Actual	Variance Positive (Negative)
<b>Expenditures</b>			
<u>General Government:</u>			
Governing Body:			
Mayor and Aldermen	\$ 12,220	\$ 11,709	\$ 511
Administration:			
Salaries and employee benefits	153,266	143,747	9,519
Repairs and maintenance	5,000	1,423	3,577
Other operating expenditures	84,633	83,361	1,272
Capital outlay	35,561	35,562	(1)
Total	278,460	264,093	14,367
Total general government	290,680	275,802	14,878
<u>Public Safety:</u>			
Police:			
Salaries and employee benefits	186,062	173,022	13,040
Repairs and maintenance	21,880	15,698	6,182
Other operating expenditures	53,689	35,012	18,677
Capital outlay	30,000	29,714	286
Total public safety	291,631	253,446	38,185
<u>Transportation:</u>			
Streets:			
Salaries and employee benefits	31,107	29,731	1,376
Repairs and maintenance	137,278	135,721	1,557
Other operating expenditures	35,000	17,743	17,257
Total transportation	203,385	183,195	20,190
<u>Environmental Protection:</u>			
Sanitation:			
Contracted services	84,650	78,113	6,537
Total	84,650	78,113	6,537
Cemetery:			
Operating expenditures	31,500	32,732	(1,232)
Total environmental protection	116,150	110,845	5,305

**Town of Vanceboro, North Carolina**  
**General Fund Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**Exhibit A-1 (continued)**

	Final Budget	Actual	Variance Positive (Negative)
<u>Cultural and Recreational:</u>			
Library:			
Insurance	\$ 3,500	\$ -	\$ 3,500
Building repairs	1,000	451	549
Other operating expenditures	3,530	3,530	-
Total cultural and recreational	8,030	3,981	4,049
Total expenditures	909,876	827,269	82,607
Revenues over (under) expenditures	(212,111)	(91,756)	120,355
Fund balance appropriated	114,793	-	(114,793)
Net change in fund balance	<u>\$ (97,318)</u>	(91,756)	<u>\$ 5,562</u>
Fund balance, beginning of year		<u>920,084</u>	
Fund balance, end of year		<u>\$ 828,328</u>	

**Town of Vanceboro, North Carolina  
Cemetery Fund Schedule of Revenues, Expenditures, and  
Changes in Fund Balances – Budget and Actual  
For the Fiscal Year Ended June 30, 2019  
Exhibit A-2**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Contribution - Celestial Memorial Gardens	\$ -	\$ -	\$ -
<b>Expenditures</b>			
Environmental protection Cemetery	-	-	-
Revenues over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of year		<u>82,202</u>	
Fund balance, end of year		<u>\$ 82,202</u>	

**Town of Vanceboro, North Carolina**  
**Water and Sewer Fund Schedules of Revenues and**  
**Expenditures – Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2019**  
**Exhibit B-1**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues:			
Charges for services:			
Water charges	\$ 169,000	\$ 162,217	\$ (6,783)
Sewer charges	175,615	175,598	(17)
Water and sewer taps/reconnections	9,000	7,000	(2,000)
Operation and maintenance	174,056	173,192	(864)
Total charges for services	527,671	518,007	(9,664)
Other operating revenues	2,000	-	(2,000)
Total operating revenues	529,671	518,007	(11,664)
Nonoperating revenues:			
State grants	-	10,000	10,000
Total nonoperating revenues	-	10,000	10,000
Total revenues	529,671	528,007	(1,664)
<b>Expenditures</b>			
Water operations:			
Salaries and employee benefits	85,349	95,226	(9,877)
Repairs and maintenance	26,434	18,734	7,700
Water tank maintenance	88,996	102,995	(13,999)
Other operating expenditures	58,489	59,670	(1,181)
Total	259,268	276,625	(17,357)
Sewer operations:			
Salaries and employee benefits	58,724	48,941	9,783
Repairs and maintenance	46,655	56,421	(9,766)
Other operating expenditures	132,187	143,287	(11,100)
Total	237,566	248,649	(11,083)
Debt service:			
Debt principal		75,140	
Interest and fees		12,677	
Total	87,900	87,817	83
Total expenditures	584,734	613,091	(28,357)
Revenues over (under) expenditures	\$ (55,063)	\$ (85,084)	\$ (30,021)

**Town of Vanceboro, North Carolina**  
**Water and Sewer Fund Schedules of Revenues and**  
**Expenditures – Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2019**  
**Exhibit B-1 (continued)**

	Final Budget	Actual	Variance Positive (Negative)
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (85,084)	
Reconciling items:			
Debt principal		75,140	
(Increase) decrease in accrued interest payable		98	
Increase (decrease) in deferred outflows - pensions		5,628	
(Increase) decrease in deferred inflows - pensions		(523)	
(Increase) decrease in net pension liability		(6,509)	
(Increase) decrease in accrued compensated absences		(827)	
Depreciation		(168,078)	
Total reconciling items		(95,071)	
Change in net position		\$ (180,155)	

**Town of Vanceboro, North Carolina**  
**Schedule 1 - Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2019**

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 289,227	\$ 282,833	\$ 6,394
2017-2018	4,610	-	3,881	729
2016-2017	674	-	72	602
2015-2016	385	-	29	356
2014-2015	346	-	29	317
2013-2014	795	-	64	731
2012-2013	673	-	65	608
2011-2012	567	-	29	538
2010-2011	397	-	30	367
2009-2010	372	-	29	343
2008-2009	497	-	497	-
	<u>\$ 9,316</u>	<u>\$ 289,227</u>	<u>\$ 287,558</u>	<u>10,985</u>
Less allowance for uncollectible ad valorem taxes receivable				(3,260)
<b>Ad valorem taxes receivable, net</b>				<b>\$ 7,725</b>
<b>Reconciliation with revenues:</b>				
Total ad valorem taxes - General Fund				\$ 288,321
Penalties and interest, net of discounts				(1,651)
Refunds				496
Amounts written off for prior year taxes and releases				392
<b>Total collections and credits</b>				<b>\$ 287,558</b>

**Town of Vanceboro, North Carolina**  
**Schedule 2 - Analysis of Current Tax Levy – Town-Wide Levy**  
**For the Fiscal Year Ended June 30, 2019**

	Town-wide			Total Levy	
	Property Valuation	Tax Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 54,568,551	0.53	\$ 289,213	\$ 257,494	\$ 31,719
Penalties			829	829	-
Releases	(149,393)		(792)	(415)	(377)
Write-offs	(4,375)		(23)	(23)	-
<b>Total property valuation</b>	<b><u>\$ 54,414,783</u></b>				
<b>Net levy</b>			<b>289,227</b>	<b>257,885</b>	<b>31,342</b>
<b>Uncollected taxes at June 30, 2019</b>			<b>(6,394)</b>	<b>(6,394)</b>	<b>-</b>
<b>Current year's taxes collected</b>			<b><u>\$ 282,833</u></b>	<b><u>\$ 251,491</u></b>	<b><u>\$ 31,342</u></b>
<b>Current levy collection percentage</b>			<b>97.79%</b>	<b>97.52%</b>	<b>100.00%</b>