
Town of Bath

Bath, North Carolina

Audit Report

June 30, 2020

TOWN OF BATH

BATH, NORTH CAROLINA

TOWN OFFICIALS

Mayor

James G. Latham

Town Commissioners

John Taylor

David Johnson

Keith Tankard

James Caton

Town Administrator

Marion Carson

Town Clerk

Elna Lewis

Town of Bath, North Carolina
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June 30, 2020

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LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Bath, 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 Bath, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each

Member:

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major fund, and the aggregate remaining funds of Town of Bath, North Carolina as of June 30, 2020, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison of 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 on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general 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 Bath, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Larry E. Carpenter, CPA, PA

Greenville, NC
December 2, 2020

**MANAGEMENT'S DISCUSSION AND
ANALYSIS**

Management's Discussion and Analysis

As management of the Town of Bath, we offer readers of the Town of Bath's financial statements this narrative overview and analysis of the financial activities of the Town of Bath for the fiscal year ended June 30, 2020. 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.

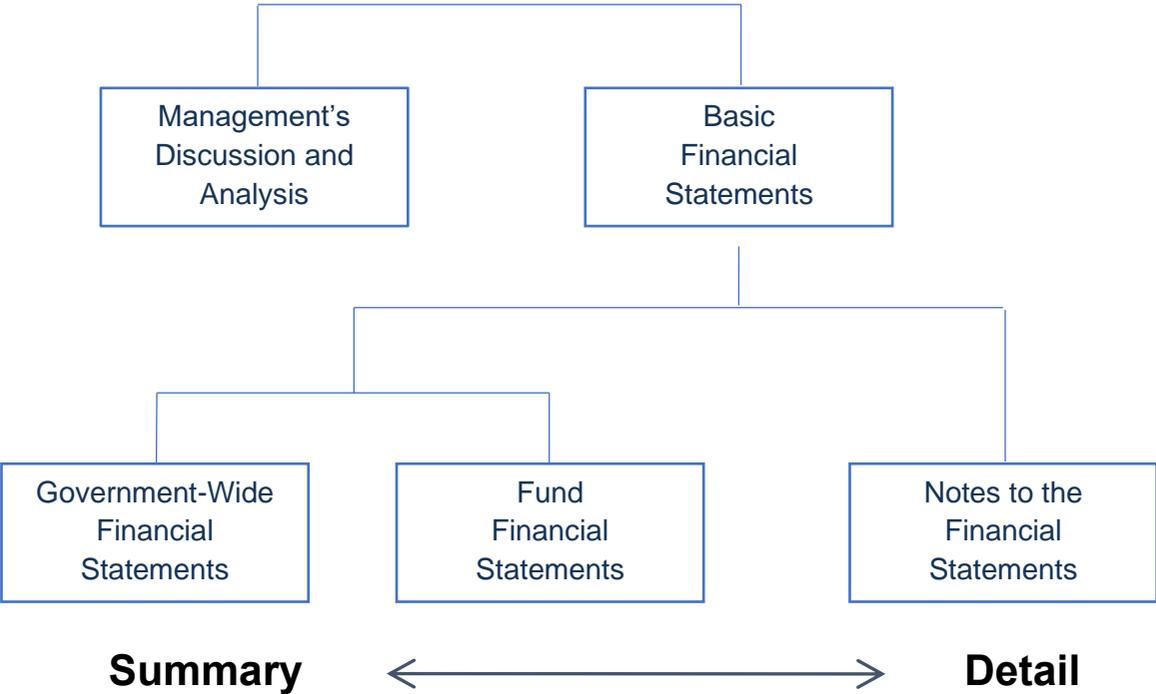
Financial Highlights

- The assets and deferred outflows of resources of the Town of Bath exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,804,881 (*net position*).
- The government's total net position decreased by \$12,720 primarily due to a decrease in both the business-type activities net position.
- As of the close of the current fiscal year, the Town of Bath's governmental funds reported an ending fund balance of \$327,734 with a net change of \$20,042 in fund balance. Approximately 16.93% of this total amount, or \$55,481, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$55,481, or 25.12% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Bath's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Bath.

**Components of the Annual Financial Report
Figure 1:**



Basic Financial Statements

The first two statements (Exhibits A-1 and A-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 A-3 through A-9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide financial statements

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

Management Discussion and Analysis
Town of Bath, North Carolina

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, cultural and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Bath.

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

Fund financial statements

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

Governmental Funds: Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Bath 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 Town Council; 2) the final budget as amended by the Town Council; 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.

Management Discussion and Analysis
Town of Bath, North Carolina

Proprietary Funds: Town of Bath has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Bath uses an enterprise fund to account for its water and sewer operation. 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.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 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 Bath's progress in funding its obligation to provide pension benefits to its employees.

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 government and other holders of publicly held U.S. Treasury Securities.

Town of Bath’s Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 334,560	\$ 330,876	\$ (143,527)	\$ (71,893)	\$ 191,033	\$ 258,983
Pension assets						
Capital assets	345,343	362,217	4,123,946	4,123,026	4,469,289	4,485,243
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	679,903	693,093	3,980,419	4,051,133	4,660,322	4,744,226
Current liabilities	2,153	8,348	50,366	141,715	52,519	150,063
Noncurrent liabilities	-	-	-	-	-	-
Deferred inflows of resources	-	-	-	-	-	-
Total liabilities and deferred inflow of resources	2,153	8,348	50,366	141,715	52,519	150,063
Net investment in capital assets	345,343	362,217	3,315,023	3,314,103	3,660,366	3,676,320
Restricted	272,253	272,253	-	-	272,253	272,253
Unrestricted	60,154	50,275	(187,892)	(164,746)	(127,738)	(114,471)
Total net position	\$ 677,750	\$ 684,745	\$3,127,131	\$3,149,357	\$ 3,804,881	\$ 3,834,102

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Bath exceeded liabilities by \$3,804,881 as of June 30, 2020, The Town's net position decreased by \$12,720 for the fiscal year ended June 30, 2020. However, the largest

Management Discussion and Analysis
Town of Bath, North Carolina

portion, \$3,660,366 or 96.20%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Bath uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Bath's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Bath's net position, - represents resources that are subject to external restrictions on how they may be used. The remaining balance of - is unrestricted.

Town of Bath's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 18,754	\$ 13,873	\$ 219,614	\$ 217,590	\$ 238,368	\$ 231,463
Operating grants and contributions	7,704	8,291	-	-	7,704	8,291
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	118,014	123,453	-	-	118,014	123,453
Other taxes	82,852	80,103	-	-	82,852	80,103
Unrestricted intergovernmental	-	-	-	-	-	-
Investment earnings	15	26	112	183	127	209
Other	15,187	9,631	18,796	16,230	33,983	25,861
Total revenues	<u>242,526</u>	<u>235,377</u>	<u>238,522</u>	<u>234,003</u>	<u>481,048</u>	<u>469,380</u>
Expenses:						
General government	165,201	174,484	-	-	165,201	174,484
Public safety	54,490	43,151	-	-	54,490	43,151
Transportation	9,070	17,705	-	-	9,070	17,705
Environmental protection	7,995	10,675	-	-	7,995	10,675
Culture and recreation	1,000	1,000	-	-	1,000	1,000
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	256,012	301,220	256,012	301,220
Total expenses	<u>237,756</u>	<u>247,015</u>	<u>256,012</u>	<u>301,220</u>	<u>493,768</u>	<u>548,235</u>
Increase in Net Position before transfers	4,770	(11,638)	(17,490)	(67,217)	(12,720)	(78,855)
Transfers	-	-	-	-	-	-
Increase (decrease) in Net Position	4,770	(11,638)	(17,490)	(67,217)	(12,720)	(78,855)
Net Position, July 1	672,980	691,632	3,144,621	3,176,462	3,817,601	3,868,094
Net Position, June 30	<u>\$ 677,750</u>	<u>\$ 679,994</u>	<u>\$3,127,131</u>	<u>\$3,109,245</u>	<u>\$3,804,881</u>	<u>\$3,789,239</u>

Governmental activities: Governmental activities increased the Town net assets by \$4,770.

Business-type activities: Business-type activities decreased the Town's net assets by \$17,490.

The Town of Bath's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer at the end of the fiscal year amounted to \$3,127,131. The total decrease in net position was \$17,490.

Management Discussion and Analysis
Town of Bath, North Carolina

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Bath. At the end of the current fiscal year, the Town of Bath's fund balance available in the General Fund was \$55,481, while total fund balance reached \$327,734. The Town currently has an available fund balance of 25.12% of general fund expenditures, while total fund balance represents 1.48% of the same amount.

At June 30, 2020, the governmental funds of the Town of Bath reported a combined fund balance of \$327,734 with a net increase in fund balance of \$20,042.

General Fund Budgetary Highlights

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

The Town of Bath revised its original budget because they received installment purchase proceeds used to purchase two fire trucks in the General Fund and for the purchase of a street sweeper used in the Stormwater Fund. Expenditures were held in check to comply with the Town's budgetary requirements, with the exception of public safety, which were over expended.

Proprietary funds. The Town of Bath's proprietary funds provide the same type of information found in the government-wide statements but in more detail.

Management Discussion and Analysis
Town of Bath, North Carolina

Capital Asset and Debt Administration

Capital assets.

Capital assets. The Town's investment in capital assets for its governmental and business—type activities as of June 30, 2020, totals \$4,469,290 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

Town of Bath’s Capital Assets
(Net of Accumulated Depreciation)
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 7,582	\$ 7,582	\$ 326,157	\$ 326,157	\$ 333,739	\$ 333,739
Buildings	281,432	293,687	-	-	281,432	293,687
Equipment	-	-	20,968	12,390	20,968	12,390
Vehicles	500	1,500	3,520	4,928	4,020	6,428
Improvements	17,262	18,300	-	-	17,262	18,300
Infrastructure	38,567	41,148	-	-	38,567	41,148
Plant and distributions system	-	-	1,083,122	1,131,009	1,083,122	1,131,009
Construction in progress	-	-	2,690,180	2,648,542	2,690,180	2,648,542
Capital assets, net	<u>\$ 345,343</u>	<u>\$ 362,217</u>	<u>\$ 4,123,947</u>	<u>\$ 4,123,026</u>	<u>\$ 4,469,290</u>	<u>\$ 4,485,243</u>

Long-term Debt. As of June 30, 2020, the Town had total bonded debt outstanding of \$166,000. The bonded debt total amount is backed by the full faith and credit of the Town.

Town of Bath
General Obligations and Loans
Figure 5

	Business-Type Activities	
	2020	2019
General Obligation Bonds	\$ 166,000	\$ 166,000
Note Payable	<u>642,922</u>	<u>642,922</u>
Total	<u>\$ 808,922</u>	<u>\$ 808,922</u>

The Town's total debt decreased did not decrease during the past fiscal year, due to a change in payment dates for bond principal.

Management Discussion and Analysis
Town of Bath, North Carolina

Economic Factors and Next Year's Budget and Rates

The following key economic indicators reflect the general condition of the Town. The economic crisis of prior years continues to contribute to the factors below:

- High unemployment, an aged population, no industrial development, and very little retail business help to create a situation where the Town's customer base is eroded. The resulting ratio of expense versus revenue creates a difficult situation in keeping rates and fees low while maintaining an adequate level of service. In addition, most residents are on fixed income.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Tax revenues along with other general fund revenues are expected to remain constant and no property tax rate increase is being considered at this time.

Requests for Information

Finance Officer
Town of Bath
P.O. Drawer 6A
Bath, NC 27808

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Bath, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 57,584	\$ 104,973	\$ 162,557
Taxes receivable, net	4,673	--	4,673
Accounts receivable, net	2,634	21,169	23,803
Internal Balances	269,669	(269,669)	--
Total Current Assets	334,560	(143,527)	191,033
<i>Noncurrent Assets</i>			
Land and other nondepreciable assets	7,582	3,016,337	3,023,919
Other capital assets, net of depreciation	337,761	1,107,609	1,445,370
Total Assets	679,903	3,980,419	4,660,322
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Deferred Outflows of Resources	--	--	--
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities	2,153	1,504	3,657
Current portion of long-term debt	--	48,862	48,862
Total Current Liabilities	2,153	50,366	52,519
<i>Noncurrent Liabilities</i>			
Long-term debt	--	802,922	802,922
Total Liabilities	2,153	853,288	855,441
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	--	--
Total Deferred Inflows of Resources	--	--	--
NET POSITION			
Net investment in capital assets	345,343	3,315,023	3,660,366
<i>Restricted for:</i>			
Stabilization by State Statute	272,253	--	272,253
<i>Unrestricted</i>	60,154	(187,892)	(127,738)
Total Net Position	\$ 677,750	\$ 3,127,131	\$ 3,804,881

The accompanying notes are an integral part of this financial statement.

**Town of Bath, North Carolina
Statement of Activities
For the Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 165,201	\$ 18,754	\$ --	\$ --	\$ (146,447)	\$ --	\$ (146,447)
Public safety	54,490	--	--	--	(54,490)	--	(54,490)
Transportation	9,070	--	7,704	--	(1,366)	--	(1,366)
Environmental protection	7,995	--	--	--	(7,995)	--	(7,995)
Cultural and recreational	1,000	--	--	--	(1,000)	--	(1,000)
Total Governmental Activities	237,756	18,754	7,704	--	(211,298)	--	(211,298)
Business-type Activities:							
Water and Sewer Fund	256,012	219,614	--	--	--	(36,398)	(36,398)
Total Business-type Activities	256,012	219,614	--	--	--	(36,398)	(36,398)
Total Primary Government	\$ 493,768	\$ 238,368	\$ 7,704	\$ --	\$ (211,298)	\$ (36,398)	\$ (247,696)
General Purpose Revenues and Transfers:							
Revenues							
					118,014	--	118,014
Ad valorem taxes					82,852	--	82,852
Other taxes and licenses					15	112	127
Investment income					15,187	18,796	33,983
Miscellaneous Income					--	--	--
Transfers					--	--	--
Total General Revenues and Transfers					216,068	18,908	234,976
Change in Net Position					4,770	(17,490)	(12,720)
<i>Net Position, beginning as previously reported</i>					684,745	3,149,357	3,834,102
<i>Prior period adjustment</i>					(11,765)	(4,736)	(16,501)
<i>Net Position at Beginning of Period as restated</i>					672,980	3,144,621	3,817,601
Net Position at End of Period					\$ 677,750	\$ 3,127,131	\$ 3,804,881

The accompanying notes are an integral part of this financial statement.

FUND FINANCIAL STATEMENTS

**Town of Bath, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020**

	Major Fund
	General Fund
ASSETS	
Cash and cash equivalents	\$ 57,584
Taxes receivable, net	4,673
Accounts receivable, net	2,634
Due from other funds	269,669
Total Assets	334,560
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Assets and Deferred Outflows of Resources	\$ 334,560
LIABILITIES	
Accounts payable and accrued liabilities	\$ 2,153
Total Liabilities	2,153
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	4,673
Total Liabilities and Deferred Inflows of Resources	6,826
FUND BALANCE	
Restricted	
Stabilization by State Statute	272,253
Unassigned	55,481
Total Fund Balance	327,734
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 334,560

The accompanying notes are an integral part of this financial statement

**Town of Bath, North Carolina
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020**

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

Total Fund Balance - Governmental Funds	\$	327,734
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		345,343
Earned revenues considered deferred inflows of resources in fund statements.		4,673
Total Net Position-Governmental Funds	\$	<u>677,750</u>

The accompanying notes are an integral part of this financial statement.

Town of Bath, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	<u>Major Fund</u>
	<u>General Fund</u>
Revenues	
Ad valorem taxes	\$ 116,412
Other taxes and licenses	82,852
Restricted intergovernmental	7,704
Charges for services	18,754
Miscellaneous Income	15,186
Investment income	15
Total Revenues	<u>240,923</u>
Expenditures	
General government	149,979
Public safety	52,837
Transportation	9,070
Environmental protection	7,995
Cultural and recreational	1,000
Total Expenditures	<u>220,881</u>
Net Change in Fund Balance	20,042
<i>Fund Balance, beginning as previously reported</i>	319,457
Prior period adjustment	<u>(11,765)</u>
<i>Fund Balance, beginning as restated</i>	307,692
Fund Balance at End of Period	<u>\$ 327,734</u>

The accompanying notes are an integral part of this financial statement.

Town of Bath, North Carolina
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2020

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

Total Net Change in Fund Balances - Governmental Funds	\$	20,042
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(16,874)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		1,602
Changes in Net Position-Governmental Funds	\$	<u>4,770</u>

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

Town of Bath, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Ad valorem taxes	\$ 116,405	\$ 116,405	\$ 116,412	\$ 7
Other taxes and licenses	84,341	84,341	82,852	(1,489)
Restricted intergovernmental	7,704	7,704	7,704	--
Investment Earnings	15	15	15	--
Charges for services	18,754	18,754	18,754	--
Miscellaneous Income	13,413	13,413	15,186	1,773
Total Revenues	240,632	240,632	240,923	291
Expenditures				
General government	155,522	149,982	149,979	3
Public safety	47,797	52,837	52,837	--
Transportation	9,070	9,070	9,070	--
Environmental protection	10,660	11,160	7,995	3,165
Cultural and recreational	1,000	1,000	1,000	--
Total Expenditures	224,049	224,049	220,881	3,168
Other Financing Uses				
Appropriations	16,583	16,583	--	16,583
Total Expenditures and Other Financing Uses	240,632	240,632	220,881	19,751
Net Change in Fund Balance	\$ --	\$ --	20,042	\$ 20,042
<i>Fund Balance at Beginning of Period</i>			307,692	
Fund Balance at End of Period			\$ 327,734	

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

Town of Bath, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-type Activities
	Water & Sewer Fund
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 104,973
Accounts receivable, net	21,169
Total Current Assets	126,142
<i>Noncurrent Assets</i>	
Land and other nondepreciable assets	3,016,337
Other capital assets, net of depreciation	1,107,609
Total Assets	4,250,088
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Deferred Outflows of Resources	--
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable and accrued liabilities	1,504
Due to other funds	269,669
Current portion of long-term debt	48,862
Total Current Liabilities	320,035
<i>Noncurrent Liabilities</i>	
Long-term debt	802,922
Total Liabilities	1,122,957
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
Total Deferred Inflows of Resources	--
NET POSITION	
Net investment in capital assets	3,315,023
<i>Unrestricted</i>	(187,892)
Total Net Position	\$ 3,127,131

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

Town of Bath, North Carolina
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Business-type Activities - Enterprise
	Water & Sewer
Operating Revenues	
Sales and services	\$ 219,614
Miscellaneous Income	18,796
Total Operating Revenues	238,410
Operating Expenses	
Water and sewer operations	197,748
Depreciation	52,263
Total Operating Expenses	250,011
Operating Income (Loss)	(11,601)
Non-Operating Revenues (Expenses)	
Investment income	112
Interest and other charges	(6,001)
Net Non-Operating Revenues (Expenses)	(5,889)
Income Before Contributions and Transfers	(17,490)
Change In Net Position	(17,490)
<i>Net Position, beginning as previously reported</i>	3,149,357
Prior period adjustment	(4,736)
<i>Net Position, beginning as restated</i>	3,144,621
Net Position at End of Period	\$ 3,127,131

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

Town of Bath, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds
	Water & Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 219,614
Cash paid for goods and services	(190,356)
Cash paid to/on behalf of employees	(72,161)
Other operating revenue	18,796
Net cash provided (used) by operating activities	(24,107)
Cash Flows from Noncapital Financing Activities:	
Transfers to (from) other funds	37,146
	37,146
Cash Flows From Capital and Related Financing Activities	
Capital contributions	-
Acquisition and construction of capital assets	(41,638)
Principal repaid on long-term debt	-
Interest paid on long-term debt	(6,001)
Net cash provided (used) by capital and related financing activities	(47,639)
Cash Flows from Investing Activities:	
Investment income received	112
Net increase (decrease) in cash and cash equivalents	(34,488)
Cash and Cash Equivalents - Beginning of Year	139,461
Cash and Cash Equivalents - End of Year	\$ 104,973
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (11,601)
Depreciation	52,263
Change in assets and liabilities:	
Increase (decrease) in accounts payable and accrued liabilities	(64,769)
Net cash provided (used) by operating activities	\$ (24,107)

Notes To The Financial Statements

**Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental fund:

Governmental: General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in

Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

another fund. The primary revenue sources are ad valorem taxes, intergovernmental revenues, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance, and sanitation services. Additionally, the town had legally adopted a capital resource fund. Under GASB 54 guidance the capital resource fund is consolidated in the General Fund. The budgetary comparison for the capital resource fund has been included in the supplemental information.

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

The Town reports the following non-major fund:

Governmental: Capital Reserve Fund. This fund is used to account for funds that are designated for future use.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the 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

Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2015, 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, 2015 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Bath because the tax is levied by Beaufort County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. The Town Manager has the authority to amend appropriations within departments. All other amendments must be approved by the governing board.

**Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020**

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)], authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

The Town considers demand deposits and investments purchased with an original maturity of three months or less, which are not, limited as to use, to be cash and cash equivalents

3. 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 local streets per G.S. 136-41.1 through 136-41.4. Customer deposits are classified as restricted cash because they must be returned to the customer at the conclusion of service.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015, As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020**

5. Allowances for Doubtful Accounts

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

6. Inventory & 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 funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	20
Buildings	30
Improvements	25
Furniture and equipment	7-10
Computer equipment	3
Computer software	5

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet the criterion for this category—property taxes receivable.

9. 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

Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. *Compensated Absences*

The Town requires vacation to be taken in the year earned with no carry over. The Town has no policy regarding sick leave.

11. *Net Position/Fund Balances*

Net Position

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

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. The Town does not have any nonspendable fund balances for the governmental fund types.

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 — portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

Committed Fund Balance — portion of fund balance that can only be used for specific purposes

Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

imposed by majority vote by quorum of the Town of Bath'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 otherwise revise the limitation.

Assigned Fund Balance — portion of fund balance that the Town of Bath intends to use for specific purposes.

Subsequent years' expenditures— portion of fund balance that is appropriated in the next years' 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.

NOTE II—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

- 1. Noncompliance with North Carolina General Statutes**
NONE
- 2. Contractual Violations**
NONE
- 3. Deficit in Fund Balance or Net Position of Individual Funds**
NONE
- 4. Excess of Expenditures over Appropriations**
NONE

**Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE III—DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in this unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no 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 year end, the Town's deposits had a carrying amount of \$162,557 and a bank balance of \$171,161. Of the bank balance, \$171,161 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. All of the bank balance was covered by federal depository insurance.

Receivables — Allowance for Doubtful Accounts

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

General Fund:	
Taxes receivable	\$ 2,000
Accounts receivable	-
Total	<u>2,000</u>

**Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020**

2. Capital Assets

A summary of changes in the Town's capital assets used in governmental activities follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 7,582	\$ -	\$ -	\$ 7,582
Total capital assets not being depreciated	<u>7,582</u>	<u>-</u>	<u>-</u>	<u>7,582</u>
Capital assets being depreciated:				
Buildings	457,155	-	-	457,155
Equipment	26,677	-	-	26,677
Vehicles	9,600	-	-	9,600
Other improvements	32,190	-	-	32,190
Infrastructure	77,418	-	-	77,418
Total capital assets being depreciated	<u>603,040</u>	<u>-</u>	<u>-</u>	<u>603,040</u>
Less Accumulated Depreciation for:				
Buildings	163,468	12,255	-	175,723
Equipment	26,677	-	-	26,677
Vehicles	8,100	1,000	-	9,100
Other improvements	13,890	1,038	-	14,928
Infrastructure	36,270	2,581	-	38,851
Total accumulated depreciation	<u>248,405</u>	<u>\$ 16,874</u>	<u>\$ -</u>	<u>265,279</u>
Total capital assets being depreciated, net	<u>354,635</u>			<u>337,761</u>
Governmental activity capital assets, net	<u>\$ 362,217</u>			<u>\$ 345,343</u>

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

Governmental Activities:	
General Government	\$ 15,222
Public Safety	1,653
Total	<u>\$ 16,874</u>

**Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020**

Water and Sewer Fund Capital Assets

Capital asset activity for the Water and Sewer Fund for the year ended June 30, 2020, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 326,157	\$ -	\$ -	\$ 326,157
Construction in progress	2,648,542	41,638	-	2,690,180
Total capital assets not being depreciated	<u>2,974,699</u>	<u>41,638</u>	<u>-</u>	<u>3,016,337</u>
Capital assets being depreciated:				
Plant and distributions system	2,395,084	-	-	2,395,084
Equipment	115,413	11,546	-	126,959
Vehicles	19,128	-	-	19,128
Total capital assets being depreciated	<u>2,529,625</u>	<u>11,546</u>	<u>-</u>	<u>2,541,171</u>
Less accumulated depreciation for:				
Plant and distributions system	1,264,075	47,887	-	1,311,962
Equipment	103,023	2,968	-	105,991
Vehicles	14,200	1,408	-	15,608
Total accumulated depreciation	<u>1,381,298</u>	<u>52,263</u>	<u>-</u>	<u>1,433,561</u>
Total capital assets being depreciated, net	<u>1,148,327</u>			<u>1,107,610</u>
Business-type activity capital assets, net	<u>\$ 4,123,026</u>			<u>\$ 4,123,947</u>

B. Liabilities

1. Pension Plan Obligations

Town employees do not receive pension benefits, employment benefits or post-employment benefits.

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources were none at year end.

Deferred inflows of resources at year-end is comprised of the following:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable (General Fund), less penalties	4,673	-
Total	<u>\$ 4,673</u>	<u>\$ -</u>

**Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020**

3. 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	\$ 327,734
Less:	
Stabilization by State Statute	272,253
Streets-Powell Bill	-
Working Capital / Fund Balance Policy	-
Remaining Fund Balance	55,481

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The 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.

**Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020**

5. Long-Term Obligations

Changes in Long-Term Liabilities

The following is a summary of changes in the Town's Business-Type (Enterprise Fund) Activities long-term liabilities.

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
\$ 685,784	\$ -	\$ -	\$ 685,784	\$ 42,862
166,000	-	-	166,000	6,000
<u>\$ 851,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 851,784</u>	<u>\$ 48,862</u>

a. General Obligation Bonds

Serviced by the Water and Sewer Fund:

The Town's general obligations 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, 2020 are as follows:

\$250,000 1999 Sanitary Sewer Serial Bonds due in annual installments of \$4,000 to \$10,000 through June 1, 2039, interest at 3.25%.	\$ 166,000
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Annual debt service requirements to maturity for long-term obligations are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	12,000	5,005	17,005
2022	6,000	5,200	11,200
2023	7,000	5,005	12,005
2024	7,000	4,810	11,810
2024-2026	22,000	12,383	34,383
2027-2031	42,000	15,568	57,568
2032-2036	49,000	8,255	57,255
2037-2038	21,000	1,008	22,008
	<u>166,000</u>	<u>57,234</u>	<u>223,234</u>

**Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020**

b. Installment Purchases

\$810,378, loan from the NC Clean Water State Revolving Loan Fund for upgrade of the Town's Wastewater Treatment and Disposal Upgrade; estimated repayment will be due annual installments of principal of \$42,862 plus interest at 2% through 2034.

685,784

Annual debt service payments of the installment purchases as of June 30, 2020, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	85,723	12,001	55,291
2022	42,862	11,144	54,434
2023	42,862	10,287	53,148
2024-2034	514,338	51,862	566,200
	<u>685,784</u>	<u>\$ 85,294</u>	<u>\$ 729,074</u>

6. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2020, consist of the following:

Due to General Fund from Water & Sewer \$ 269,669

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.

The Interfund balance resulted from loans to the General Fund for construction of the town's Sewer Improvement Project. The Town has subsequently agreed to issuing a resolution to forgive the loan to the Water and Sewer fund from the General fund to be effective in the following fiscal year.

NOTE IV —SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE V —JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with five counties and thirty-four other municipalities, established the Mid-East Commission Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating

Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

government appoints one member to the Council's governing board. The Town paid membership fees of \$300 to the Council during the fiscal year.

NOTE VII — PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2020, the Town determined that their accounts payable accounts for the General Fund and Water and Sewer Fund had been overstated due to computer issues. Therefore, an adjustment was made to correct the balances. The net was a decrease of \$11,765 in the general fund and a decrease of \$4,736 in the Water and Sewer Fund for both government-wide statements and the fund financial statements.

NOTE VII —SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 2, 2020 the date the financial statements were available to be issued.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Bath, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad Valorem Taxes			
Taxes		116,412	
Total	<u>116,405</u>	<u>116,412</u>	<u>7</u>
 Other Taxes and Licenses			
Beer & wine		1,019	
Local option sales tax		71,066	
Utility franchise tax		10,586	
Solid waste tax		181	
Total	<u>84,341</u>	<u>82,852</u>	<u>(1,489)</u>
 Restricted Intergovernmental Revenues			
Powell Bill allocation		7,704	
Total	<u>7,704</u>	<u>7,704</u>	<u>-</u>
 Charges for services			
Rental services		16,784	
Permits		1,970	
Total	<u>18,754</u>	<u>18,754</u>	<u>-</u>

**Town of Bath, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Investment Earnings			
Interest		15	
Total	15	15	-
Other Revenues			
Miscellaneous		15,186	
Total	13,413	15,186	1,773
Total Revenue	\$ 240,632	\$ 240,923	\$ 291
Expenditures			
General Government			
Salaries and benefits		89,802	
Professional services		23,829	
Dues & subscriptions		798	
Utilities		19,028	
Insurance & bonds		8,717	
Repairs & maintenance		1,788	
Supplies		5,961	
Other operating expenses		56	
Total	149,982	149,979	3

**Town of Bath, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety			
EMS Tax		24,232	
Donations		12,300	
Repairs & maintenance		16,305	
Total	<u>52,837</u>	<u>52,837</u>	<u>-</u>
Transportation			
Salaries and benefits		6,470	
Street maintenance		2,600	
Total	<u>9,070</u>	<u>9,070</u>	<u>-</u>
Environmental Protection			
Sanitation services		7,995	
Total	<u>11,160</u>	<u>7,995</u>	<u>3,165</u>
Cultural and Recreational			
Recreation		1,000	
Total	<u>1,000</u>	<u>1,000</u>	<u>-</u>

**Town of Bath, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Total Expenditures	224,049	220,881	3,168
Other Financing Uses			
Appropriations	16,583		16,583
Total expenditures and other financing uses	240,632		19,751
Net change in fund balance	<u>\$ -</u>	20,042	<u>\$ 20,042</u>
Fund balance - July 1		307,692	
Fund balance - June 30		<u>\$ 327,734</u>	

Schedule 2

**Town of Bath, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating Revenue			
Net sales from water & sewer operations	\$ -	\$ 219,614	\$ -
Investment earnings		112	
Other operating income		18,796	
Total revenues	247,292	238,522	(8,770)
Expenditures:			
Water and sewer operations			
Salaries and benefits		72,161	
Repairs and maintenance		70,355	
Utilities		26,988	
Vehicle Maintenance		2,420	
Insurance		6,516	
Lab fees		9,710	
Chemicals		502	
Sludge removal		3,600	
Office		3,118	
Other operating expenditures		2,378	
Total	215,310	197,748	17,562

**Schedule 2
Continued**

**Town of Bath, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Capital outlay		53,183	
Total capital outlay	56,000	53,183	2,817
Debt services			
Interest and other charges		6,001	
Principal payments		-	
Total	12,000	6,001	5,999
Total expenditures	283,310	256,932	26,378
Revenue over(under) expenditures	(36,018)	(18,410)	17,608
Other financing sources (uses)			
Appropriation	36,018	-	36,018
Total other financing sources (uses)	36,018	-	(36,018)
Revenues and other sources over (under) expenditures and other uses	\$ -	(18,410)	\$ (18,410)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		53,183	
Principal retirement		-	
Depreciation		(52,263)	
Accrued interest		-	
Increase in net pension liabilities		-	
Decrease in deferred inflows of resources - pensions		-	
Depreciation		-	
Capital contributions		-	
Total reconciling items		\$ 920	
Changes in Net Position, GAAP basis		(17,490)	

Town of Bath, North Carolina
Sewer Improvement Project
Schedule of Revenues and Expenditures - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Actual		Total To Date	Variance
		Prior Years	Current Year		Favorable (Unfavorable)
Revenues:					
Unrestricted Intergovernmental - CWSRF	\$ 1,100,000	\$ 1,138,507	\$ -	\$ 1,138,507	\$ 38,507
Golden Leaf	250,000	250,000	-	250,000	-
Total revenues	1,350,000	1,388,507	-	1,388,507	38,507
Expenditures:					
Water system improvements	2,421,640	2,354,455	41,638	2,396,093	25,547
Total Expenditures	2,421,640	2,354,455	41,638	2,396,093	25,547
Revenue over expenditures	(1,071,640)	(965,948)	(41,638)	(1,007,586)	64,054
Other financing Sources:					
Town contributions	260,640	276,953	-	276,953	-
Clean Water State Revolving Loan Fund	811,000	771,507	-	771,507	(39,493)
Total other financing sources	1,071,640	1,048,460	-	1,048,460	(39,493)
Revenues over (under) expenditures	\$ -	\$ 82,512	\$ (41,638)	\$ 40,874	\$ 24,561

OTHER SCHEDULES

Schedule 4

**Town of Bath, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2020**

Fiscal Year	Uncollected Balance July 1, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 113,881	111,591	2,290
2018-2019	2,800		368	2,432
2017-2018	1,012		95	917
2016-2017	686		-	686
2015-2016	297		-	297
2014-2015	987		-	987
2013-2014	207		3	204
2012-2013	205		-	205
2011-2012	211		-	211
2010-2011	195		-	195
2009-2010	249		-	249
	<u>6,849</u>	<u>113,881</u>	<u>112,057</u>	<u>8,673</u>

Less: Allowance for Uncollectible Accounts (2,000)

Ad Valorem Taxes Receivables, Net 6,673

Reconciliation with Revenues:

Ad Valorem Tax - General Fund	\$ 116,412
Reconciling items:	
Interest collected	(5,201)
Releases and adjustments	846
Total Collections and Credits	<u>112,057</u>

**Town of Bath, North Carolina
General Fund
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2020**

	Property Valuation	Rate per \$100	Total Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property tax at current year's tax rate					
Net Valuation	\$ 20,705,678	0.55	\$ 113,881	\$ 109,785	\$ 3,997
Net levy	<u>20,705,678</u>		113,881	109,785	3,997
Less uncollected taxes at June 30, 2020			<u>2,290</u>	<u>2,290</u>	<u>-</u>
Current year's taxes collected			<u>\$ 111,591</u>	<u>\$ 107,495</u>	<u>\$ 3,997</u>
Current levy collection percentage			<u>97.99%</u>	<u>97.91%</u>	<u>100.00%</u>