

Town of Bath, North Carolina

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2021

PT CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
RALEIGH, NORTH CAROLINA

TOWN OFFICIALS

MAYOR

James G.
Latham

COUNCIL MEMBERS

John Taylor

David
Johnson

Keith
Tankard

Jim
Caton

ADMINISTRATIVE STAFF

Bubs Carson, Town Administrator
Elna Lewis, Administrator Assistant
Chip Edwards, Town Attorney

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**FINANCIAL
SECTION**

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of The Town of Bath, North Carolina (the Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Bath, North Carolina, as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

PT CPAs, PLLC
Raleigh, North Carolina
February 15, 2022

Town of Bath, North Carolina Management's Discussion and Analysis

As management of the Town of Bath (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. 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.

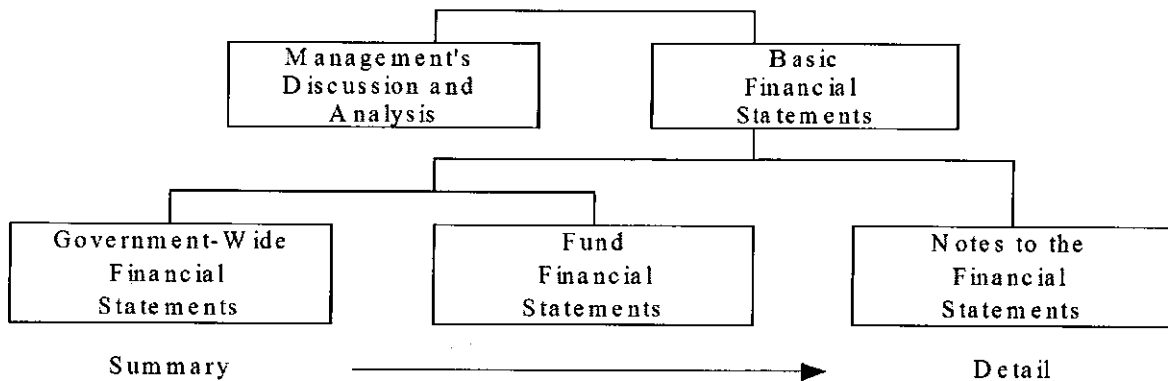
Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities at the close of the fiscal year by \$3,795,745 . (*net position*).
- The government's total net position decreased by (\$9,136) primarily due to debt service and depreciation expense.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$79,037 with a net change of (\$253,370) in fund balance, primarily due to the forgiveness of \$269,669 of interfund balance due from Water and Sewer Fund. Approximately 46% of this total ending fund balance, or \$36,180 is available for spending for budgeted and unforeseen expenditures at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$36,180, or approximately 12% of total general fund expenditures for the year.
- At the end of the current fiscal year, the Town's proprietary fund reported an ending net position of \$3,388,239 with a net change of \$261,108, primarily due to the forgiveness of the interfund balance owed to the General Fund.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town'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.

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

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities and 3) component units. The governmental activities include most of the Town's basic services such as public safety, transportation, and general administration. Property taxes and the county sales tax allocation finances most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water services offered by the Town.

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 24 of this report.

Government-wide Financial Analysis

Town of Bath's Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 85,399	\$ 334,560	\$ 90,343	\$ (143,527)	\$ 175,742	\$ 191,033
Capital assets	<u>328,469</u>	<u>345,343</u>	<u>4,071,685</u>	<u>4,123,946</u>	<u>4,400,154</u>	<u>4,469,289</u>
Total assets	<u>\$ 413,868</u>	<u>\$ 679,903</u>	<u>\$ 4,162,028</u>	<u>\$3,980,419</u>	<u>4,575,896</u>	<u>4,660,322</u>
Current liabilities	6,362	2,153	62,590	50,366	68,952	52,519
Noncurrent liabilities	<u>-</u>	<u>-</u>	<u>711,199</u>	<u>802,922</u>	<u>711,199</u>	<u>802,922</u>
Total liabilities	<u>6,362</u>	<u>2,153</u>	<u>773,789</u>	<u>853,288</u>	<u>780,151</u>	<u>855,441</u>
Net position:						
Net investment in capital assets:	328,469	345,343	3,311,624	3,315,023	3,640,093	3,660,366
Restricted	42,857	272,253	-	-	42,857	272,253
Unrestricted	<u>36,180</u>	<u>60,154</u>	<u>76,615</u>	<u>(187,892)</u>	<u>112,795</u>	<u>(127,738)</u>
Total net position	<u>\$ 407,506</u>	<u>\$ 677,750</u>	<u>\$ 3,388,239</u>	<u>\$3,127,131</u>	<u>\$ 3,795,745</u>	<u>\$3,804,881</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$3,795,745 at June 30, 2021. However, a large portion, \$3,640,093, reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), net of related debt. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town's net assets, \$42,857, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$112,795 is unrestricted. The Town's net position decreased by (\$9,136) during the fiscal year ended June 30, 2021.

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

Town of Bath's Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services and contributions	\$ 16,770	\$ 18,754	\$ 206,578	\$ 219,614	\$ 223,348	\$ 238,368
	81,891	7,704	-	-	81,891	7,704
General revenues:						
Property taxes	112,465	118,014	-	-	112,465	118,014
Investment earnings	-	15	-	112	-	127
Other taxes	101,337	82,852	-	-	101,337	82,852
Other	<u>10,913</u>	<u>15,187</u>	<u>269,669</u>	<u>18,796</u>	<u>280,582</u>	<u>33,983</u>
Total revenues	323,376	242,526	476,247	238,522	799,623	481,048
Expenses:						
General government	532,271	165,201	-	-	532,271	165,201
Public safety	37,176	54,490	-	-	37,176	54,490
Transportation	13,508	9,070	-	-	13,508	9,070
Environmental protection	10,665	7,995	-	-	10,665	7,995
Culture and recreation	-	1,000	-	-	-	1,000
Interest on long-term debt	-	-	17,006	-	17,006	-
Water and sewer	-	-	<u>198,133</u>	<u>256,012</u>	<u>198,133</u>	<u>256,012</u>
Total expenses	<u>593,620</u>	<u>237,756</u>	<u>215,139</u>	<u>256,012</u>	<u>808,759</u>	<u>493,768</u>
Decrease in net position	(270,244)	4,770	261,108	(17,490)	(9,136)	(12,720)
Net position, July 1	<u>677,750</u>	<u>672,980</u>	<u>3,127,131</u>	<u>3,144,621</u>	<u>3,804,881</u>	<u>3,817,601</u>
Net position, June 30	<u>\$ 407,506</u>	<u>\$ 677,750</u>	<u>\$ 3,388,239</u>	<u>\$3,127,131</u>	<u>\$ 3,795,745</u>	<u>\$3,804,881</u>

Governmental activities. Governmental activities decreased the Town's net position by (\$270,244). The decrease is primarily the result of the increase in the forgiveness of \$269,669 of interfund receivable from the Water and Sewer Fund.

Business-type activities: Business-type activities increased the Town's net position by \$261,108. The key element of this increase was the previously discussed forgiveness of interfund payable to the General Fund.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's fund balance available in the General Fund was \$36,180, while total fund balance reached \$79,037. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures of \$302,404. Unassigned fund balance represents approximately 12% of total General Fund expenditures of, while the total fund balance of \$79,037 represents approximately 26% of that same amount.

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

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

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$4,400,154 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment.

Town of Bath's Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 7,582	\$ 7,582	\$ 3,016,337	\$ 3,016,337	\$ 3,023,919	\$ 3,023,919
Buildings	268,177	281,432	-	-	268,177	281,432
Equipment	-	-	18,000	20,968	18,000	20,968
Vehicles	500	500	2,112	3,520	2,612	4,020
Improvements	16,223	17,262	-	-	16,223	17,262
Infrastructure	35,987	38,567	-	-	35,987	38,567
Plant and distributions system	-	-	1,035,236	1,083,122	1,035,236	1,083,122
Total	<u>\$ 328,469</u>	<u>\$ 345,343</u>	<u>\$ 4,071,685</u>	<u>\$ 4,123,947</u>	<u>\$ 4,400,154</u>	<u>\$ 4,469,290</u>

Long-term Debt. As of June 30, 2021, the Town had \$160,000 of general obligation indebtedness. The amount is backed by the full faith and credit of the Town.

The Town also had \$600,061 of installment purchase debt.

**Town of Bath
General Obligations and Loans
Figure 5**

	<u>Business-Type Activities</u>	
	<u>2021</u>	<u>2020</u>
General obligation bonds	\$ 160,000	\$ 166,000
Installment purchase	<u>600,061</u>	<u>642,922</u>
Total	<u>\$ 760,061</u>	<u>\$ 808,922</u>

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the general condition of the Town. The economic crisis of prior years and the lingering effects of the Covid-19 pandemic continue to put stress on the Town's resources.

High unemployment, and aged population, no significant industrial development, and very little retail business creates a situation where the Town's customer base is eroding. The resulting ration of expense versus revenue creates a difficult situation in keeping rates and fees low, while maintaining an adequate level of service. In addition, a large percentage of the Town's population live on fixed income.

Budget Highlights for the Fiscal Year Ended June 30, 2022

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

Town of Bath
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 42,542	\$ 71,460	\$ 114,002
Restricted cash	35,566	-	35,566
Accounts receivable (net)	-	18,883	18,883
Due from other governments	<u>7,291</u>	<u>-</u>	<u>7,291</u>
Total current assets	<u>\$ 85,399</u>	<u>\$ 90,343</u>	<u>\$ 175,742</u>
Non-current assets:			
Capital assets:			
Land	7,582	3,016,337	3,023,919
Other capital assets, net of depreciation	<u>320,887</u>	<u>1,055,348</u>	<u>1,376,235</u>
Total capital assets	<u>328,469</u>	<u>4,071,685</u>	<u>4,400,154</u>
Total non-current assets	<u>328,469</u>	<u>4,071,685</u>	<u>4,400,154</u>
Total assets	<u>\$ 413,868</u>	<u>\$ 4,162,028</u>	<u>\$ 4,575,896</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 6,362	\$ 13,728	\$ 20,090
Current portion of long-term liabilities	<u>-</u>	<u>48,862</u>	<u>48,862</u>
Total current liabilities	6,362	62,590	68,952
Non-current liabilities:			
Long-term debt	<u>-</u>	<u>711,199</u>	<u>711,199</u>
Total liabilities	<u>6,362</u>	<u>773,789</u>	<u>780,151</u>
NET POSITION			
Net investment in capital assets	328,469	3,311,624	3,640,093
Restricted for:			
WWTP Grant	35,566	-	35,566
Stabilization by State Statute	7,291	-	7,291
Unrestricted:	<u>36,180</u>	<u>76,615</u>	<u>112,795</u>
Total net position	<u>\$ 407,506</u>	<u>\$ 3,388,239</u>	<u>\$ 3,795,745</u>

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

Town of Bath
Statement of Activities
For the Year Ended June 30, 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total
Functions/Programs	Expenses						
Primary Government:							
Governmental Activities:							
General government	\$532,271	\$ 6,770	\$ 74,699	\$ -	\$ (440,802)	\$ -	\$ (440,802)
Public safety	37,176	-	-	-	(37,176)	-	(37,176)
Transportation	13,508	-	7,192	-	(6,316)	-	(6,316)
Environmental protection	10,665	-	-	-	(10,665)	-	(10,665)
Total governmental activities	593,620	16,770	81,891	-	(494,959)	-	(494,959)
Business-type activities							
Water and Sewer Fund	215,139	206,578	-	-	-	(8,561)	(8,561)
Total business-type activities	215,139	206,578	-	-	-	(8,561)	(8,561)
Total primary government	\$808,759	\$223,348	\$ 81,891	\$ -	\$ (494,959)	\$ (8,561)	\$ (503,520)
General Purpose Revenues and Transfers:							
Revenues							
Ad valorem taxes					112,465	-	112,465
Other taxes and licenses					101,337	-	101,337
Miscellaneous income					10,913	269,669	280,582
Total General Revenues					224,715	269,669	494,384
Change in Net Position					(270,244)	261,108	(9,136)
Net position, beginning as previously reported					677,750	3,127,131	3,804,881
Net position - ending					\$ 407,506	\$ 3,388,239	\$ 3,795,745

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

Exhibit 3

Town of Bath
Balance Sheet
Governmental Funds
June 30, 2021

	Major Fund	Total Governmental Funds
	General	
ASSETS		
Cash and cash equivalents	\$ 42,542	\$ 42,542
Restricted cash	35,566	35,566
Due from other governments	<u>7,291</u>	<u>7,291</u>
Total assets	<u>\$ 85,399</u>	<u>\$ 85,399</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	<u>6,362</u>	<u>\$ 6,362</u>
Total current liabilities	6,362	6,362
FUND BALANCES:		
Restricted		
WWTP Grant	35,566	35,566
Stabilization by State Statute	7,291	7,291
Unassigned	<u>36,180</u>	<u>36,180</u>
Total fund balances	<u>79,037</u>	<u>79,037</u>
Total liabilities and fund balance	<u>\$ 85,399</u>	

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

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

328,469

Net position of governmental activities

\$ 407,506

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

Exhibit 4

Town of Bath
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For Year Ended June 30, 2021

	<u>Major Fund</u>	
	<u>General</u>	<u>Total Governmental Funds</u>
REVENUES		
Ad valorem taxes	\$ 112,465	\$ 112,465
Other taxes and licenses	101,337	101,337
Restricted intergovernmental	81,891	81,891
Charges for services	16,770	16,770
Miscellaneous income	<u>10,913</u>	<u>10,913</u>
Total revenues	323,376	323,376
EXPENDITURES		
Current:		
General government	510,724	510,724
Public safety	37,176	37,176
Transportation	13,508	13,508
Environmental protections	<u>10,665</u>	<u>10,665</u>
Total expenditures	<u>572,073</u>	<u>572,073</u>
Net change in fund balances	(248,697)	(248,697)
Fund balances – beginning	<u>327,734</u>	<u>327,734</u>
Fund balances – ending	<u>\$ 79,037</u>	<u>\$ 79,037</u>

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

Net changes in fund balances – total governmental funds (248,697)

Deferred inflows of resources (4,673)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (16,874)

Total changes in net position for government activities \$ (270,244)

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

Exhibit 5

Town of Bath
General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2021

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget – Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 115,536	\$ 115,536	\$ 112,465	\$ (3,071)
Other taxes and licenses	96,629	96,629	101,337	4,708
Restricted intergovernmental	7,192	7,192	7,192	-
Charges for services	16,770	16,770	16,770	-
Miscellaneous income	<u>10,858</u>	<u>10,858</u>	<u>10,858</u>	<u>-</u>
Total revenues	<u>246,985</u>	<u>246,985</u>	<u>248,622</u>	<u>1,637</u>
Expenditures:				
Current:				
General government	205,060	205,060	201,867	3,193
Public safety	37,676	37,676	37,176	500
Transportation	13,508	13,508	13,508	-
Environmental protection	<u>10,665</u>	<u>10,665</u>	<u>10,665</u>	<u>-</u>
Total expenditures	<u>266,909</u>	<u>266,909</u>	<u>263,216</u>	<u>3,693</u>
Revenues over (under) expenditures	(19,924)	(19,924)	(14,594)	5,330
Fund Balance Appropriations	19,924	19,924	-	(19,924)
Transfers from other funds	<u>-</u>	<u>-</u>	<u>(269,669)</u>	<u>(269,669)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (284,263)</u>	<u>\$ (284,263)</u>
Fund balance, beginning of year			<u>327,734</u>	
Fund balance, end of year			<u>\$ 43,471</u>	

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

Exhibit 6

**Town of Bath
Statement of Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021**

	<u>Major Enterprise Water Fund</u>	<u>Total</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 71,460	\$ 71,460
Accounts receivable, net	<u>18,883</u>	<u>18,883</u>
Total current assets	90,343	90,343
Noncurrent assets:		
Land and other nondepreciable assets	-	-
Other capital assets, net of depreciation	<u>4,071,685</u>	<u>4,071,685</u>
Capital assets (net)	<u>4,071,685</u>	<u>4,071,685</u>
Total assets	<u>\$ 4,162,028</u>	<u>\$ 4,162,028</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,728	\$ 13,728
Current portion of long-term liabilities	<u>48,862</u>	<u>48,862</u>
Total current liabilities	<u>62,590</u>	<u>62,590</u>
Non-current liabilities		
Long-term debt	<u>711,199</u>	<u>711,199</u>
Total liabilities	<u>773,789</u>	<u>773,789</u>
NET POSITION		
Net investment in capital assets	3,311,624	3,311,624
Unrestricted	<u>76,615</u>	<u>76,615</u>
Total net position	<u>\$ 3,388,239</u>	<u>\$ 3,388,239</u>

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

Exhibit 7

Town of Bath
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	<u>Major Enterprise Fund</u>	
	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES		
Sales and services	\$ 206,578	\$ 206,578
Total operating revenues	206,578	206,578
OPERATING EXPENSES		
Water and sewer operations	162,878	162,878
Depreciation	52,261	52,261
Total operating expenses	215,139	215,139
Operating loss	(8,561)	(8,561)
NONOPERATING REVENUES		
Interfund balance forgiven	269,669	269,669
Total nonoperating revenues	269,669	269,669
Change in net position	261,108	261,108
Total net position – beginning	3,127,131	3,127,131
Total net position – ending	\$ 3,388,239	\$ 3,388,239

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

Town of Bath
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

	Major Enterprise Fund Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and grants	\$ 206,578
Cash paid for goods and services	(95,560)
Cash paid to or on behalf of employees for services	<u>(52,808)</u>
Net cash provided by operating activities	58,210
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Forgiveness of internal advances	269,669
Due from other funds	<u>(269,669)</u>
Net cash used by non-capital financing activities	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on long-term debt	<u>(91,723)</u>
Net cash provided by capital and related financing activities	<u>(91,723)</u>
Net increase in cash and cash equivalents	(33,513)
Balances – beginning of the year	<u>104,973</u>
Balances – end of the year	<u>\$ 71,460</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	(8,561)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	52,261
Decrease in accounts receivable	2,286
Decrease in accounts payable	<u>12,224</u>
Total adjustments	<u>66,771</u>
Net cash provided by operating activities	<u>\$ 58,210</u>

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

Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

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

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. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. At present, the Town does not have any non-major funds or fiduciary funds.

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

The Town reports the following major governmental fund:

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

Water Fund. This fund is used to account for the Town's water operations

Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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

D. Budgetary Data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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

2. Cash and Cash Equivalents

The Town pools money from its two funds to facilitate disbursement and investment and to maximize investment income and considers all cash and certain investments to be cash and cash equivalents.

3. 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 on 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.

4. 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. At June 30, 2021, the Town has determined all receivables are fully realizable.

5. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost exceeding a defined capitalization cost and an estimated useful life in excess of two years. The Town has established a minimum capitalization cost of \$500 for all newly acquired assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network that was 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.

Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20
Buildings	39
Improvements	15
Equipment and furniture	3-10
Computer equipment	3

6. Long-term Obligations

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

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

7. Compensated Absences

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

8. Net Position / Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt, 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.

Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town does not have any non-spendable fund balance at June 30, 2021.

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

Restricted for Stabilization by State statute –North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute".

Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for Streets – Powell Bill (Transportation) - 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.

Assigned Fund Balance – the portion of fund balance that the Town intends to use for a specific purpose. At June 30, 2021 the Town did not have any assigned fund balance.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The Town did not have any committed fund balance at June 30, 2021.

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

Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina Statutes

For the fiscal year ended June 30, 2021, the Town had no instances of noncompliance.

2. Contractual Violations

For the fiscal year ended June 30, 2021, the Town had no contractual violations.

B. Excess of Expenditures over Appropriation

For the fiscal year ended June 30, 2021, no expenditures were made by the Town's General Fund in excess of the authorized appropriations made by the general government.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in 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. Because of the inability to measure the exact amounts of collateral pledged for the Town under the pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$149,568 and bank balances, at several commercial banks, totaling \$195,482. All the bank balances were covered by federal depository insurance.

Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

2. Receivables – Allowance for Doubtful Accounts

At June 30, 2021, the Enterprise Fund had \$18,883 of accounts receivable from customers as a result of water service billings. The Town has determined, at June 30, 2021, that all receivables are fully realizable

Due from other governments reported in the General Fund consisted of \$7,291 from the State of North Carolina

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2021 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 7,582	\$ -	\$ -	\$ -	\$ 7,582
Total capital assets not being depreciated	7,582	-	-	-	7,582
Capital assets being depreciated					
Buildings	457,155	-	-	-	457,155
Equipment and furniture and fixtures	26,677	-	-	-	26,677
Autos and trucks	9,600	-	-	-	9,600
Other improvements	32,190	-	-	-	32,190
Infrastructure	<u>77,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,418</u>
Total capital assets being depreciated	603,040	-	-	-	603,040
Less accumulated depreciation for:					
Buildings	175,723	12,255	-	-	187,978
Equipment	26,677	-	-	-	26,677
Autos and trucks	9,100	1,000	-	-	10,100
Other improvements	14,928	1,038	-	-	15,966
Infrastructure	<u>38,851</u>	<u>2,581</u>	<u>-</u>	<u>-</u>	<u>41,432</u>
Total accumulated depreciation	<u>265,279</u>	<u>16,874</u>	<u>-</u>	<u>-</u>	<u>282,153</u>
Total capital assets being depreciated, net	<u>337,761</u>	<u>(16,874)</u>	<u>-</u>	<u>-</u>	<u>320,887</u>
Governmental activity capital assets, net	<u>\$ 345,343</u>	<u>\$ (16,874)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 328,469</u>

Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Business - type activities:					
<i>Water Fund</i>					
Capital assets not being depreciated:					
Land	<u>\$ 3,016,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,016,337</u>
Total capital assets not being depreciated	3,016,337	-	-	-	3,016,337
Capital assets being depreciated:					
Plant and system distributions	2,395,085	-	-	-	\$ 2,395,085
Equipment	126,959	-	-	-	126,959
Autos and trucks	<u>19,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,128</u>
Total capital assets being depreciated	2,541,172	-	-	-	2,541,172
Less accumulated depreciation for:					
Plant and system distributions	1,311,962	47,887	-	-	\$ 1,359,849
Equipment	105,991	2,968	-	-	108,959
Autos and trucks	<u>15,608</u>	<u>1,408</u>	<u>-</u>	<u>-</u>	<u>17,016</u>
Total accumulated depreciation	<u>1,433,561</u>	<u>52,263</u>	<u>-</u>	<u>-</u>	<u>1,485,824</u>
Total capital assets being depreciated, net	<u>1,107,611</u>	<u>(52,263)</u>	<u>-</u>	<u>-</u>	<u>1,055,348</u>
Water fund capital assets, net	<u>\$ 4,123,948</u>	<u>\$ (52,263)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,071,685</u>

B. Liabilities

1. Pension Plan Obligations

The Town is not a participating unit of the Local Governmental Employees' Retirement System administered by the State of North Carolina.

2. Deferred Outflows and Inflows of Resources

The Town did not have any items meeting these criteria at June 30, 2021.

3. Commitments

The Town did not have any significant commitments at June 30, 2021.

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Through commercial coverage, the Town obtained general liability coverage of \$2 million per occurrence, property coverage up to replacement value, and workers' compensation coverage up to \$1 million per occurrence. There have been no significant reductions in insurance coverage in the prior year, and there have been no claims in the past three fiscal years.

In accordance with G.S. 159-29, the Town's employees that have access at any given time to \$100 or more of the Town's funds are performance bonded through a commercial surety bond. The Town's finance officer and tax collector/town clerk are each individually bonded for \$500,000 each. The remaining employees that have access to funds are bonded under a blanket bond up to a limit of either \$20,000 or \$25,000 per occurrence, depending on the type of crime.

Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

5. Claims, Judgments and Contingent Liabilities

At June 30, 2021, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

6. Long-Term Obligations

a. General Obligation Indebtedness

The Town's general obligation bonds, serviced by the Water and Sewer Fund were used to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources and reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due. Bonds payable at June 30, 2021 are as follows:

\$250,000 1999 Sanitary Sewer Serial Bonds due in annual installments of \$4,000 to \$10,000, through June 1, 20239, plus interest at 3.25%. The amount outstanding at June 30, 2021 was \$160,000.

Year Ending June 30:	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 6,000	\$ 5,005	\$ 11,005
2023	7,000	4,810	11,810
2024	7,000	4,583	11,583
2025	7,000	4,355	11,355
2026	7,000	4,128	11,128
2027-2031	41,000	16,920	57,920
2032-2036	48,000	10,016	58,016
2037-2038	<u>37,000</u>	<u>2,615</u>	<u>39,615</u>
Total	<u>\$ 160,000</u>	<u>\$ 52,432</u>	<u>\$ 212,432</u>

a. Installment Purchase

The City entered into a \$810,378 loan from the N.C. Clean Water State Revolving Loan Fund to upgrade the Town's wastewater treatment and disposal system. The loan requires annual repayments of \$42,862 plus interest at 2% through 2034. The balance remaining at June 30, 2021 was \$600,061.

Principal and interest requirements are as follows:

Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

	<u>Business-type Activities</u>		
Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 42,862	\$ 11,144	\$ 54,006
2023	42,862	10,287	53,149
2024	42,862	9,430	52,292
2025	42,862	8,572	51,434
2026	42,862	7,714	50,576
2027-2031	214,310	21,426	235,736
2032-2036	<u>171,441</u>	<u>5,142</u>	<u>176,583</u>
Total	<u>\$ 600,061</u>	<u>\$ 73,715</u>	<u>\$ 673,776</u>

b. Changes in Long-Term Liabilities

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Current Portion</u>
Business-type activities:					
Installment purchase	\$ 685,784	\$ -	\$ (85,723)	\$ 600,061	\$ 42,862
General obligation indebtedness	<u>166,000</u>	<u>-</u>	<u>(6,000)</u>	<u>160,000</u>	<u>6,000</u>
	<u>\$ 851,784</u>	<u>\$ -</u>	<u>\$ (91,723)</u>	<u>\$ 760,061</u>	<u>\$ 48,862</u>

c. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2021 had a balance of \$0. During 2021 the Town's general fund voted on and approved the forgiveness of the \$269,669 due to the General Fund from the Water and Sewer Fund.

The interfund balance resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Town of Bath, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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	\$ 79,037
Less:	
Stabilization by State Statute	7,291
WWTP grant	<u>35,566</u>
Remaining fund balance	<u>\$ 121,894</u>

D. Jointly Governed Organization

The Town, in conjunction with five counties and thirty-four municipalities, established the Mid-East Commission Council of Governments (the 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 \$300 to the Council during 2021.

Town of Bath, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	<u>-</u>	<u>112,465</u>	<u>-</u>
Total	115,536	112,465	(3,071)
Other taxes and licenses:			
Beer and wine		982	
Local option sales tax		86,996	
Utility franchise tax		6,224	
Vehicle tax		6,960	
Solid waste tax	<u>-</u>	<u>175</u>	<u>-</u>
Total	96,629	101,337	4,708
Restricted intergovernmental:			
WWTP Grant		74,699	
Powell Bill allocation	<u>-</u>	<u>7,192</u>	<u>-</u>
Total	7,192	81,891	74,699
Charges for services:			
Rental Services		14,320	
Permits	<u>-</u>	<u>2,450</u>	<u>-</u>
Total	16,770	16,770	-
Other Revenues:			
Miscellaneous	<u>-</u>	<u>10,913</u>	<u>-</u>
Total	<u>10,858</u>	<u>10,913</u>	<u>55</u>
Total revenues	<u>246,985</u>	<u>323,376</u>	<u>76,391</u>

Town of Bath, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Salaries and benefits		110,515	
Professional services		24,616	
Dues and subscriptions		1,149	
Utilities		23,080	
Insurance and bonds		8,920	
Engineering		39,188	
Repairs and maintenance		18,516	
Supplies		3,175	
Other operating expense	<u>-</u>	<u>11,896</u>	<u>-</u>
Total	205,060	241,055	35,995
Public Safety:			
EMS Tax		24,376	
Donations	<u>-</u>	<u>12,800</u>	<u>-</u>
Total	37,676	37,176	(500)
Transportation:			
Powell Bill	<u>-</u>	<u>13,508</u>	<u>-</u>
Total	13,508	13,508	-
Environmental Protection:			
Sanitation services	<u>-</u>	<u>10,665</u>	<u>-</u>
Total	10,665	10,665	-
Total expenditures	266,909	302,404	35,495
Revenues over (under)			
expenditures	(19,924)	20,972	40,896
Other Financing Uses:			
Fund balance appropriations	19,924		(19,924)
Transfer from other funds	<u>-</u>	<u>(269,669)</u>	<u>(269,669)</u>
Total	19,924	(269,669)	(289,593)
Net change in fund balance	-	(248,697)	(248,697)
Fund balance - July 1		<u>327,734</u>	
Fund balance - June 30		<u>\$ 79,037</u>	

Town of Bath, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP) - Enterprise Fund
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating Revenues:			
Expenditures:			
Water and sewer operations:			
Salaries and benefits		52,806	
Repairs and maintenance		10,202	
Utilities		38,612	
Vehicle Maintenance		186	
Insurance		6,997	
Lab fees		11,331	
Chemicals		607	
Water system maintenance		21,640	
Licenses and permits		2,650	
Office expenses		699	
Other operating expenses	-	140	-
Total	196,073	145,870	(50,203)
Debt service:			
Interest charges	-	17,006	
Principal payments	-	48,861	-
Total	24,058	65,867	41,809
Total expenditures	220,131	211,737	(8,394)
Revenues over expenditures	-	(5,159)	(5,159)
Other financing sources (uses)			
Interfund balance forgiven	-	269,669	269,669
Total other financing sources (uses)	-	269,669	269,669
Revenues and other sources over expenditures	-	264,510	264,510
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		48,861	
Depreciation		(52,263)	
Total reconciling items		(3,402)	
Change in Net Position, GAAP		\$ 261,108	

Town of Bath, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance July 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 113,700	\$ 112,645	\$ 1,055
2019-2020	2,290	-	-	2,290
2018-2019	2,432	-	368	2,064
2017-2018	917	-	95	822
2016-2017	686	-	-	686
2015-2016	297	-	-	297
2014-2015	987	-	-	987
2013-2014	204	-	3	201
2012-2013	205	-	-	205
2011-2012	211	-	-	211
2010-2011	195	-	-	195
2009-2010	<u>249</u>	<u>-</u>	<u>-</u>	<u>249</u>
	<u>\$ 8,673</u>	<u>\$ 113,700</u>	<u>\$ 113,111</u>	9,262

Less allowance for uncollectible accounts - General Fund (9,262)

Ad valorem taxes receivable, net - General Fund \$ -

Reconciliation with revenues

Ad valorem taxes - General Fund	\$ 112,465
Interest, penalties and discovery	<u>646</u>
Total collections and credits	<u>\$ 113,111</u>

Town of Bath, North Carolina
General Fund
Analysis of Current Tax Levy
For the Year Ended June 30, 2021

	Town – Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate					
Net property valuation	<u>\$ 20,815,789</u>	<u>0.55</u>	<u>\$ 113,111</u>	<u>\$ 106,151</u>	<u>\$ 6,960</u>
Net levy	<u>\$ 20,815,789</u>		113,111	106,151	6,960
Uncollected taxes at June 30, 2021			<u>466</u>	<u>466</u>	<u>-</u>
Current year's taxes collected			<u>\$ 112,645</u>	<u>\$ 106,617</u>	<u>\$ 6,960</u>
Current levy collection percentage			<u>94.65%</u>	<u>94.65%</u>	<u>100.00%</u>