

***REVIEWED***

***By SLGFD at 4:42 pm, Dec 17, 2021***

# **TOWN OF BOGUE**

**BOGUE, NORTH CAROLINA**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2021**

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## INTRODUCTORY SECTION

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- List of Principal Officials
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TOWN OF BOGUE, NORTH CAROLINA

TOWN COUNCIL

**Robert O'Chat**  
Mayor

**Richard Dougherty**

**David Padgett**

**Albert Taylor**

**Charles Wilton**

**Charles Wilton**

ADMINISTRATION

**Shawne Southard**  
Town Clerk/Finance Officer

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Town of Bogue, North Carolina  
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June 30, 2021

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## **FINANCIAL SECTION**

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- Independent Auditor's Report
  - Management's Discussion and Analysis
  - Basic Financial Statements
  - Notes to the Financial Statements
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WILLIAMS · SCARBOROUGH · GRAY, LLP  
Certified Public Accountants

Christopher K. Williams, CPA  
Steven N. Scarborough, CPA  
W. Randall Gray, CPA

## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities and major fund of the Town of Bogue, North Carolina as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Bogue'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, 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 Bogue, North Carolina as of June 30, 2021, 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.

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## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 12, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bogue' basic financial statements. The introductory information, individual fund statements and 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 and schedules and other schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund statements and schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information has not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on it.

***Williams • Scarborough • Gray, LLP***

Williams • Scarborough • Gray, LLP  
Jacksonville, North Carolina  
November 29, 2021

## **Management's Discussion and Analysis**

As management of the Town of Bogue, we offer readers of the Town of Bogue's financial statements this narrative overview and analysis of the financial activities of the Town of Bogue 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**

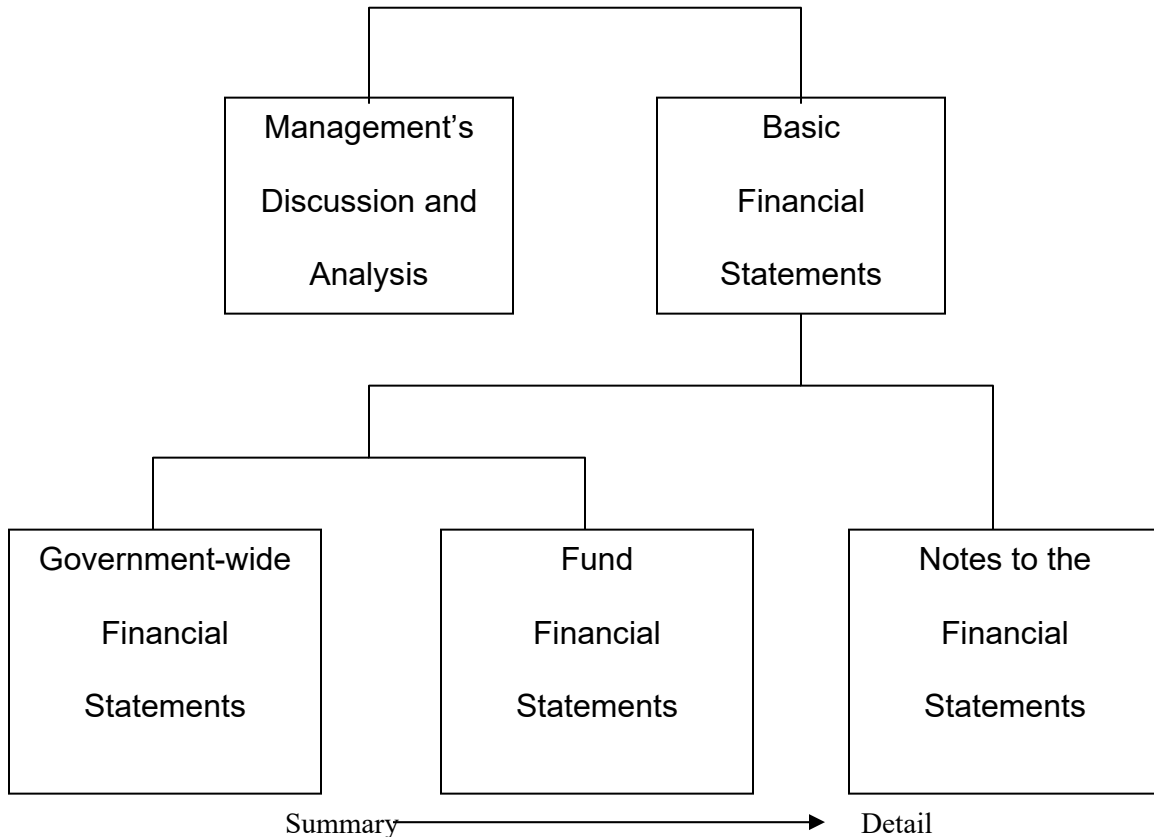
- The assets of the Town of Bogue exceeded its liabilities at the close of the fiscal year by \$806,153 (*net position*).
- The government's total net position increased by \$29,727.
- As of the close of the current fiscal year, the Town of Bogue's governmental funds reported ending fund balances of \$540,253, an increase of \$39,804 in comparison with the prior year. Approximately 82 percent of this total amount, or \$443,330, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$443,330, or 414 percent of total general fund expenditures for the fiscal year.

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

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

### 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 5) 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 General Statutes also can be found in this part of the statements.

## **Government-Wide Financial Statements**

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

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

The government-wide statements are divided into two categories: 1) governmental activities; 2) business-type activities. The governmental activities include most of the Town's basic services such as streets and general administration. Property taxes and state grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. The Town of Bogue does not currently provide services that are considered business-type activities.

The government-wide financial statements are on 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 Bogue, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Bogue 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 of Bogue adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual

Management Discussion and Analysis  
Town of Bogue

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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds** – Town of Bogue has no proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain other required schedules concerning the Town of Bogue. The other schedules can be found beginning on page 34 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 Bogue Net Position  
Figure 2**

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
Current and other assets	\$ 551,705	\$ 514,507
Capital assets	261,466	271,740
Total assets	813,171	786,247
Other liabilities	7,018	9,821
Total liabilities	7,018	9,821
Net position:		
Invested in capital assets, net of related debt	261,466	271,740
Restricted	53,895	45,930
Unrestricted	490,792	458,756
Total net position	\$ 806,153	\$ 776,426

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Bogue exceeded liabilities and deferred inflows by \$806,153 as of June 30, 2021. The Town's net position increased by \$29,727 for the fiscal year ended June 30, 2021.



Management Discussion and Analysis  
Town of Bogue

Changes in the current year included:

- Purchases of furniture, a sign for the Town and costs associated with the replacement of an HVAC unit.

**Town of Bogue Changes in Net Position**  
**Figure 3**

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
Revenues:		
Program revenues:		
Charges for services	\$ 1,005	\$ 700
Operating grants and contributions	20,179	21,133
General revenues:		
Property taxes	45,125	42,562
Other taxes	77,697	75,069
Other	(1,307)	2,986
Total revenues	<u>142,699</u>	<u>142,450</u>
Expenses:		
General government	88,972	85,245
Transportation	<u>24,000</u>	<u>25,567</u>
Total expenses	<u>112,972</u>	<u>110,812</u>
Increase (decrease) in net position	29,727	31,638
Net position, July 1	<u>776,426</u>	<u>744,788</u>
Net position, June 30	<u>\$ 806,153</u>	<u>\$ 776,426</u>

**Governmental activities.** Governmental activities increased the Town's net position by \$29,727, thereby accounting for 100% of the total increase in the net position of the Town of Bogue.

**Business-type activities:** There was no business-type activity in the current year.

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

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

**Governmental Funds.** The focus of the Town of Bogue'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 Bogue's financing requirements. Specifically, unassigned fund

Management Discussion and Analysis  
Town of Bogue

balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Bogue. At the end of the current fiscal year, the Town of Bogue unassigned fund balance in the General Fund was \$443,330, while total fund balance was \$540,253. The Town currently has an available fund balance of 414% of total General Fund expenditures, while total fund balance represents 505% of that same amount.

At June 30, 2021, the governmental funds of Town of Bogue reported a fund balance of \$540,253, an 8 percent increase over last year.

**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.

Actual revenues were in line with budget expectations. Various budget amendments were made throughout the year to adjust for to reclassify expenditures within departments.

**Proprietary Funds.** The Town of Bogue had no proprietary funds in the current year.

#### Capital Asset and Debt Administration

**Capital assets.** The Town of Bogue's investment in capital assets for its governmental activities as of June 30, 2021, totals \$261,466 (net of accumulated depreciation). These assets include buildings, land, furniture and office equipment, and Town infrastructure.

#### Town of Bogue's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities	
	2021	2020
Land	\$ 30,000	\$ 30,000
Furniture and equipment	18,671	16,676
Buildings and improvements	52,816	53,749
Infrastructure	159,979	171,315
Total	<u>\$ 261,466</u>	<u>\$ 271,740</u>

Additional information on the Town's capital assets can be found in note II.A of the Basic Financial Statements.

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

The Town of Bogue expects property taxes to remain the same in the immediate future. The Town anticipates an increase in transportation expense related to road paving expenditures. Lastly, the Town received \$67,119 in July 2021 that will be used for allowed expenses in 2022 and/or following year.

### **Budget Highlights for the Fiscal Year Ending June 30, 2022**

**Governmental Activities:** The Town expects a significant change in revenue in relation to the prior year and is budgeting an increase in revenue of about 51% to \$220,300. The majority of the increase is related to additional Powell Bill funding for the paving expenditures referred to above.

Budgeted expenditures in the General Fund are expected to increase approximately 106%, also related to the paving expenditures referred to above.

### **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Bogue, 121 Chimney Branch Road, Bogue, NC 28570.

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**BASIC  
FINANCIAL STATEMENTS**

**Town of Bogue, North Carolina**  
**STATEMENT OF NET POSITION**  
**June 30, 2021**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 493,376
Restricted cash	35,108
Taxes receivables (net)	4,434
Accounts receivable (net)	<u>18,787</u>
Total current assets	551,705
Non-current assets:	
Capital assets:	
Land	30,000
Other capital assets, net of depreciation	<u>231,466</u>
Total capital assets	<u>261,466</u>
Total assets	<u><u>\$ 813,171</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 5,518
Street deposits	<u>1,500</u>
Total liabilities	7,018
<b>NET POSITION</b>	
Net investment in capital assets	\$ 261,466
Restricted for:	
Stabilization by State Statute	18,787
Streets	35,108
Unrestricted	<u>490,792</u>
Total net position	<u><u>\$ 806,153</u></u>

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

**Town of Bogue, North Carolina**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues		Net Expense and Change in Net Position
		Charges for Services	Operating Grants	Total
Primary government:				
Governmental Activities:				
General government	\$ 88,972	\$ 1,005	\$ -	\$ (87,967)
Transportation	<u>24,000</u>	<u>-</u>	<u>20,179</u>	<u>(3,821)</u>
Total governmental activities	112,972	1,005	20,179	(91,788)
General revenues:				
Taxes:				
Property taxes, levied for general purpose				45,125
Other taxes				77,697
Investment earnings				53
Miscellaneous				<u>(1,360)</u>
Total general revenues items, and transfers				<u>121,515</u>
Change in net position				29,727
Net position-beginning				<u>776,426</u>
Net position-ending				\$ 806,153

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

**Town of Bogue, North Carolina**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2021**

	<b><u>Total Governmental General Fund</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 493,376
Restricted cash	35,108
Receivables, net:	
Taxes	4,434
Accounts receivable, net	<u>18,787</u>
Total assets	<u><u>\$ 551,705</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable and accrued liabilities	\$ 5,518
Deposits	<u>1,500</u>
Total liabilities	7,018
Deferred inflows of resources:	
Property taxes receivable	4,434
Fund balances:	
Restricted	
Stabilization by State Statute	18,787
Streets	35,108
Assigned - subsequent year's expenditures	43,028
Unassigned	<u>443,330</u>
Total fund balances	<u>540,253</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 551,705</u></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.	261,466
Liabilities for earned but deferred inflows of resources in fund statements.	<u>4,434</u>
Net position of governmental activities	<u><u>\$ 806,153</u></u>

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



**Town of Bogue, North Carolina**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2021**

	<b>Total Governmental Funds</b>
<b>REVENUES</b>	
Ad valorem taxes	\$ 44,930
Unrestricted intergovernmental	77,697
Restricted intergovernmental	20,179
Permits and fees	1,005
Investment earnings	53
Miscellaneous	<u>2,800</u>
Total revenues	<u>146,664</u>
<b>EXPENDITURES</b>	
Current:	
General government	93,785
Streets	<u>13,075</u>
Total expenditures	<u>106,860</u>
Excess of revenues over expenditures	<u>39,804</u>
Net change in fund balance	39,804
Fund balances - beginning of year	<u>500,449</u>
Fund balances - end of year	<u><u>\$ 540,253</u></u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - governmental funds	\$ 39,804
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	(10,274)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	<u>197</u>
Total changes in net position of governmental activities	<u><u>\$ 29,727</u></u>

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

**Town of Bogue, North Carolina**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2021**

	General Fund			Variance with Final
	Original	Final	Actual Amounts	Budget - Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 44,643	\$ 44,643	\$ 44,930	\$ 287
Unrestricted intergovernmental	71,585	71,585	77,697	6,112
Restricted intergovernmental	20,735	20,735	20,179	(556)
Permits and fees	800	800	1,005	205
Investment earnings	195	195	53	(142)
Miscellaneous	600	600	2,800	2,200
Total revenues	138,558	138,558	146,664	8,106
<b>EXPENDITURES</b>				
Current:				
General government	132,798	132,798	93,785	39,013
Streets	25,000	25,000	13,075	11,925
Total expenditures	157,798	157,798	106,860	50,938
Revenues over (under) expenditures	(19,240)	(19,240)	39,804	59,044
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriated fund balance	19,240	19,240	-	(19,240)
Total other financing sources (uses)	19,240	19,240	-	(19,240)
Change in net position	\$ -	\$ -	39,804	\$ 39,804
Fund balances - beginning of year			500,449	
Fund balances - end of year			\$ 540,253	

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

**Town of Bogue, 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 Bogue 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 Bogue is a municipal corporation established in 1995, which is governed by an elected mayor and five-member town council. As required by generally accepted accounting principles, these financial statements present the Town, which has no component units.

B. Basis of Presentation - Fund Accounting

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. These statements report the governmental activities of the Town. 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. 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.

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 and federal grants and various other taxes and licenses. The primary expenditures are for general government and streets.

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.

**Town of Bogue, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

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

*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 a 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.

Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by the Carteret County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues.

**Town of Bogue, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

D. Budgetary Data

The Town's budget is 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. The budget is prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The finance officer may transfer amounts between objects of expenditures within a department without limitations and without an official report being requested. They may also transfer up to \$1,000 of expenditures between departments. Any other transfer or revisions that alter the total expenditures of any fund must be approved by the governing board.

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

Deposits and Investments

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

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

Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted Assets

Powell bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. As of June 30, 2021, \$35,108 was restricted in governmental activities.

Restricted Cash - General Fund	Streets	<u>\$ 35,108</u>
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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, 2020.

**Town of Bogue, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

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.

Capital Assets

Capital assets are defined by the government as assets with an initial estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. All other purchased or constructed capital assets are reported at cost or estimated historical cost. As a Phase 3 government, the Town is not required to report major general infrastructure assets retroactively and, as such, has elected not to include these assets in their basic financial statements. As a result, the governmental activities column in the government-wide financial statements does not reflect those infrastructure asset projects completed before July 1, 2003. However, it does reflect those assets that were completed subsequent to that date. 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	10 - 20
Buildings	40
Furniture and equipment	10
Computer equipment	5

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's property tax receivable meets this criterion.

Net Position/Fund Balances

**Net Position**

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent 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 Bogue, 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:

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

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

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

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

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

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

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

**Town of Bogue, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

Subsequent Events

Subsequent events were evaluated through November 29, 2021, which is the date the financial statements were available to be issued.

II. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designing official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a bank balance amount of \$518,152 and a book balance of \$528,384. Of the balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's change fund totaled \$100.

Receivables

The amounts presented in Exhibit 1, the Balance Sheet and the Statement of Net Position are as follows:

	<u>General Fund</u>
Taxes receivable	<u>\$ 4,434</u>
State and county sales tax	\$ 6,012
Utility franchise tax	12,163
Other taxes	<u>612</u>
Accounts receivable	<u>\$ 18,787</u>



**Town of Bogue, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

Capital Assets

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>Ending Balances</u>
<b>Government Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Total capital assets not being depreciated	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
<b>Capital assets being depreciated:</b>				
Furniture and equipment	34,993	4,724	-	39,717
Buildings and improvements	86,404	5,700	7,270	84,834
Infrastructure	<u>222,654</u>	<u>-</u>	<u>-</u>	<u>222,654</u>
Total capital assets being depreciated	<u>344,051</u>	<u>10,424</u>	<u>7,270</u>	<u>347,205</u>
 <b>Less accumulated depreciation for:</b>				
Furniture and equipment	18,317	2,729	-	21,046
Buildings and improvements	32,655	2,473	3,110	32,018
Infrastructure	<u>51,339</u>	<u>11,336</u>	<u>-</u>	<u>62,675</u>
Total capital assets being depreciated	<u>102,311</u>	<u>16,538</u>	<u>3,110</u>	<u>115,739</u>
 <b>Governmental activity capital assets, net</b>	<u><u>\$ 271,740</u></u>			<u><u>\$ 261,466</u></u>

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

Administration	\$ 5,203
Streets	<u>11,335</u>
Total depreciation expense	<u><u>\$ 16,538</u></u>

B. Liabilities

Deferred Outflows and Inflows of Resources

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

	<u>General Fund Balance Sheet</u>
Property taxes receivable	\$ 4,434

**Town of Bogue, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

**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 insured 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 carriers 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 NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town does not hold any flood insurance.

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

**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	\$ 540,253
Less:	
Stabilization by State Statute	18,787
Streets-Powell Bill	35,108
Appropriated in 2021/22 budget	43,028
Remaining Fund Balance	\$ 443,330

There were no outstanding encumbrances at June 30, 2021.

**D. Other Items**

**Subsequent Events**

In July 2021, the Town received \$67,119 from the American Recovery Plan Act. This money will be used for expenses that are consistent with the provisions of the Act.

## **INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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- Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
-

**Town of Bogue, North Carolina**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ -	\$ 44,358	\$ -
Penalties and interest	-	572	-
Total	44,643	44,930	287
Unrestricted intergovernmental:			
Local option sales taxes	-	21,373	-
Utilities franchise tax	-	53,217	-
Beer and wine tax	-	3,107	-
Total	71,585	77,697	6,112
Restricted intergovernmental:			
Powell Bill allocation	-	20,179	-
Total	20,735	20,179	(556)
Permits and fees:			
Building permits	-	1,005	-
Total	800	1,005	205
Investment earnings:	195	53	(142)
Miscellaneous:	600	2,800	2,200
Total revenues	\$ 138,558	\$ 146,664	\$ 5,906

**Town of Bogue, North Carolina**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
<b>Expenditures:</b>			
General government:			
Administration:			
Salaries and employee benefits	\$ -	\$ 41,099	\$ -
Operating expenses	-	27,200	-
Contracted services	-	15,062	-
Capital Outlay	-	10,424	-
Total administration	132,798	93,785	39,013
Streets:			
Powell Bill	-	13,075	-
Total streets	25,000	13,075	11,925
Total expenditures	157,798	106,860	50,938
Revenues over (under) expenditures	(19,240)	39,804	56,844
Other financing sources (uses):			
Appropriated fund balance	19,240	-	19,240
Total other financing sources	19,240	-	19,240
Net change in fund balance	<u>\$ -</u>	39,804	<u>\$ 37,604</u>
Fund balances:			
Beginning of year, July 1		500,449	
End of year, June 30		<u>\$ 540,253</u>	

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## **OTHER SCHEDULES**

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- Schedule of Ad Valorem Taxes Receivable
  - Analysis of Current Tax Levy – Town Wide Levy
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**Town of Bogue, North Carolina**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2021**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 43,640	\$ 41,614	\$ 2,026
2019-2020	1,910	-	590	1,320
2018-2019	969	-	289	680
2017-2018	794	-	298	496
2016-2017	675	-	313	362
2015-2016	320	-	208	112
2014-2015	118	-	71	47
2013-2014	120	-	88	32
2012-2013	35	-	3	32
2011-2012	<u>36</u>	<u>-</u>	<u>36</u>	<u>-</u>
	<u>\$ 4,977</u>	<u>\$ 43,640</u>	<u>\$ 43,510</u>	<u>5,107</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>(673)</u>
Ad valorem taxes receivable - net				<u>\$ 4,434</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				44,930
Releases and adjustments				<u>(848)</u>
Subtotal				44,082
Less: Interest collected				<u>(572)</u>
Total collections and credits				<u>\$ 43,510</u>



**Town of Bogue, North Carolina**  
**ANALYSIS OF CURRENT TAX LEVY**  
**For the Fiscal Year Ended June 30, 2021**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax Levy - Town-wide	<u>87,430,000</u>	0.05	<u>\$ 43,715</u>	<u>\$ 38,885</u>	<u>\$ 4,830</u>
Total	87,430,000		43,715	38,885	4,830
Releases/Discoveries	<u>(150,000)</u>		<u>(75)</u>	<u>(75)</u>	<u>-</u>
Total property valuation	<u><u>\$ 87,280,000</u></u>				
Net levy			43,640	38,810	4,830
Uncollected taxes at June 30, 2021			<u>2,026</u>	<u>2,026</u>	<u>-</u>
Current year's taxes collected					
June 30, 2021			<u><u>\$ 41,614</u></u>	<u><u>\$ 36,784</u></u>	<u><u>\$ 4,830</u></u>
Current levy collected percentage			95.36%	94.78%	100.00%