

**TOWN OF SEAGROVE,
NORTH CAROLINA**

FINANCIAL STATEMENTS

June 30, 2020

Prepared by:

Finance Department

Kathryn Baker
Finance Officer

TOWN OF SEAGROVE, NORTH CAROLINA

COUNCIL MEMBERS

David Fernandez, Mayor

Homer Beheler

Carol Kim

Kathy Fernandez

Cindy Neef

Ed Walker

OFFICIALS

Kathryn Baker

Town Clerk/Finance Officer

TOWN OF SEAGROVE, NORTH CAROLINA

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WILLIAM R. HUNEYCUTT

CERTIFIED PUBLIC ACCOUNTANT PLLC

216 West North Street
Albemarle, NC 28001
Phone: (704) 983-5012
Fax: (704) 983-5109

379 South Cox Street
Asheboro, NC 27203
Phone: (336) 626-9970
Fax: (336) 626-5981

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Seagrove, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Seagrove's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Seagrove, North Carolina, as of June 30, 2020, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America..

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Seagrove, North Carolina. The budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

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

A handwritten signature in black ink, reading "William R. Huneycutt, CPA, PLLC". The signature is written in a cursive style with a large, stylized "W" and "H".

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

December 30, 2020

Management's Discussion and Analysis

As management of the Town of Seagrove (the "Town"), we offer readers of the Town of Seagrove's financial statements this narrative overview and analysis of the financial activities of the Town of Seagrove for the fiscal year ended June 30, 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

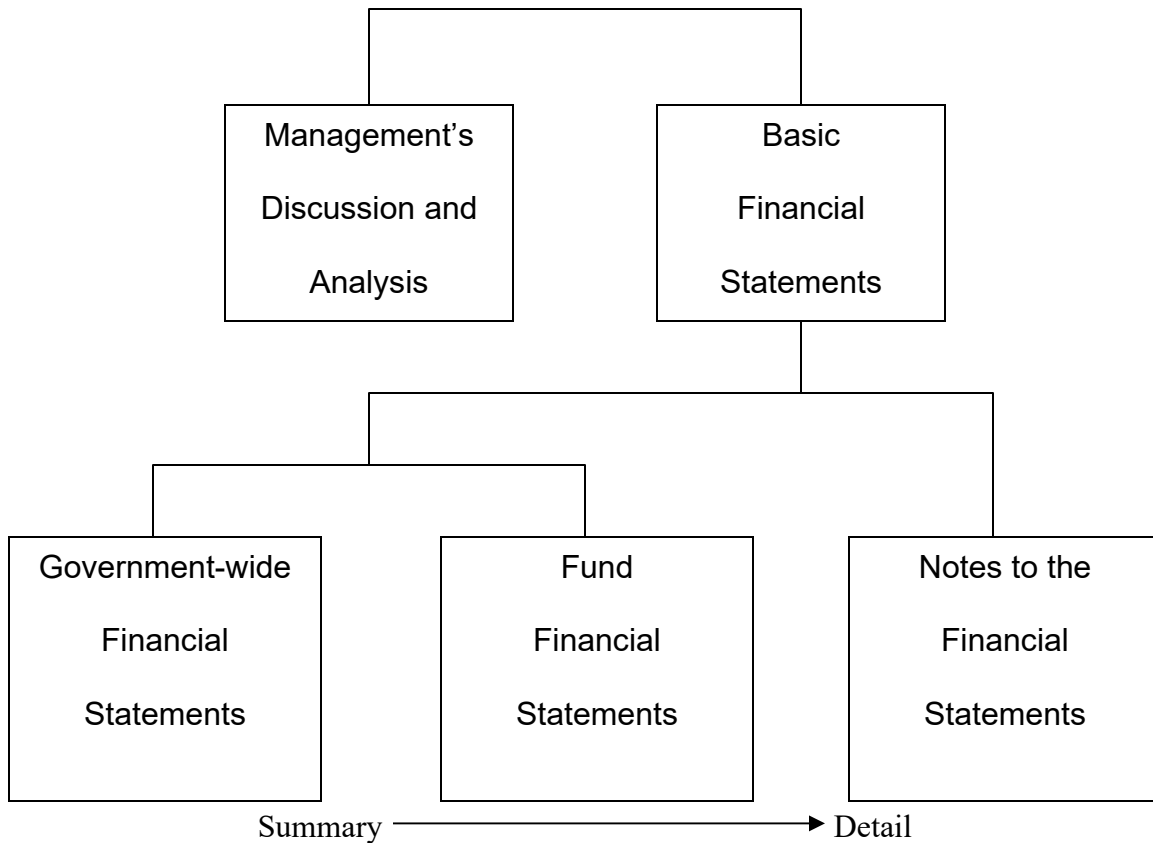
- The assets and deferred outflows of resources of the Town of Seagrove exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,815,803 (*net position*).
- The government's total net position slightly decreased by \$2,318.
- As of the close of the current fiscal year, the Town of Seagrove's governmental funds reported combined ending fund balances of \$241,993 with a net decrease of \$158,834 in fund balance primarily due to no grants received during the fiscal year for Grocery, Furniture and Sapona Operation Expansion Project Fund. Approximately 26.13% of this total amount, or \$63,233, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$162,239, or 57.62% of total general fund expenditures and transfers out for the fiscal year.
- Many of the Town's residents and businesses were hit hard by circumstances surrounding COVID-19 and there is some uncertainty surrounding the financial impact for the Town though the effects may not be realized until the next fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Analysis

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

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

The government-wide statements are reported as one category: 1) governmental activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities.

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

Fund Financial Statements

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

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

The Town of Seagrove adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether 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.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 18 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Seagrove's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 45 of this report.

Interdependence with Other Entities: The Town 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

Town of Seagrove's Net Position

Figure 2

	Governmental Activities		Total	
	2020	2019	2020	2019
Current and other assets	\$ 281,418	\$ 442,076	\$ 281,418	\$ 442,076
Capital assets	2,625,184	2,422,293	2,625,184	2,422,293
Deferred outflows of resources	10,868	12,828	10,868	12,828
Total assets and deferred outflows of resources	2,917,470	2,877,197	2,917,470	2,877,197
Long-term liabilities outstanding	23,474	17,626	23,474	17,626
Other liabilities	41,162	40,786	41,162	40,786
Deferred inflows of resources	37,031	664	37,031	664
Total liabilities and deferred inflows of resources	101,667	59,076	101,667	59,076
Net position:				
Net investment in capital assets	2,625,184	2,422,293	2,625,184	2,422,293
Restricted	65,195	246,150	65,195	246,150
Unrestricted	125,424	149,678	125,424	149,678
Total net position	\$ 2,815,803	\$ 2,818,121	\$ 2,815,802	\$ 2,818,121

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Seagrove exceeded liabilities and deferred inflows by \$2,815,803 as of June 30, 2020. The Town's net position decreased by \$2,318 for the fiscal year ended June 30, 2020. However, the largest portion, (93.23%), reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Seagrove uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Seagrove's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Seagrove's net position, \$65,195, represents resources that are subject to external restrictions on how they may be used.

Town of Seagrove's Changes in Net Position
Figure 3

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 16,882	\$ 3,874
Operating grants and contributions	69,949	514,903
Capital grants and contributions	5,599	-
General revenues:		
Property taxes	198,040	167,583
Other taxes	85,502	84,700
Grants and contributions not restricted to specific programs	-	-
Other	1,596	34,631
Total revenues	<u>377,568</u>	<u>805,691</u>
Expenses:		
General government	116,108	108,397
Public safety	153,800	144,564
Transportation	16,957	29,833
Environmental protection	28,298	29,326
Economic and physical development	-	-
Cultural and recreation	64,723	81,239
Interest on long-term debt	-	133
Total expenses	<u>379,886</u>	<u>393,492</u>
Change in net position	(2,318)	412,199
Net position, beginning	2,818,121	1,898,422
Prior period adjustment	-	507,500
Net position, restated	<u>2,818,121</u>	<u>2,405,922</u>
Net position, June 30	<u>\$ 2,815,803</u>	<u>\$ 2,818,121</u>

Governmental activities. Governmental activities decreased the Town's net position by \$2,318. The decrease in net position was primarily the result of current year expenses in the Project fund exceeding current year revenues. The Town of Seagrove did not receive grant funding for fiscal year ending June 30, 2020 as compared to last year in which it received \$350,000 in grants. The Town also continues to expend funds in Grocery, Furniture Sapona Operation Expansion Project Fund for capital projects at the

Luck's Cannery Facility and provide more available lease space for businesses. Management believes healthy investment in the Town will result in additional revenues, adding to the Town's net position by investing in capital assets which were largely funded by cultural, recreational and economic development grant revenues. The Town continues to seek further funding by grant revenue and donations. Many of the Town's residents were hit hard by circumstances surrounding COVID-19 and there is some uncertainty surrounding the financial impact for the Town. However, for the current fiscal year tax revenue remained steady though we may not fully realize the effects until the next fiscal year. Town management acknowledges that 2020 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Seagrove's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Seagrove's financing requirements.

The General Fund is the chief operating fund of the Town of Seagrove. At the end of the current fiscal year, Town of Seagrove's fund balance available in the General Fund was \$197,452, while total fund balance reached \$221,456. The Town of Seagrove currently has an available fund balance of 70.12% of General Fund expenditures, and total fund balance represents 78.65% of the same amount. At June 30, 2020, the governmental funds of the Town of Seagrove reported a combined fund balance of \$241,993 with a net decrease in fund balance of \$158,834.

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.

There were several reasons the Town revised its budget throughout the year. The Town received more Ad Valorem property taxes than originally budgeted and increased its' revenues to account for this change. Although expenditures were compliant with budgetary requirements, the Town did amend the budget to adjust to actual expenses incurred and to move some expenses, such as our annual library contribution and animal control fee to the correct departmental budget line item.

Capital Asset and Debt Administration

Capital assets. The Town of Seagrove's investment in capital assets for its governmental activities as of June 30, 2020, totals \$2,625,184 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following at our Historic Luck's Cannery Facility Construction in Progress:

- Plumbing \$45,000
- Roofing \$65,000
- Masonry \$14,300
- Construction/Carpentry \$61,000
- Electrical \$20,000

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

Figure 4

	Governmental Activities	
	2020	2019
Land	\$ 743,734	\$ 743,734
Buildings and system	1,063,071	1,064,650
Land improvements	36,835	42,073
Infrastructure	108,705	114,128
Equipment	20,322	24,668
Vehicles and motorized equipment	19,919	36,417
Computer equipment	-	-
Construction in progress	632,598	396,623
Total	\$ 2,625,184	\$ 2,422,293

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

Outstanding Debt Figure 5

	Governmental Activities	
	2020	2019
Compensated absences	\$ 6,741	\$ 1,810
Net pension liability (LGERS)	16,659	14,235
Total pension liability (LEO)	2,012	1,581
Total	\$ 25,412	\$ 17,626

Town of Seagrove's Outstanding Debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Seagrove is \$3,653,532.

Additional information regarding the Town of Seagrove's long-term debt can be found in Note 3.B.6 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:

- Management's emphasis on economic development continues to attract business. The Town had a new company lease a space at its Historic Luck's Cannery facility – estimated new jobs created 10.
- The Town of Seagrove has many businesses that were severely impacted by COVID-19. Fiscal effects remain uncertain and will likely see those impacts in the next fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Property taxes (benefiting from the economic growth) and revenues from permits and fees are expected to lead the increase in budgeted revenue by 2%. The Town will use these increases in revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to rise approximately 2% to \$312,900. The largest increments are in general operating activities for building maintenance and cultural & recreation.

The Town has appropriated funds of \$14,559 to account for uncertainty in revenues & expenses related to COVID-19.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Seagrove, 798 NC Hwy 705, Seagrove, NC 27341. One can also call (336)-871-7307, visit our website townofseagrove.org or send an email to townclerk@townofseagrove.org for more information.

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

June 30, 2020

	<u>Primary Government</u>
	<u>Governmental Activities</u>
Assets:	
Current Assets:	
Cash and Cash Equivalents	\$ 216,021
Receivables:	
Taxes Receivable (net)	201
Accounts Receivable (net)	245
Due From Other Governments	23,759
Total Current Assets	<u>240,226</u>
Restricted Assets:	
Cash and Cash Equivalents	<u>41,192</u>
Noncurrent Assets:	
Capital Assets:	
Land and Other Non-depreciable Assets	1,376,332
Other Capital Assets, Net of Depreciation	1,248,852
Total Capital Assets	<u>2,625,184</u>
Total Assets	<u>2,906,602</u>
Deferred Outflows of Resources:	
Pension Deferrals	<u>10,868</u>
Liabilities:	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	4,224
Unearned Revenues	35,000
Due Within One Year	1,938
Total Current Liabilities	<u>41,162</u>
Long-Term Liabilities:	
Net Pension Liability	16,659
Total Pension Liability	2,012
Due in More Than One Year	4,803
Total Long-Term Liabilities	<u>23,474</u>
Total Liabilities	<u>64,636</u>
Deferred Inflows of Resources:	
Deferred Inflows Related to Leases	35,937
Pension Deferrals	1,094
Total Deferred Inflows of Resources	<u>37,031</u>
Net Position:	
Net Investment in Capital Assets	2,625,184
Restricted for:	
Transportation	19,701
Stabilization by State Statute	24,004
Economic and Physical Development	21,490
Unrestricted	125,424
Total Net Position	<u>\$ 2,815,803</u>

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

TOWN OF SEAGROVE, NORTH CAROLINA**STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 116,108	\$ 13,523	\$ -	\$ 5,599	\$ (96,986)
Public Safety	153,800	149	-	-	(153,651)
Transportation	16,957	-	11,246	-	(5,711)
Environmental Protection	28,298	-	-	-	(28,298)
Cultural and Recreational	64,723	3,210	3,500	-	(58,013)
Economic and Physical Development	-	-	55,203	-	55,203
Interest on Long-term Debt	-	-	-	-	-
Total Primary Government	\$ 379,886	\$ 16,882	\$ 69,949	\$ 5,599	(287,456)
General Revenues:					
Taxes:					
Property taxes, levied for general purpose					198,040
Other taxes					85,502
Unrestricted investment earnings					142
Miscellaneous					1,454
Total General Revenues					285,138
Change in Net Position					(2,318)
Net Position Beginning of Year, Previously Reported					2,818,121
Net Position End of Year					\$ 2,815,803

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

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

June 30, 2020

	Major Funds		
	General Fund	Grocery, Furniture and Sapona Operation Expansion Project Fund	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 216,021	\$ -	\$ 216,021
Receivables:			
Taxes Receivable (Net)	201	-	201
Accounts Receivable	245	-	245
Due From Other Governments	23,759	-	23,759
Restricted Assets:			
Cash and Cash Equivalents	20,655	20,537	41,192
Total Assets	\$ 260,881	\$ 20,537	\$ 281,418
Liabilities, Deferred Inflows of Resources and Fund Balances:			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 4,224	\$ -	\$ 4,224
Unearned Revenues	35,000	-	35,000
Total Liabilities	39,224	-	39,224
Deferred Inflows of Resources:			
Property Taxes Receivable	201	-	201
Total Deferred Inflows of Resources	201	-	201
Fund Balances:			
Restricted:			
Stabilization by State Statute	24,004	-	24,004
Streets	19,701	-	19,701
Economic and Physical Development	953	18,575	19,528
Committed:			
Economic and Physical Development	-	1,962	1,962
Assigned:			
Subsequent Year's Expenditures	14,559	-	14,559
Unassigned	162,239	-	162,239
Total Fund Balances	221,456	20,537	241,993
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 260,881	\$ 20,537	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost

2,997,410

Accumulated depreciation

(372,226)

2,625,184

Deferred outflows of resources related to pensions

10,803

Deferred outflows of resources related to LEOSSA

65

Net pension liability

(16,659)

Total pension liability

(2,012)

Deferred inflows of resources related to pensions

(1,094)

Deferred inflows related to leases

(35,937)

Liabilities for earned revenues considered deferred inflows in fund statements

201

Some liabilities, including bonds payable, accrued interest, and compensated absence:

are not due and payable in the current period and therefore are not reported in the funds

(6,741)

Net Position of Governmental Activities

\$ 2,815,803

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

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

For the Year Ended June 30, 2020

	<u>Major Funds</u>		
	<u>General</u>	<u>Grocery, Furniture and Sapona Operation Expansion Project Fund</u>	<u>Total Governmental Funds</u>
	<u>Fund</u>	<u>Project Fund</u>	<u>Funds</u>
Revenues:			
Ad Valorem Taxes	\$ 198,302	\$ -	\$ 198,302
Intergovernmental Revenues:			
Unrestricted	85,330	-	85,330
Restricted	14,918	-	14,918
Permits and Fees	149	-	149
Sales and Services	3,210	-	3,210
Investment Earnings	142	-	142
Miscellaneous Revenue	1,454	55,203	56,657
Total Revenues	<u>303,505</u>	<u>55,203</u>	<u>358,708</u>
Expenditures:			
Current:			
General Government	63,435	-	63,435
Public Safety	125,480	-	125,480
Transportation	16,957	-	16,957
Environmental Protection	28,298	-	28,298
Cultural and Recreational	47,397	-	47,397
Economic and Physical Development	-	235,975	235,975
Capital Outlay	-	-	-
Total Expenditures	<u>281,567</u>	<u>235,975</u>	<u>517,542</u>
Net Change in Fund Balances	21,938	(180,772)	(158,834)
Fund Balances, Beginning	<u>199,518</u>	<u>201,309</u>	<u>400,827</u>
Fund Balances, Ending	<u>\$ 221,456</u>	<u>\$ 20,537</u>	<u>\$ 241,993</u>

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

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

For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$ (158,834)
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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 outlay exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 235,975	
Depreciation expense for governmental assets	<u>(88,143)</u>	147,832

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

Change in unavailable revenues for taxes	(262)
Donated assets	5,599
Change in unavailable revenues for leases	13,523

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

3,322

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

-

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	(8,567)
Compensated absences	<u>(4,931)</u>

Total changes in net position of governmental activities	<u><u>\$ (2,318)</u></u>
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The notes to the financial statements are an integral part of these statements.

TOWN OF SEAGROVE, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget - Positive (Negative)
Revenues:				
Ad Valorem Taxes	\$ 182,400	\$ 196,922	\$ 198,302	\$ 1,380
Intergovernmental Revenues				
Unrestricted	81,350	81,596	85,330	3,734
Restricted	10,562	14,746	14,918	172
Permits and Fees	180	180	149	(31)
Sales and Services	5,000	5,000	3,210	(1,790)
Investment Earnings	25	25	142	117
Miscellaneous Revenue	4,000	4,000	1,454	(2,546)
Total Revenues	<u>283,517</u>	<u>302,469</u>	<u>303,505</u>	<u>1,036</u>
Expenditures:				
Current:				
General Government	120,000	111,284	63,435	47,849
Public Safety	118,625	134,343	125,480	8,863
Transportation	16,762	17,937	16,957	980
Environmental Protection	30,000	28,575	28,298	277
Cultural and Recreational	44,005	56,205	47,397	8,808
Total Expenditures	<u>329,392</u>	<u>348,344</u>	<u>281,567</u>	<u>66,777</u>
Revenues Over (Under) Expenditures	<u>(45,875)</u>	<u>(45,875)</u>	<u>21,938</u>	<u>67,813</u>
Appropriated Fund Balance	<u>45,875</u>	<u>45,875</u>	<u>-</u>	<u>(45,875)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>21,938</u>	<u>\$ 21,938</u>
Fund Balance, Beginning			<u>199,518</u>	
Fund Balance, Ending			<u>\$ 221,456</u>	

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

Note 1 - Summary of Significant Accounting Policies

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

A. Reporting Entity.

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

Historic Lucks Cannery Incorporated.

The Historic Lucks Cannery Incorporated is a tax-exempt charitable corporation under the Internal Revenue Service Code Section 501(c)(3). The Town of Seagrove is the only member of the Historic Lucks Cannery Incorporated. The Historic Lucks Cannery Incorporated is presented as if it is a separate governmental fund of the Town (discrete presentation). The Historic Lucks Cannery Incorporated is governed by a minimum five-member and maximum seven-member board, of which one member is required to be from the Town council and the others shall be appointed by the Town of Seagrove. The component unit's sole purpose is to raise funds for renovation and maintenance and plan and manage programs. Complete financial statements for the Historic Lucks Cannery Incorporated may be obtained from the entity's administrative offices at The Historic Lucks Cannery, Incorporated, 798 N.C. Highway 705 East, Seagrove, N.C. 27341. For the year ended June 30, 2020 there was no financial activity for the component unit.

B. Basis of Presentation.

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Concluded).

Government-wide Statements (Concluded): Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. A separate statement for the governmental fund category is presented. The emphasis of the fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, sanitation services, and general government services.

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

C. Measurement Focus and Basis of Accounting.

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

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

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Budgetary Data.

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for Grant Project Special Revenue Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The Town clerk is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$2,500; however, any revisions that alter the total expenditures of any fund or that change functional appropriations by more than \$2,500 must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30 (c)] authorizes the Town and the Historic Lucks Cannery Incorporated to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town of Seagrove has no investments nor an investment policy as of June 30, 2020; all funds are in deposit type accounts.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Historic Lucks Cannery Incorporated considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Cash in the Grocery, Furniture and Sapona Operation Expansion Project Fund is also restricted for economic and physical development. Cash in the General Fund is also restricted by donors for the beautification of Town property.

<u>Town of Seagrove - Restricted Cash</u>	
Governmental Activities:	
General Fund:	
Transportation – Streets	\$ 19,701
Economic & Physical Development	954
Other Governmental Funds:	
Economic & Physical Development	<u>20,537</u>
Total Governmental Activities	<u>\$ 41,192</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13 (a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

6. Capital Assets

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

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

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

7. Deferred Outflows/Inflows of Resources

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

8. Long-Term Obligations

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

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

9. Compensated Absences

The Town provides a vacation and sick leave policy for full-time employees. For the Town's government-wide fund, an expense and a liability for the compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

10. Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

10. Net Position/Fund Balances (Continued)

Restricted Fund Balance (Concluded)

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

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

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

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

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

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Summary of Significant Accounting Policies (Concluded)

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

10. Net Position/Fund Balances (Concluded)

Assigned Fund Balance (Concluded)

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

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

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

11. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Seagrove's employer contributions are recognized when due and the Town of Seagrove has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Note 2 - Stewardship, Compliance, and Accountability

- A. Noncompliance With North Carolina General Statutes.

Pursuant to General Statute 159-28(a); "No obligation may be incurred for a grant project authorized by a project ordinance unless that project ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay the sums obligated." For the fiscal year ended June 30, 2020, substantial number of invoices were incurred in the special revenue fund which weren't preaudited prior to payment. Management will review all invoices for preaudit in the future to ensure compliance.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Stewardship, Compliance, and Accountability (Concluded)

A. Noncompliance With North Carolina General Statutes (Concluded).

Pursuant to General Statute 159-28(a1); "If an obligation is reduced to a written contract or written agreement requiring the payment of money, the written contract or agreement shall include on its face a certificate stating that the instrument has been preaudited." For the fiscal year ended June 30, 2020, none of the contractor agreements related to obligations in the special revenue fund had documentation of the preaudit included in the agreement. Management will review all agreements for preaudit in the future to ensure compliance.

Note 3 - Detail Notes on All Funds

A. Assets.

1. Deposits

All the deposits of the Town and the Historic Lucks Cannery Incorporated are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the Historic Lucks Cannery Incorporated agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the Historic Lucks Cannery Incorporated, these deposits are considered to be held by the Town's and the Historic Lucks Cannery Incorporated's agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits.

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the Historic Lucks Cannery Incorporated, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the Historic Lucks Cannery Incorporated under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Historic Lucks Cannery Incorporated has no formal policy regarding custodial credit risk for deposits.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

A. Assets (Continued).

1. Deposits (Concluded)

At June 30, 2020, the Town's deposits had a carrying amount of \$257,213 and a bank balance of \$262,376. Of the bank balance, the entire amount was covered by federal depository insurance. The Town had no petty cash fund at June 30, 2020.

At June 30, 2020, the Historic Lucks Cannery Incorporated had no deposits.

2. Investments

At June 30, 2020 the Town of Seagrove had no investments. All funds are in deposit type accounts.

3. Receivables - Allowances for Doubtful Accounts

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

Fund	6/30/2020
General:	
Taxes Receivable	\$ 600

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

A. Assets (Concluded).

4. Capital Assets

Primary Government:

Capital asset activity for the primary government for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 743,734	\$ -	\$ -	\$ 743,734
Construction in Progress	396,623	235,975	-	632,598
Total Capital Assets Not Being Depreciated	<u>1,140,357</u>	<u>235,975</u>	<u>-</u>	<u>1,376,332</u>
Capital Assets Being Depreciated:				
Buildings	1,177,067	55,059	-	1,232,126
Land Improvements	52,382	-	-	52,382
Equipment	56,910	-	-	56,910
Computer Equipment	7,200	-	-	7,200
Infrastructure	162,691	-	-	162,691
Vehicles and Motorized Equipment	109,768	-	-	109,768
Total Capital Assets Being Depreciated	<u>1,566,018</u>	<u>55,059</u>	<u>-</u>	<u>1,621,077</u>
Less Accumulated Depreciation For:				
Buildings	112,417	56,638	-	169,055
Land Improvements	10,309	5,238	-	15,547
Equipment	32,242	4,346	-	36,588
Computer Equipment	7,200	-	-	7,200
Infrastructure	48,563	5,423	-	53,986
Vehicles and Motorized Equipment	73,351	16,498	-	89,849
Total Accumulated Depreciation	<u>284,082</u>	<u>\$ 88,143</u>	<u>\$ -</u>	<u>372,225</u>
Total Capital Assets Being Depreciated, Net	<u>1,281,936</u>			<u>1,248,852</u>
Governmental Activity Capital Assets, Net	<u>\$ 2,422,293</u>			<u>\$ 2,625,184</u>

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

Public Safety	\$ 18,144
General Government	52,673
Cultural and Recreational	17,326
	<u>\$ 88,143</u>

Discretely Presented Component Unit:

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities.

1. Payables

Payables at the government-wide level at June 30, 2020, were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental Activities:				
General	\$ 3,039	\$ 1,185	\$ - -	\$ 4,224

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Seagrove employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Seagrove's contractually required contribution rate for the year ended June 30, 2020 was 9.56% of compensation for law enforcement officers, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. The Town of Seagrove's contributions to the pension plan for the year ended June 30, 2020 was \$3,322.

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

At June 30, 2020, the Town reported a liability of \$16,659 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2020, the Town's proportion was .00060%.

For the year ended June 30, 2020, the Town recognized pension expense of \$7,926. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Difference between expected and actual experience	\$ 2,852	\$ - 0 -
Changes of assumptions	2,715	- 0 -
Net difference between projected and actual earnings on pension plan investments	406	- 0 -
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,508	844
Town contributions subsequent to measurement date	3,322	- 0 -
Total	<hr/> \$ 10,803 <hr/>	<hr/> \$ 844 <hr/>

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

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

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

The \$3,322 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2021	\$ 3,482
2022	1,427
2023	1,369
2024	359
2025	--
Thereafter	--
	<u>\$ 6,637</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements. The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

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

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

Actuarial Assumptions(Continued). The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the forgoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

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

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

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
System's proportionate share of net pension liability (asset)	\$ 38,101	\$ 16,659	(\$ 1,165)

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance

(1) Plan Description

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

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

(2) Summary of Significant Accounting Policies

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

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

(3) Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 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	3.26 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

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

(4) Contributions.

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

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

At June 30, 2020, the Town reported a total pension liability of \$2,012. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$960.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 65	\$ 250
Changes of assumptions and other inputs	- 0 -	- 0 -
Benefit payments and administrative expenses subsequent to measurement date	- 0 -	- 0 -
Total	<u>\$ 65</u>	<u>\$ 250</u>

The \$ 0 paid as benefits came due and \$ 0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2021	(\$ 22)
2022	(22)
2023	(22)
2024	(22)
2025	(35)
Thereafter	(65)
	<u>(\$ 188)</u>

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Continued)

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

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26%, 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 (2.26%) or 1 percentage point higher (4.26%) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total Pension Liability	\$ 2,221	\$ 2,012	\$ 1,819

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

Beginning Balance	\$ 1,581
Service Costs	605
Interest on Pension Liability	58
Changes of Benefit Terms	- 0 -
Differences Between Expected and Actual Experience in the Measurement of Total Pension Liability	(307)
Changes of Assumptions and Other Inputs	75
Benefit Payments	- 0 -
Other Changes	- 0 -
Ending Balance Total Pension Liability	<u>\$ 2,012</u>

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

2. Pension Plan Obligations (Concluded)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 7,926	\$ 960	\$ 8,886
Pension Liability	\$ 16,659	\$ 2,012	\$ 18,671
Proportionate Share of Net Pension Liability	.00060%	N/A	

Deferred Outflows of Resources:

Differences Between Expected & Actual

Experience	\$ 2,852	\$ 65	\$ 2,917
Changes of Assumptions	\$ 2,715	\$ - 0 -	\$ 2,715

Net Difference Between Projected & Actual

Earnings on Plan Investments	\$ 406	\$ - 0 -	\$ 406
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Changes in Proportion & Differences Between

Contributions & Proportionate Share of Contributions	\$ 1,508	\$ - 0 -	\$ 1,508
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Benefit Payments & Administrative Costs Paid

Subsequent to the Measurement Date	\$ 3,322	\$ - 0 -	\$ 3,322
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Deferred Inflows of Resources:

Differences Between Expected & Actual

Experience	\$ - 0 -	\$ 250	\$ 250
Changes of Assumptions	\$ - 0 -	\$ - 0 -	\$ - 0 -

Net Difference Between Projected & Actual

Earnings on Plan Investments	\$ - 0 -	\$ - 0 -	\$ - 0 -
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Changes in Proportion & Differences Between

Contributions & Proportionate Share of Contributions	\$ 844	\$ - 0 -	\$ 844
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3. Other Employment Benefits

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

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

3. Other Employment Benefits (Concluded)

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

4. Deferred Outflows/Inflows of Resources

Deferred outflows of resources at June 30, 2020 is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 3,322
Benefit payments made and administrative expenses for LEOSSA	- 0 -
Differences between expected and actual experience	2,917
Changes of assumptions	2,715
Net difference between expected and actual earnings on pension plan investments	406
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,508
Total	<u>\$ 10,868</u>

Deferred inflows of resources at June 30, 2020 is comprised of the following:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes Receivable, Net (General)	\$ - -	\$ 201
Differences between expected and actual experience	250	- -
Changes in proportion and differences between employer contributions and proportionate share of contributions	844	- -
Unamortized deferred inflows related to leases	35,937	- -
Total	<u>\$ 37,031</u>	<u>\$ 201</u>

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Continued)

B. Liabilities (Continued).

5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence; property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial companies for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the N.C. League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town is not located in a flood plain, therefore, they do not carry any flood insurance.

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

6. Claims, Judgments, and Contingent Liabilities

At June 30, 2020, there was no material pending or threatened litigation, claims or assessments involving the Town of Seagrove.

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3 - Detail Notes on All Funds (Concluded)

B. Liabilities (Concluded).

7. Long-Term Obligations

a. Changes in Long-Term Liabilities

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
Governmental Activities:					
Compensated Absences	\$ 1,810	\$ 6,869	\$ 1,938	\$ 6,741	\$ 1,938
Net Pension Liability (LGERS)	14,235	2,424	--	16,659	--
Total Pension Liability (LEO)	1,581	431	--	2,012	--
Governmental Activity Long-term Liabilities	\$ 17,626	\$ 9,724	\$ 1,938	\$ 25,412	\$ 1,938

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

At June 30, 2020, the Town's legal debt margin is \$3,653,532.

C. Fund Balance.

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

Total Fund Balance – General Fund	\$ 221,456
Less:	
Streets – Powell Bill	19,701
Stabilization by State Statute	24,004
Economic and Physical Development	953
Appropriated Fund Balance - 2021 Budget	14,559
Remaining Fund balance	\$ 162,239

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

Encumbrances	
General Fund	Non-major Funds
\$ - 0 -	\$ - 0 -

TOWN OF SEAGROVE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

Note 4 - Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Note 5 - Jointly Governed Organization

The Town, in conjunction with seven counties and forty-two municipalities, established the Piedmont Triad Regional Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$550 to the Council during the fiscal year ended June 30, 2020.

Note 6 - Related Organization

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

Note 7 – Related Party Transactions

During the fiscal year ending June 30, 2020 the Town disbursed amounts for contracted services associated with the renovation of the newly donated Town Hall. The amount of \$9,300 was disbursed to the business owned by the husband of the Town of Seagrove's finance officer. The services were approved by the Town Commissioners prior to the services being rendered. An amount of \$14,500 was disbursed to a business owned by the finance officer's father and grandfather. The services were approved by the Town Commissioners prior to the services being rendered.

TOWN OF SEAGROVE

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
Local Government Employees' Retirement System
Last Three Fiscal Years

	<u>2020</u>		<u>2019</u>		<u>2018</u>
Town's proportion of the net pension liability (asset)	0.00060%		0.00060%		0.00059%
Town's proportionate share of the net pension liability (asset)	\$ 16,659	\$	14,235	\$	9,014
Town's covered payroll	\$ 31,283	\$	26,000	\$	19,499
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	53.25%		54.75%		46.23%
Plan fiduciary net position as a percentage of the total pension liability	91.63%		94.18%		91.47%

Notes to the schedule:

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

TOWN OF SEAGROVE

SCHEDULE OF THE TOWN'S CONTRIBUTIONS

Local Government Employees' Retirement System
Last Four Fiscal Year

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 3,322	\$ 2,615	\$ 2,109	\$ 1,532
Contributions in relation to the contractually required contribution	<u>3,322</u>	<u>2,615</u>	<u>2,109</u>	<u>1,532</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 34,754	\$ 31,283	\$ 26,000	\$ 19,499
Contributions as a percentage of covered payroll	9.56%	8.36%	8.11%	7.86%

Notes to the schedule:

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

TOWN OF SEAGROVE

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning Balance	\$ 1,581	\$ 1,084	\$ 489
Service Costs	605	523	469
Interest on Total Pension Liability	58	34	19
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience in the Measurement of Total Pension Liability	(307)	24	-
Changes of Assumptions or Other Inputs	75	(84)	107
Benefit Payments	-	-	-
Other Changes	-	-	-
Ending Balance Total Pension Liability	<u>\$ 2,012</u>	<u>\$ 1,581</u>	<u>\$ 1,084</u>

Notes to the schedule:

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

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

TOWN OF SEAGROVE

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability	\$ 2,012	\$ 1,581	\$ 1,084
Covered-employee Payroll	\$ 30,675	\$ 27,846	\$ 27,911
Total Pension Liability as a Percentage of Covered-employee Payroll	6.56%	5.68%	3.88%

Notes to the schedule:

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

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

TOWN OF SEAGROVE, NORTH CAROLINA
GENERAL FUND

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

For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad Valorem Taxes	\$ 196,922	\$ 198,302	\$ 1,380
Intergovernmental Revenues:			
Unrestricted Intergovernmental:			
Gas Tax Refund	596	596	-
Beer and Wine Tax	-	969	969
Sales Tax Refund	-	1,572	1,572
Local Option Sales Tax	81,000	57,977	(23,023)
Utilities Franchise Tax	-	24,216	24,216
Total	<u>81,596</u>	<u>85,330</u>	<u>3,734</u>
Restricted Intergovernmental:			
Powell Bill	11,246	11,246	-
Contributions	3,500	3,500	-
Solid Waste Disposal Tax	-	172	172
Total	<u>14,746</u>	<u>14,918</u>	<u>172</u>
Permits and Fees:			
Officer Fees	180	149	(31)
Total	<u>180</u>	<u>149</u>	<u>(31)</u>
Sales and Services:			
Rents	5,000	2,750	(2,250)
Permits	-	460	460
Total	<u>5,000</u>	<u>3,210</u>	<u>(1,790)</u>
Investment Earnings	<u>25</u>	<u>142</u>	<u>117</u>
Miscellaneous:			
Other Revenues	4,000	1,454	(2,546)
Total	<u>4,000</u>	<u>1,454</u>	<u>(2,546)</u>
Total Revenues	<u>\$ 302,469</u>	<u>\$ 303,505</u>	<u>\$ 1,036</u>

TOWN OF SEAGROVE, NORTH CAROLINA
GENERAL FUND

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

For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General Government:			
Administration:			
Salaries	\$	\$ 12,000	\$
Payroll Taxes		918	
Professional Services		12,886	
Utilities		7,796	
Telephone		2,526	
Department Supplies		1,206	
Postage		111	
Dues and Subscriptions		4,034	
Insurance		12,134	
Advertising		555	
Grounds Maintenance		5,232	
Beautification		194	
Miscellaneous		3,843	
Total General Government	111,284	63,435	47,849
Public Safety:			
Salaries		49,256	
Payroll Taxes		3,768	
Retirement		3,371	
Department Supplies		1,323	
Equipment, Repairs and Maintenance		1,106	
Gas and Oil		3,757	
Telephone		2,985	
Contracted Services - Fire Department		53,927	
Fire Inspection Fees		4,900	
Animal Control Fee		646	
Miscellaneous		441	
Total Public Safety	\$ 134,343	\$ 125,480	\$ 8,863

TOWN OF SEAGROVE, NORTH CAROLINA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Expenditures (Concluded):			
Transportation:			
Street Lights	\$	\$ 6,199	\$
Mowing		4,208	
Miscellaneous		6,550	
Total Transportation	17,937	16,957	980
Environmental Protection:			
Contracted Services	28,575	28,298	277
Cultural and Recreational:			
Library		15,000	
Utilities		4,922	
Maintenance and Repairs		18,755	
Train Depot Relocation		8,720	
Total Cultrural and Recreational	56,205	47,397	8,808
Total Expenditures	348,344	281,567	66,777
Revenues Over (Under) Expenditures	(45,875)	21,938	67,813
Appropriated Fund Balance	45,875	-	(45,875)
Net Change in Fund Balance	\$ -	21,938	\$ 21,938
Fund Balance, Beginning		199,518	
Fund Balance, Ending		\$ 221,456	

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

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and For the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental:					
Randolph County	\$ 7,500	\$ 8,750	\$ -	\$ 8,750	\$ 1,250
N.C. Rural Economic Development Center	227,500	223,083	-	223,083	(4,417)
N.C. Department of Commerce Building Reuse Grant	250,000	250,000	-	250,000	-
N.C. Department of Commerce Downtown Revitalization	100,000	100,000	-	100,000	-
N.C. Department of Commerce Convention Center	200,000	250,000	-	250,000	50,000
Private Funding	262,500	250,000	-	250,000	(12,500)
Grant Funds	50,000	-	-	-	(50,000)
Local Funds	7,500	154,211	55,203	209,414	201,914
Water District Funds	35,000	-	-	-	(35,000)
Total Revenues	1,140,000	1,236,044	55,203	1,291,247	151,247
Expenditures:					
Economic and Physical Development:					
Construction	325,216	197,716	-	197,716	127,500
Contingencies	2,984	1,595	-	1,595	1,389
Grant Administration	6,250	6,250	-	6,250	-
Construction Administration	9,815	9,825	-	9,825	(10)
Construction Inspection	8,235	8,235	-	8,235	-
Sapona Project	800,000	819,864	235,975	1,055,839	(255,839)
Total Expenditures	1,152,500	1,043,485	235,975	1,279,460	(126,960)
Revenues Over (Under) Expenditures	(12,500)	192,559	(180,772)	11,787	24,287
Other Financing Sources:					
Transfers From Other Funds:					
General Fund	12,500	6,250	-	6,250	(6,250)
Net Change in Fund Balance	\$ -	\$ 198,809	(180,772)	\$ 18,037	\$ 18,037
Fund Balance, Beginning			201,309		
Fund Balance, Ending			\$ 20,537		

TOWN OF SEAGROVE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 200,944	\$ 200,594	\$ 350
2018-2019	755	-	642	113
2017-2018	20	-	4	16
2016-2017	16	-	-	16
2015-2016	16	-	-	16
2014-2015	18	-	-	18
2013-2014	170	-	66	104
2012-2013	107	-	-	107
2011-2012	61	-	-	61
2010-2011	-	-	-	-
2009-2010	-	-	-	-
	<u>\$ 1,163</u>	<u>\$ 200,944</u>	<u>\$ 201,306</u>	801
Less: Allowance for Uncollectible Ad Valorem Taxes Receivable				<u>(600)</u>
Ad Valorem Taxes Receivable (Net)				<u>\$ 201</u>
Reconciliation With Revenues:				
Ad Valorem Taxes Collected-General Fund			\$ 198,302	
Interest/Penalties Collected			-	
Discounts Allowed			1,548	
Taxes Written Off			-	
Releases and Adjustments			<u>1,456</u>	
Total Collections and Credits			<u>\$ 201,306</u>	

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

For the Fiscal Year Ended June 30, 2020

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at Current Year's Rate	\$ 45,089,957	\$ 0.44	\$ 198,396	\$ 188,024	\$ 10,372
Motor Vehicles Taxed at Prior Year's Rate	-	0.44	-	-	-
Total Original Levy	<u>45,089,957</u>		<u>198,396</u>	<u>188,024</u>	<u>10,372</u>
Discoveries:					
Current Year Taxes	934,436	0.44	4,112	4,112	-
Prior Year Taxes	-		-	-	-
Total Discoveries	<u>934,436</u>		<u>4,112</u>	<u>4,112</u>	<u>-</u>
Abatements	<u>(355,243)</u>		<u>(1,563)</u>	<u>(1,563)</u>	<u>-</u>
Total Property Valuation	<u>\$ 45,669,150</u>				
Net Levy			200,944	190,573	10,372
Uncollected Taxes at June 30, 2020			<u>(350)</u>	<u>(350)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 200,594</u>	<u>\$ 190,223</u>	<u>\$ 10,372</u>
Current Levy Collection Percentage			<u>99.83%</u>	<u>99.82%</u>	<u>100.00%</u>