

REVIEWED

By SLGFD at 6:47 am, Feb 15, 2022

TOWN OF SEABOARD, NORTH CAROLINA

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2021

Financial Statements

Town of Seaboard, North Carolina

Board of Commissioners

Geraldine Langford, Mayor
LaQuita Barnes
Virginia E. Nelson
Alfred Kwasikpui
George Jermon, Sr.
Betty Verlene Stephenson

Administrative and Financial Staff

Christine Bass, Town Clerk & Finance Officer

Town of Seaboard, North Carolina
Table of Contents
June 30, 2021

	<u>Page</u>
Financial Section	
Independent Auditor's Report	1
Management's Discussion and Analysis	2
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet- Governmental Funds	5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	9
Statement of Net Position – Proprietary Fund	10
Statement of Revenues, Expenditures, and Changes in Net Position – Proprietary Fund	11
Statement of Cash Flows – Proprietary Fund	12
Notes to the Financial Statements	14
Required Supplemental Financial Data	
Schedule of the Proportionate Share of the Net Pension Liability – Local Government Employees' Retirement Systems	29
Schedule of Contributions – Local Government Employees' Retirement System	30
Individual Fund Statements and Schedules	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	31
Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Water and Sewer Fund	34
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Main Street South Waterline Improvements – Water and Sewer Capital Projects Fund	36

	<u>Page</u>
Other Schedules	
Schedule of Ad Valorem Taxes Receivable.....	38
Analysis of Current Tax Levy – Town-wide Levy	39
Compliance Section	
Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40
Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act	42
Schedule of Expenditures of Federal and State Awards	44
Schedule of Findings and Questioned Costs	45
Corrective Action Plan	47
Summary Schedule of Prior Year Audit Findings.....	48

Financial Section

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Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Seaboard, 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'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Seaboard, 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 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Seaboard's basic financial statements. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and statistical section as well as the accompanying schedule of expenditures of federal and state awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards 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, the combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 18, 2021 on my consideration of Town of Seaboard's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Seaboard's internal control over financial reporting and compliance.



Johnson, McLean & Company
Murfreesboro, North Carolina

November 18, 2021

Management's Discussion and Analysis

Town of Seaboard, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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

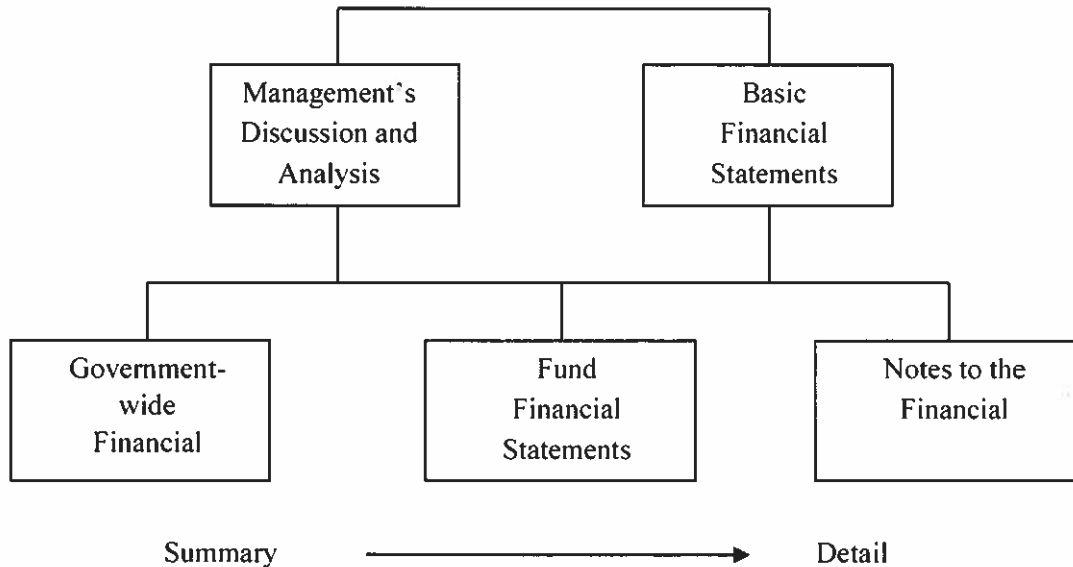
- The assets of the Town of Seaboard exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,864,948 (net position).
- The government's total net position increased by \$1,693,580 primarily due to increases in the business-type activities net position.
- At the close of the current fiscal year, the Town of Seaboard's governmental funds reported combined ending fund balances of \$454,801 with a net change of \$94,783 in fund balance. Approximately 19.99 percent of this total amount, or \$90,925, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$363,876, or 116.38 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 Seaboard'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 Seaboard.

**Town of Seaboard, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

**Required Components of Annual Financial Report
Figure 1**



Basic Financial Statements

The first two statements (Pages 11 and 12) 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 (Pages 13 through 18) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the Notes, **Supplemental information** is provided to show details about the Town's individual funds.

Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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.

Town of Seaboard, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and wastewater services offered by the Town of Seaboard.

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

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

Town of Seaboard, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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 22 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Seaboard's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 38 of this report.

Government-wide Financial Analysis
Town of Seaboard's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 609,352	\$ 531,304	\$ 755,004	\$ 595,063	\$ 1,364,356	\$ 1,126,367
Non-current assets	480,105	494,815	6,563,765	5,640,360	7,043,870	6,135,175
Deferred outflows of resources	38,189	21,819	38,188	30,586	76,377	52,405
Total Assets and Deferred Outflows of Resources	\$ 1,127,646	\$ 1,047,938	\$ 7,356,957	\$ 6,266,009	\$ 8,484,603	\$ 7,313,947
Long-term liabilities	\$ 231,841	\$ 250,853	\$ 294,222	\$ 323,015	\$ 526,063	\$ 573,868
Current liabilities	53,524	93,958	24,742	(24,204)	78,266	69,754
Deferred inflows of resources	7,663	2,070	7,663	2,071	15,326	4,141
Total Liabilities and Deferred Inflows of Resources	\$ 293,028	\$ 346,881	\$ 326,627	\$ 300,882	\$ 619,655	\$ 647,763
Net position:						
Net investments in capital assets	\$ 273,158	\$ 282,085	\$ 6,277,016	\$ 4,815,834	\$ 6,550,174	\$ 5,097,919
Restricted	90,925	81,532	-	-	90,925	81,532
Unrestricted	470,535	337,440	753,314	654,478	1,223,849	991,918
Total Net Position	\$ 834,618	\$ 701,057	\$ 7,030,330	\$ 5,470,312	\$ 7,864,948	\$ 6,171,369

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 Seaboard exceeded liabilities and deferred inflows by \$7,864,948 as of June 30, 2021. The Town's net position increased by \$1,693,580 for the fiscal year ended June 30, 2021. However, the largest portion (83.28%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Seaboard uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Seaboard's net investment in capital assets is reported net of the outstanding related debt, the resources

Town of Seaboard, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021

needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Seaboard's net position \$90,925 (1.16%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,223,849 is unrestricted.

Town of Seaboard'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	\$ 10,200	\$ 10,200	\$ 541,989	\$ 440,499	\$ 552,189	\$ 450,699
Operating grants and contributions	40,857	20,263	-	-	40,857	20,263
Capital grants and contributions	-	-	1,545,796	1,547,628	1,545,796	1,547,628
General Revenues:						
Property taxes	165,992	88,142	-	-	165,992	88,142
Other taxes	2,055	2,180	-	-	2,055	2,180
Other	215,174	177,942	6,025	17,882	221,199	195,824
Total Revenues	<u>\$ 434,278</u>	<u>\$ 298,727</u>	<u>\$ 2,093,810</u>	<u>\$ 2,006,009</u>	<u>\$ 2,528,088</u>	<u>\$ 2,304,736</u>
Expenses:						
General government	\$ 133,450	\$ 127,268	\$ -	\$ -	\$ 133,450	\$ 127,268
Public safety	66,826	52,817	-	-	66,826	52,817
Transportation	73,162	107,357	-	-	73,162	107,357
Cultural and recreation	17,992	10,532	-	-	17,992	10,532
Interest on long-term debt	9,287	9,287	25,968	7,332	35,255	16,619
Water and sewer	-	-	507,824	341,346	507,824	341,346
Total Expenses	<u>\$ 300,717</u>	<u>\$ 307,261</u>	<u>\$ 533,792</u>	<u>\$ 348,678</u>	<u>\$ 834,509</u>	<u>\$ 655,939</u>
Increase in net position before transfers	\$ 133,561	\$ (8,534)	\$ 1,560,018	\$ 1,657,331	\$ 1,693,579	\$ 1,648,797
Operating transfers	-	-	-	-	-	-
Capital contributions	-	-	-	-	-	-
Increase (decrease) in net position	<u>133,561</u>	<u>(8,534)</u>	<u>1,560,018</u>	<u>1,657,331</u>	<u>1,693,579</u>	<u>1,648,797</u>
Net Position, July 1	701,057	709,591	5,470,312	3,812,981	6,171,369	4,522,572
Restatement	-	-	-	-	-	-
Net Position, July 1, restated	<u>701,057</u>	<u>709,591</u>	<u>5,470,312</u>	<u>3,812,981</u>	<u>6,171,369</u>	<u>4,522,572</u>
Net Position, June 30	<u>\$ 834,618</u>	<u>\$ 701,057</u>	<u>\$ 7,030,330</u>	<u>\$ 5,470,312</u>	<u>\$ 7,864,948</u>	<u>\$ 6,171,369</u>

Governmental Activities. Governmental activities increased the Town's net position by \$133,561.

Business-type Activities. Business-type activities increased the Town's net position by \$1,560,018 accounting for 94% of the total growth in the net position of the Town of Seaboard.

**Town of Seaboard, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Seaboard. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$363,876, while total fund balance reached \$454,801. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

General Fund Budgetary Highlights. During the fiscal year, the Town of Seaboard made budget revisions. 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 of Seaboard's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$753,314. There was an increase in net position of \$1,560,018. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Seaboard's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Seaboard's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$7,043,870 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

**Town of Seaboard, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

**Town of Seaboard's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land and non-depreciable	\$ 176,415	\$ 176,415	\$ 363,358	\$ 2,769,858	\$ 539,773	\$ 2,946,273
Buildings and system	217,394	226,748	5,984,595	2,375,686	6,201,989	2,602,434
Machinery and equipment	48,326	50,383	215,812	-	264,138	50,383
Infrastructure	37,970	41,269	-	-	37,970	41,269
Total	\$ 480,105	\$ 494,815	\$ 6,563,765	\$ 5,145,544	\$ 7,043,870	\$ 5,640,359

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

Long-term Debt.

As of June 30, 2021, the Town of Seaboard had total debt outstanding of \$504,544. All of which is debt backed by the full faith and credit of the Town.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ -	\$ -	\$ 123,750	\$ 161,750	\$ 123,750	\$ 161,750
Installment purchases	206,946	212,822	162,499	167,960	369,445	380,782
Compensated absences	6,936	6,518	4,413	2,193	11,349	8,711
Net pension liability (LGERS)	31,446	24,435	31,446	17,045	62,892	41,480
Total	\$ 245,328	\$ 243,775	\$ 322,108	\$ 348,948	\$ 567,436	\$ 551,243

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the assessed value of taxable property located within that government's boundaries. The legal debt margin of the Town of Seaboard is \$1,804,101. The Town has \$0 in bonds authorized but unissued at June 30, 2021.

Additional information regarding the Town of Seaboard's long-term debt can be found in Notes to Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The following indicators reflect Seaboard and the surrounding area economic condition.

- High unemployment. The seasonally adjusted unemployment rate for the area is well above the State seasonally adjusted average.
- No significant jobs have been created.

**Town of Seaboard, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Requests for Information

This report is designed to provide an overview of the Town of Seaboard'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 Christine Bass, Town Clerk, Town of Seaboard, PO Box 327, Seaboard, North Carolina 27876, (252) 589-5061.

Basic Financial Statements

Government-Wide Financial Statements

Town of Seaboard, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 403,912	\$ 611,815	\$1,015,727
Restricted cash and cash equivalents	56,242	21,490	77,732
Taxes receivable (net)	83,232	-	83,232
Accrued interest receivable on taxes	31,283	-	31,283
Accounts receivable (net)	34,683	121,699	156,382
Total Current Assets	609,352	755,004	1,364,356
Capital Assets:			
Land, non-depreciable improvements and construction in progress	176,415	363,357	539,772
Other capital assets, net of depreciation	303,690	6,200,408	6,504,098
Total Capital Assets	480,105	6,563,765	7,043,870
Total Assets	1,089,457	7,318,769	8,408,226
Deferred Outflows of Resources			
Pension deferrals	38,189	38,188	76,377
Liabilities			
Current Liabilities:			
Deferred Revenue	313	-	313
Deposits	-	26,338	26,338
Accounts payable	3,716	5,825	9,541
Long-term debt, current portion	6,552	24,173	30,725
Compensated absences payable - current	6,936	4,413	11,349
Due to other funds	36,007	(36,007)	-
Total Current Liabilities	53,524	24,742	78,266
Long-term Liabilities:			
Net pension liability	31,446	31,646	63,092
Long-term debt	200,395	262,576	462,971
Total Long-term Liabilities	231,841	294,222	526,063
Total Liabilities	285,365	318,964	604,329
Deferred Inflows of Resources			
Prepaid taxes & water bills	-	-	-
Pension deferrals	7,663	7,663	15,326
Total Deferred Inflows of Resources	7,663	7,663	15,326
Net Position			
Net investment in capital assets	273,158	6,277,016	6,550,174
Restricted for:			
Powell Bill	56,242	-	56,242
Stabilization by State statute	34,683	-	34,683
Unrestricted	470,535	753,314	1,223,849
Total Net Position	\$ 834,618	\$ 7,030,330	\$7,864,948

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

Town of Seaboard, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities:						
General government	\$ 133,450	\$ 10,200	\$ 23,793	\$ -	\$ (99,457)	\$ -
Public safety	66,826	-	-	-	(66,826)	-
Transportation	73,162	-	17,064	-	(56,098)	-
Cultural and recreation	17,992	-	-	-	(17,992)	-
Economic development	-	-	-	-	-	-
Interest on long-term debt	9,287	-	-	-	(9,287)	-
Total governmental activities	300,717	10,200	40,857	-	(249,660)	-
Business-type activities:						
Water/Sewer	533,792	541,989	-	1,545,796	-	1,553,993
Total primary government	\$ 834,509	\$ 552,189	\$ 40,857	\$ 1,545,796	\$ (249,660)	\$ 1,553,993
General Revenues						
Taxes:						
Property taxes, levied for general purpose					165,992	-
Other taxes					2,055	-
Unrestricted, intergovernmental					197,725	-
Grants and contributions, not restricted to specific purposes					-	-
Operating transfers					15,000	5,000
Unrestricted investment earnings					15	225
Sales tax refund					-	-
Miscellaneous					2,435	800
Total general revenues					383,222	6,025
Change in Net Position					133,562	1,560,018
Net Position, Beginning of year					701,056	5,470,312
Net Position, End of year					\$ 834,618	\$ 7,030,330
						\$ 7,864,948

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

Fund Financial Statements

Town of Seaboard, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	<u>Major Fund</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
Assets		
Cash and cash equivalents	\$ 403,912	\$ 403,912
Restricted cash	56,242	56,242
Receivables, net:		
Taxes	83,232	83,232
Accounts	34,683	34,683
Total Assets	<u>578,069</u>	<u>578,069</u>
Liabilities		
Accounts payable and accrued liabilities	3,716	3,716
Due to other funds	36,007	36,007
Total Liabilities	<u>39,723</u>	<u>39,723</u>
Deferred Inflows of Resources		
Property taxes receivable	83,232	83,232
Prepaid taxes	313	313
Total Deferred Inflows of Resources	<u>83,545</u>	<u>83,545</u>
Fund Balances		
Restricted:		
Stabilization by State statute	34,683	34,683
Streets	56,242	56,242
Unassigned	363,876	363,876
Total Fund Balances	<u>454,801</u>	<u>454,801</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 578,069</u>	<u>\$ 578,069</u>

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

Town of Seaboard, North Carolina
Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Position
June 30, 2021

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

Ending fund balance - governmental funds	\$ 454,801
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	480,105
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are not reported in the funds.	31,283
Deferred outflows of resources related to pensions are not reported in the funds	38,189
Net pension liability	(31,446)
Deferred inflows of resources related to pensions are not reported in the funds	(7,663)
Liabilities for earned but deferred revenues in fund statements.	83,232
Some liabilities, including long-term debt and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(213,883)</u>
Net position of governmental activities	<u><u>\$ 834,618</u></u>

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

Town of Seaboard, North Carolina
Statement of Revenues, Expenditures And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	<u>Major Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Governmental</u> <u>Funds</u>
Revenues		
Ad valorem taxes	\$ 139,156	\$ 139,156
Other taxes and licenses	2,055	2,055
Unrestricted intergovernmental	197,725	197,725
Restricted intergovernmental	17,064	17,064
Investment earnings	15	15
Miscellaneous	36,428	36,428
Total Revenues	<u>392,443</u>	<u>392,443</u>
Expenditures		
General government	143,340	143,340
Public safety	66,826	66,826
Transportation	75,373	75,373
Cultural and recreation	12,051	12,051
Debt service	15,070	15,070
Total Expenditures	<u>312,660</u>	<u>312,660</u>
Revenues Over (Under) Expenditures	79,783	79,783
Other Financing Sources (Uses)		
Operating transfers	20,000	20,000
Transfer to other funds	(5,000)	(5,000)
Revenues Over (Under) Expenditures	<u>94,783</u>	<u>94,783</u>
Fund balances		
Beginning of year	360,018	360,018
End of year	<u>\$ 454,801</u>	<u>\$ 454,801</u>

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

Town of Seaboard, North Carolina
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement Activities
For the Year Ended June 30, 2021

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

Net change in fund balance - governmental funds	\$	94,783
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 (less than) depreciation in the current period.		(14,710)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in funds.		
- Change in deferred revenue for tax revenues		17,342
- Accrued interest on taxes receivable		9,494
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.		
- New long-term debt issued		-
- Principal payment on long-term debt		5,783
Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Deferred revenue		-
Compensated absences		(2,589)
Pension expense		23,459
Change in net position of governmental activities	\$	<u>133,562</u>

Town of Seaboard, North Carolina
General Fund
Statement of Revenues, Expenditures, And
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Ad valorem taxes	\$ 103,682	\$ 105,682	\$ 139,156	\$ 33,474
Other taxes and licenses	1,645	1,645	2,055	410
Unrestricted intergovernmental	166,125	182,864	197,725	14,861
Restricted intergovernmental	16,459	16,459	17,064	605
Investment earnings	-	-	15	15
Miscellaneous	10,200	34,935	36,428	1,493
Total Revenues	<u>298,111</u>	<u>341,585</u>	<u>392,443</u>	<u>50,858</u>
Expenditures				
General government	112,990	166,662	143,340	23,322
Public safety	66,827	66,827	66,826	1
Transportation	88,344	104,461	75,373	29,088
Cultural and recreation	650	12,157	12,051	106
Debt service	24,300	24,300	15,070	9,230
Total Expenditures	<u>293,111</u>	<u>374,407</u>	<u>312,660</u>	<u>61,747</u>
Revenues Over (Under) Expenditures	<u>5,000</u>	<u>(32,822)</u>	<u>79,783</u>	<u>112,605</u>
Other financing sources (uses):				
Fund balance appropriated	-	17,822	-	17,822
Transfers from other funds	-	20,000	20,000	-
Transfers to other funds	(5,000)	(5,000)	(5,000)	-
Total other financing sources (uses)	<u>(5,000)</u>	<u>32,822</u>	<u>15,000</u>	<u>17,822</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,783</u>	<u>\$ 94,783</u>
Fund Balances				
Beginning of year			360,018	
End of year			<u>\$ 454,801</u>	

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

Town of Seaboard, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2021

	Major Enterprise Fund Water & Sewer Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 633,305
Accounts receivable (net)	121,699
Due from other funds	36,007
Total Current Assets	<u>791,011</u>
Capital Assets:	
Land and other nondepreciable assets	363,357
Other capital assets, net of depreciation	6,200,408
Total Capital Assets	<u>6,563,765</u>
 Total Assets	 <u>7,354,776</u>
Deferred Outflows of Resources	
Pension deferrals	<u>38,188</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	5,825
Deferred revenue	-
Long-term debt (current portion)	24,173
Compensated absences payable - current	4,413
Deposits	26,338
Total Current Liabilities	<u>60,749</u>
Non-current liabilities:	
Long-term debt (non-current portion)	262,576
Net pension liability	31,646
Total Non-current Liabilities	<u>294,222</u>
Total Liabilities	<u>354,971</u>
Deferred Inflows of Resources	
Pension deferrals	7,663
Net Position	
Net investment in capital assets	6,277,016
Unrestricted	753,314
Total Net Position	<u>7,030,330</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 7,392,964</u>

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

Town of Seaboard, North Carolina
Statement of Revenues, Expenditures And Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Fund Water & Sewer Fund
Operating Revenues	
Charges for services	\$ 541,989
Other operating revenues	-
Total Operating Revenues	<u>541,989</u>
Operating Expenses	
Salaries & employee benefits	157,248
Administration	61,218
Water treatment and distribution	99,680
Waste collection and treatment	83,592
Depreciation	106,086
Total Operating Expenses	<u>507,824</u>
Operating Income (Loss)	<u>34,165</u>
Nonoperating Revenues (Expenses)	
Investment earnings	225
Interest expense	(25,968)
Rent income	800
Sales tax refund	-
Miscellaneous revenue	-
Total Non-operating Revenue (Expenses)	<u>(24,943)</u>
Income (loss) before contributions	9,222
Transfers in	5,000
Capital contributions	1,545,796
Change in net position	<u>1,560,018</u>
Total Net Position - beginning of year	5,470,312
Total Net Position - end of year	<u><u>\$ 7,030,330</u></u>

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

Town of Seaboard, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Fund Water & Sewer Fund
Cash Flows From Operating Activities	
Cash received from customers	\$ 569,085
Cash paid for goods and services	(241,649)
Cash paid to or on behalf of employees for services	(145,359)
Net Cash Provided (Used) by Operating Activities	<u>182,077</u>
Cash Flows From Non-capital Financing Activities	
Other revenues (expenses)	800
Operating transfers	5,000
Changes in due to (from) other funds	44,489
Net Cash Provided (Used) by Non-capital Financing Activities	<u>50,289</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	(1,524,306)
Capital contributions	1,545,796
Principal paid on bonds	(42,962)
Interest paid on bonds	(25,968)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(47,440)</u>
Cash Flows From Investing Activities	
Interest	<u>225</u>
Net Increase (Decrease) in Cash and Cash Equivalents	185,151
Balances - Beginning of year	448,154
Balances - End of year	<u>\$ 633,305</u>

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

Town of Seaboard, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

Reconciliation of operating income to net cash provided by operating activities

Operating income (loss)	\$ 34,165
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	106,086
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	25,210
(Increase) decrease in deferred outflows of resources	(7,602)
Increase (decrease) in pension deferrals	5,592
Increase (decrease) in net pension liability	14,601
Increase (decrease) in accounts payable	2,841
Increase (decrease) in customer deposits	425
Increase (decrease) in compensated absences	2,220
Increase (decrease) in deferred revenue	(1,461)
Net cash provided by (used for) operating activities	<u>\$ 182,077</u>

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

Notes to the Financial Statements

**TOWN OF SEABOARD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

I. Summary of Significant Accounting Policies

The accounting policies of Town of Seaboard 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 Seaboard is a municipal corporation that is governed by an elected mayor and a five-member council.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

Water & Sewer Fund. This fund is used to account for the Town's water and sewer operations. A Water and Sewer Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparisons for the Water and Sewer Capital Projects Fund have been included in the supplemental information.

TOWN OF SEABOARD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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 enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 60 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 is materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Seaboard because the tax is levied by Northampton 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

TOWN OF SEABOARD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. 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. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 15-31]. The Town may designate, as an official depository, and bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, The Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted maturity of less than 90-days, they are presented as an investment with a maturity of less than 6-months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted assets because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Capital Projects funds can be expended only for purposes of the Capital Project.

TOWN OF SEABOARD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Town of Seaboard Restricted Cash

Governmental Activities:	
General Fund	
Streets	\$ 56,242
Business Activities:	
Water and Sewer Fund:	
Capital Project	<u>21,490</u>
Total Restricted Cash	<u>\$ 77,732</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. No allowances have been recorded.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. 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. Water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimate historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	20-40
Buildings	20-40
Improvements	20
Vehicles	5-20
Furniture and equipment	5-10
Computer equipment	5

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals in the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial

TOWN OF SEABOARD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category - prepaid taxes, property taxes receivables, and deferrals of pension expenses.

8. 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.

9. Compensated Absences

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

The Town's sick leave policy provides for a maximum accumulation of 12 days for an indeterminate period. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Position/Fund Balances

a. Net Position

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

b. Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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 in 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

**TOWN OF SEABOARD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

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 - portion of fund balance that is restricted by revenue source.

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

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

11. Defined Benefit Cost-Sharing Plans

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

II. Stewardship, Compliance, and Accountability

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

The Town violated State Statute G.S. 159-34 which requires local governments to submit audits four-months after the end of the fiscal year. This was due to accounting records not being kept current, which prevented the audit from being prepared and submitted in a timely manner.

Noncompliance with North Carolina General Statutes

Budget amendments #4 and #5 in the Water/Sewer Fund did not balance. Budgeted expenses exceed revenue by \$5,300.

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 their names. The amount of the pledged collateral is based on an approved averaging method for non-

TOWN OF SEABOARD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits.

At June 30, 2021, the Town's deposits had a carrying amount of \$1,093,157 and a bank balance of \$1,131,554. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The Town had \$300 in petty cash on hand at June 30, 2021.

2. Receivables – Allowance for Doubtful Accounts

There have been no provisions for an allowance for doubtful accounts because the amount would be immaterial to these financial statements.

Fund	
General Fund:	
Taxes Receivable	\$ 2,574
Accounts Receivable	-
Total	<u>\$ 2,574</u>

3. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 176,415	\$ -	\$ -	\$ 176,415
Capital assets being depreciated:				
Buildings	\$ 319,572	\$ -	\$ -	\$ 319,572
Equipment and vehicles	134,676	4,304	-	138,980
Infrastructure	102,918	-	-	102,918
Total capital assets being depreciated	\$ 557,166	\$ 4,304	\$ -	\$ 561,470
Less accumulated depreciation for:				
Buildings	\$ 92,824	\$ 9,354	\$ -	\$ 102,178
Equipment and vehicles	84,293	6,361	-	90,654
Infrastructure	61,649	3,299	-	64,948
Total accumulated depreciation	238,766	19,014	-	257,780
Total capital assets being depreciated, net	318,400			303,690
Governmental activity capital assets, net	<u>\$ 494,815</u>			<u>\$ 480,105</u>

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

General government	\$ 8,584
Recreation	7,243
Transportation	3,187
Total depreciation expense	<u>\$ 19,014</u>

TOWN OF SEABOARD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 325,346	\$ -	\$ -	\$ 325,346
Construction in progress	2,444,512	1,524,306	3,930,806	38,012
Total	<u>\$ 2,769,858</u>	<u>\$ 1,524,306</u>	<u>\$ 3,930,806</u>	<u>\$ 363,358</u>
Capital assets being depreciated:				
Water & sewer system	\$ 4,497,936	\$ 3,930,807	\$ -	\$ 8,428,743
Buildings	264,433	-	-	264,433
Vehicles	48,503	-	-	48,503
Total	<u>\$ 4,810,872</u>	<u>\$ 3,930,807</u>	<u>\$ -</u>	<u>\$ 8,741,679</u>
Less accumulated depreciation for:				
Water & sewer distribution system	\$ 2,348,972	\$ 95,176	\$ -	\$ 2,444,148
Buildings	68,096	7,565	-	75,661
Vehicles	18,118	3,345	-	21,463
Total accumulated depreciation	<u>\$ 2,435,186</u>	<u>\$ 106,086</u>	<u>\$ -</u>	<u>\$ 2,541,272</u>
Total capital assets being depreciated, net	<u>2,375,686</u>			<u>6,200,407</u>
Sewer fund capital assets, net	<u><u>\$ 5,145,544</u></u>			<u><u>\$ 6,563,765</u></u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

**TOWN OF SEABOARD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Seaboard employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Seaboard contractually required contribution rate for the year ended June 30, 2021, was 14.86% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Seaboard were \$21,648 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$62,892 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 the Town's proportion was 0.00176%, which was a decrease of 0.00048% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the Town recognized pension expense of \$22,286. The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,884	\$ -
Changes of assumptions	9,360	-
Net difference between projected and actual earnings on pension plan investments	17,700	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	15,118	-
Town contributions subsequent to the measurement date	18,316	15,326
Total	<u>\$ 76,378</u>	<u>\$ 15,326</u>

TOWN OF SEABOARD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

\$76,378 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2022	\$ 10,374
2023	18,526
2024	8,600
2025	5,238
Thereafter	-
	<u>\$ 42,738</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

TOWN OF SEABOARD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Total pension liability	\$ 255,203	\$ 125,784	\$ 18,299

b. Law Enforcement Officers Special Separation Allowances

The Town of Seaboard has contracted with Northampton County Sheriff's Office to provide law enforcement. At June 30, 2021, the Town did not have any law enforcement officers for which the Town was liable for future separation allowance.

c. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die within 180 days after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not

**TOWN OF SEABOARD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

2. Deferred / Outflows and Inflows of Resources

The Town has several deferred outflows. Deferred outflows of resources at year-end are composed of the following elements:

	<u>General Fund</u>	<u>Statement of Position</u>
Contributions to pension plan in current fiscal year	\$ -	\$ 76,377
Deferred Inflows of resources at year-end is composed of the following:		
Property tax receivable	83,232	-
Prepaid property tax	313	-
Pension deferrals	-	15,326
	<u>\$ 83,545</u>	<u>\$ 15,326</u>

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

The Town does not carry 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 Finance Officer is bonded for \$50,000.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2021, the Town was not a defendant of any lawsuits.

TOWN OF SEABOARD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

5. Long-term Obligations

a. General Obligation Indebtedness

The Town of Seaboard has no general obligation bonds serviced by the governmental funds. Those general obligation bonds 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 are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2021 are comprised of the following individual issues:

1) *General Obligation Bonds*

\$500,000 1989 Water Serial Bonds due in annual
installments of varying amounts through June 1, 2020:
interest at 6.25 percent

The Town's legal debt margin at June 30, 2021 was \$1,804,101.

The following table summarizes the annual requirement to amortize the long-term debt outstanding:

Water & Sewer	General Obligation Bonds	
	Principal	Interest
2022	\$ 19,000	\$ 7,734
2023	19,000	6,547
2024	19,000	5,359
2025	19,000	4,172
2026	19,000	2,984
2027-2028	28,750	2,406
Total	\$ 123,750	\$ 29,202

b. Installment Purchases

The Town constructed a new Town Hall during the year. Currently, the Town is paying interest only at 4.25% to the USDA. The total debt of \$452,500 is divided between the General Fund and the Water & Sewer Fund.

Annual debt service payments of the installment purchases as of June 30, 2021 are as follows:

Year Ending	Business Activities		Governmental Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 5,173	\$ 6,726	\$ 6,552	\$ 8,519	\$ 11,725	\$ 15,245
2023	5,393	6,506	6,830	8,240	12,223	14,746
2024	5,605	6,294	7,098	7,972	12,703	14,266
2025	5,860	6,039	7,422	7,648	13,282	13,687
2026	6,109	5,790	7,737	7,333	13,846	13,123
2027-2031	34,651	24,847	43,887	31,464	78,538	56,311
2032-2036	42,664	16,830	54,035	21,316	96,699	38,146
2037-2041	52,551	6,942	66,559	8,793	119,110	15,735
2042	4,993	-	6,826	-	11,819	-
	\$ 162,999	\$ 79,974	\$ 206,946	\$ 101,285	\$ 369,945	\$ 181,259

TOWN OF SEABOARD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Changes in Long-term Debt

During the year, the following changes occurred in long-term debt:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Installment Purchases	\$ 212,822	\$ -	\$ 5,876	\$ 206,946	\$ 5,876
Compensated absences	6,518	418	-	6,936	6,936
Net pension liability (LGRS)	24,435	7,011	-	31,446	31,446
Total	\$ 243,775	\$ 7,429	\$ 5,876	\$ 245,328	\$ 44,258
Business-type Activities:					
General obligation bonds	\$ 161,750	\$ -	\$ 38,000	\$ 123,750	\$ 19,000
Compensated absences	2,193	2,220	-	4,413	4,413
Installment purchases	167,960	-	5,461	162,499	5,461
Net pension liability (LGRS)	17,045	14,401	-	31,446	-
Total	\$ 348,948	\$ 16,621	\$ 43,461	\$ 322,108	\$ 28,874

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	\$ 454,801
Less:	-
Stabilization by State Statute	(34,683)
Streets - Powell Bill	(56,242)
Working Capital/Fund Balance Policy	-
Remaining Fund Balance	<u>\$ 363,876</u>

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital Assets	\$ 480,104	\$ 6,563,767
Less: long-term debt	(206,946)	(286,749)
Plus: Unexpended debt proceeds	-	-
Net Investment in Capital Assets	<u>\$ 273,158</u>	<u>\$ 6,277,018</u>

IV. Related Party Transaction

The Town has participated in no related party transactions for the year ended June 30, 2021.

V. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts revenues and expenses during the reporting period. Actual results could differ from those estimates.

**TOWN OF SEABOARD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

VI. Summary Disclosure of Significant Contingencies

A. Federal and State Assisted Programs

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

VII. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2021 consist of the following:

	<u>General Fund</u>	<u>Sewer Fund</u>
Due (to) from	<u>\$ (36,007)</u>	<u>\$ 36,007</u>

The interfund balances resulted from the time lag between the dates that (1) reimbursable expenditures occur; (2) transactions are recorded in the accounting system; and (3) payments between funds are made.

VIII. Impairment of Capital Assets

In accordance with new financial reporting standards issue by the Governmental Accounting Standards Board's Statement Number 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* requires certain not disclosures. During the June 30, 2021 fiscal year, the Authority experienced no impairments.

IX. Subsequent Events

As of November 18, 2021, the date of the completion of the financial statements, there were no material subsequent events that were required to be reported.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contribution to Local Government Employees' Retirement System

Town of Seaboard, North Carolina
Town of Seaboard's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016
Town of Seaboard's proportion of the net pension liability (asset) (%)	0.00176%	0.00206%	0.00175%	0.00348%	0.00347%	0.00222%
Town of Seaboard's proportion of the net pension liability (asset) (\$)	\$ 62,892	\$ 61,173	\$ 48,870	\$ 26,735	\$ 73,857	\$ 15,573
Town of Seaboard's covered-employee payroll	\$ 145,684	\$ 134,087	\$ 137,047	\$ 126,500	\$ 198,950	\$ 195,126
Town of Seaboard's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.17%	45.62%	35.66%	21.13%	37.12%	7.98%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%

**Town of Seaboard, North Carolina
Town of Seaboard's Contributions
Required Supplementary Information
Last Six Fiscal Years**

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 21,649	\$ 18,316	\$ 17,076	\$ 12,139	\$ 13,086	\$ 23,029
Contributions in relation to the contractually required contributions	21,649	18,316	17,076	12,139	13,086	23,029
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Seaboard's covered-employee payroll	\$145,684	\$137,047	\$137,047	\$126,500	\$106,621	\$198,950
Contributions as a percentage of covered-employee payroll	14.86%	13.36%	12.46%	9.60%	12.27%	11.58%

Individual Fund Statements and Schedules

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes:			
Taxes	\$ -	\$ 134,976	\$ -
Penalties and interest	-	4,180	-
Total	<u>105,682</u>	<u>139,156</u>	<u>33,474</u>
Other taxes and licenses:			
Motor vehicle license	-	1,905	-
Zoning permits	-	150	-
Total	<u>1,645</u>	<u>2,055</u>	<u>410</u>
Unrestricted intergovernmental:			
Local option sales tax	-	164,676	-
Sales tax refund	-	-	-
Telecommunications sales tax	-	2,909	-
Utility franchise tax	-	27,726	-
Payments in lieu of taxes	-	-	-
Beer and wine	-	2,414	-
Total	<u>182,864</u>	<u>197,725</u>	<u>14,861</u>
Restricted intergovernmental:			
Powell bill allocation	16,459	17,064	605
ABC revenue	-	-	-
Total	<u>16,459</u>	<u>17,064</u>	<u>605</u>
Other revenue:			
Cell tower lease	10,200	10,200	-
Donations	320	320	-
Miscellaneous	1,622	588	-
Bad debts recovered - taxes	-	1,527	-
Corona Virus Relief Fund	22,793	23,793	-
Total	<u>34,935</u>	<u>36,428</u>	<u>1,493</u>
Investment Earnings	-	15	15
Total Revenues	<u>\$ 341,585</u>	<u>\$ 392,443</u>	<u>\$ 50,858</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General Government:			
Governing body:			
Salaries	\$ -	\$ 9,000	\$ -
Election	-	-	-
Total	<u>9,000</u>	<u>9,000</u>	<u>-</u>
Administration:			
Salaries and employee benefits	-	56,489	-
Operating expense	-	50,036	-
Covid 19 expenses	-	23,511	-
Capital outlay	-	4,304	-
Total	<u>157,662</u>	<u>134,340</u>	<u>23,322</u>
Total General Government	<u>166,662</u>	<u>143,340</u>	<u>23,322</u>
Public safety:			
Police:			
Operating expense	-	65,826	-
Total	<u>65,827</u>	<u>65,826</u>	<u>1</u>
Fire and rescue:			
Contribution to fire department	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total Public Safety	<u>66,827</u>	<u>66,826</u>	<u>1</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	38,368	-
Operating expense	-	17,306	-
Street lights	-	19,699	-
Capital outlay	-	-	-
Total Transportation	<u>104,461</u>	<u>75,373</u>	<u>29,088</u>
Cultural and Recreation:			
Salaries and employee benefits	-	6,103	-
Operating expenses	-	5,948	-
Total Cultural Resources	<u>\$ 12,157</u>	<u>\$ 12,051</u>	<u>\$ 106</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal retirement	\$ -	\$ 5,783	\$ 5,783
Interest and other charges	-	9,287	9,287
Total Debt Service	<u>24,300</u>	<u>15,070</u>	<u>9,230</u>
Total Expenditures	<u>374,407</u>	<u>312,660</u>	<u>61,747</u>
Revenues Over (Under) Expenditures	<u>(32,822)</u>	<u>79,783</u>	<u>112,605</u>
Other Financing Sources (Uses):			
Insurance recovery	(5,000)	(5,000)	-
Transfers from other funds	20,000	20,000	-
Appropriated fund balance	17,822	-	(17,822)
Total Other Financing Sources (Uses)	<u>32,822</u>	<u>15,000</u>	<u>(17,822)</u>
Excess of Revenues Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>94,783</u>	<u>\$ 94,783</u>
Fund Balances:			
Beginning of Year, July 1		360,018	
End of Year, June 30		<u>\$ 454,801</u>	

Town of Seaboard, North Carolina
Water and Sewer Fund
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating Revenues:			
Water and sewer charges	\$ -	\$ 541,989	\$ -
Taps and connection fees	-	-	-
Total Operating Revenues	<u>558,700</u>	<u>541,989</u>	<u>(16,711)</u>
Non-Operating Revenues:			
Interest earned on investments	-	225	-
Rent	-	800	-
Sales tax refund	-	-	-
Miscellaneous revenue	-	-	-
Total Non-operating Revenues	<u>1,175</u>	<u>1,025</u>	<u>(150)</u>
Total Revenues	<u>559,875</u>	<u>543,014</u>	<u>(16,861)</u>
Operating Expenditures:			
Salaries & benefits	-	157,249	-
Postage and office supplies	-	1,585	-
Utilities	-	19,008	-
Chemicals	-	11,930	-
Legal and audit	-	24,461	-
Maintenance	-	68,319	-
Laboratory analysis	-	12,887	-
Covid 19 expense	-	24,491	-
Dues & subscriptions	-	5,341	-
Telephone	-	4,305	-
Travel	-	2,000	-
Supplies	-	13,572	-
Insurance	-	11,251	-
Software	-	15,562	-
Gas, oil & auto supplies	-	3,675	-
Contract Services	-	1,114	-
Uniforms	-	4,260	-
Cost allocation to General Fund	-	20,000	-
Advertising	-	428	-
Total Operating Expenditures	<u>\$ 552,627</u>	<u>\$ 401,438</u>	<u>\$ 151,189</u>

Town of Seaboard, North Carolina
Water and Sewer Fund
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other Expenditures:			
Principal retirement	\$ 40,700	\$ 42,962	\$ -
Interest expense	19,100	25,968	-
Capital outlay	24,493	-	-
Total Other Expenditures	<u>84,293</u>	<u>68,930</u>	<u>15,363</u>
Total Expenditures	<u>636,920</u>	<u>470,368</u>	<u>166,552</u>
Revenues Over (Under) Expenditures	(77,045)	72,646	149,691
Other Financing Sources (Uses):			
Transfer from General Fund	5,000	5,000	
Fund balance appropriated	66,745	-	(66,745)
Grant revenue	-	-	-
Total Other Financing Sources (Uses)	<u>71,745</u>	<u>5,000</u>	<u>(66,745)</u>
Revenues Over (Under) Expenditures and Other Financing (Uses)	<u>\$ (5,300)</u>	<u>\$ 77,646</u>	<u>\$ 82,946</u>
Reconciliation of modified accrual basis to full accrual basis:			
Excess of Revenues Over (Under) Expenditures		\$ 77,646	
Depreciation		(106,086)	
Capital contributions		1,545,796	
Debt principal		42,962	
Capital outlay		-	
Net Income (Loss) Accrual Basis		<u>\$ 1,560,318</u>	

Town of Seaboard, North Carolina
Water and Sewer Capital Project Funds - Main Street/NC305 Sewer Improvement
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021

	Project		Actual		Variance
	Authorization	Prior	Current	Total to	Favorable
		Years	Year	Date	(Unfavorable)
Revenues:					
Neighborhood revitalization	\$ 590,647	\$ -	\$ 19,500	\$ 19,500	\$ (571,147)
CDBG 18-C-3075	-	-	-	-	-
Total Revenues	<u>590,647</u>	<u>-</u>	<u>19,500</u>	<u>19,500</u>	<u>(571,147)</u>
Expenditures:					
Rehabilitation	300,000	-	-	-	300,000
Flood & drainage	231,583	-	-	-	231,583
Administration	<u>59,064</u>	<u>-</u>	<u>19,500</u>	<u>19,500</u>	<u>39,564</u>
Total Expenditures	<u>590,647</u>	<u>-</u>	<u>19,500</u>	<u>19,500</u>	<u>571,147</u>
Revenues Over (Under)					
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ -</u>		
Revenues:					
CDBG - 16-I-2926	\$ 1,813,413	\$ 967,007	\$ 655,577	\$ 1,622,584	\$ (190,829)
Total Revenues	<u>1,813,413</u>	<u>967,007</u>	<u>655,577</u>	<u>1,622,584</u>	<u>(190,829)</u>
Expenditures:					
Sewer Improvements	1,472,570	705,372	592,553	1,297,925	174,645
Administration	<u>340,843</u>	<u>261,635</u>	<u>63,024</u>	<u>324,659</u>	<u>16,184</u>
Total Expenditures	<u>1,813,413</u>	<u>967,007</u>	<u>655,577</u>	<u>1,622,584</u>	<u>190,829</u>
Revenues Over (Under)					
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Seaboard, North Carolina
Water and Sewer Capital Project Funds - Main Street/NC305 Sewer Improvement
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021

	Project		Actual		Variance
	Authorization	Prior	Current	Total to	Favorable
		Years	Year	Date	(Unfavorable)
Revenues:					
Wastewater Treatment - EDA	\$ 992,576	\$ -	\$ -	\$ -	\$ (992,576)
Golden Leaf Grant	200,000	-	40,000	40,000	(160,000)
West Fraser Contribution	48,144	48,144	-	48,144	-
Total Revenues	<u>1,240,720</u>	<u>48,144</u>	<u>40,000</u>	<u>88,144</u>	<u>(1,152,576)</u>
Expenditures:					
Construction	920,000	-	-	-	920,000
Engineering	179,500	-	-	-	179,500
Administrative	49,220	-	18,510	18,510	30,710
Contingencies	92,000	-	-	-	92,000
Total Expenditures	<u>1,240,720</u>	<u>-</u>	<u>18,510</u>	<u>18,510</u>	<u>1,222,210</u>
Revenues Over (Under)					
Expenditures	<u>\$ -</u>	<u>\$ 48,144</u>	<u>\$ 21,490</u>	<u>\$ 69,634</u>	<u>\$ 69,634</u>
H-SRP-S-17-0070					
Revenues:					
Grant	\$ 1,948,013	\$ 823,773	\$ 830,719	\$ 1,654,492	\$ (293,521)
Local Match	24,817	24,817	-	24,817	-
Total Revenues	<u>1,972,830</u>	<u>848,590</u>	<u>830,719</u>	<u>1,679,309</u>	<u>(293,521)</u>
Expenses:					
Construction	1,628,075	568,269	729,476	1,297,745	330,330
Technical Services	151,846	101,621	25,109	126,730	25,116
Construction Inspection	100,439	75,330	-	75,330	25,109
Construction Contingency	(118,164)	-	-	-	(118,164)
Land Surveying	20,000	12,500	2,500	15,000	5,000
Permitting	1,500	1,500	-	1,500	-
Grant Fee	24,817	24,817	-	24,817	-
Environmental Preparation	(2,500)	2,500	-	2,500	(5,000)
Environmental Review	(3,250)	-	-	-	(3,250)
Administration	161,884	60,000	73,634	133,634	28,250
Legal Services	8,183	2,053	-	2,053	6,130
Total Expenses	<u>1,972,830</u>	<u>848,590</u>	<u>830,719</u>	<u>1,679,309</u>	<u>293,521</u>
Revenues Over (Under)					
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Schedules

This section contains additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

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

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 128,575	\$ 115,619	\$ 12,956
2019-2020	16,942	-	6,431	10,511
2018-2019	12,026	-	3,863	8,163
2017-2018	15,404	-	2,670	12,734
2016-2017	11,657	-	2,032	9,625
2015-2016	13,045	-	2,023	11,022
2014-2015	10,271	-	1,002	9,269
2013-2014	6,174	-	477	5,697
2012-2013	3,557	-	473	3,084
2011-2012	3,047	-	302	2,745
2010-2011	2,006	-	2,006	-
Total	\$ 94,129	\$ 128,575	\$ 136,898	\$ 85,806

Reconciliation with revenues:

Less: allowance for uncollectible accounts	\$ (2,574)
	<u>83,232</u>
Ad valorem taxes - General Fund	139,156
Reconciling items:	
Taxes written off	1,922
Interest & penalties	(4,180)
Discoveries and abatements	-
Total collections and credits	<u>\$ 136,898</u>

Town of Seaboard, North Carolina
Analysis of Current Tax Levy - Town-wide Levy
For the Year Ended June 30, 2021

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current years' rate	\$ 25,715,000	0.50%	\$ 128,575	\$ 107,905	\$ 20,670
Net Levy	\$ 25,715,000		128,575	107,905	20,670
Uncollected taxes at June 30, 2021			12,956	12,956	-
Current year's taxes collected			\$ 115,619	\$ 94,949	20,670
Current levy collection percentage			89.92%	87.99%	100.00%

Compliance Section

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**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards**

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Seaboard, 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 Seaboard, North Carolina's basic financial statements, and have issued my report thereon dated November 18, 2021.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Seaboard, North Carolina's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operating of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I do not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and response that I consider to be significant deficiencies reported as Finding 2021-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Seaboard, North Carolina's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on

the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Seaboard's Response to Findings

The Town of Seaboard's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink, appearing to read "Johnson McLean & Co".

Johnson, McLean & Company, CPA's
Murfreesboro, North Carolina

November 18, 2021

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Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the Town of Seaboard, North Carolina, compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Seaboard's major federal programs for the year ended June 30, 2021. The Town of Seaboard's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Seaboard's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Seaboard's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Seaboard's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Seaboard complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Town of Seaboard is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Seaboard's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Johnson, McLean & Company, CPA's
Murfreesboro, NC

November 18, 2021

Town of Seaboard, North Carolina
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2021

Grantor/ Pass-thru Grantor/ Pass-thru NC Department of Environmental Quality	Federal CFDA Number	Agency on Pass-Thru Number	Federal Direct on Pass-Thru Expenditure	State Expenditure	Local Expenditure
<u>Department of Housing & Urban Development</u>					
Program Title					
UPPER Coastal Plains					
CBDG 18-6-3075	14.228		\$ 19,500	\$ -	\$ -
CDBG 16-1-2926	14.228		655,577	-	-
NCDEQ Project	14.228		-	-	40,000
<u>US Department of the Treasury</u>					
Pass through the Office of State Budget & Management:					
NC Pandemic Recovery Office					
Pass-through Northampton County:					
Corona Virus Relief Fund	21.019		23,511		

STATE AWARDS

North Carolina Department of Transportation					
Direct Programs					
Powell Bill					
				11,243	
North Carolina Department of Environmental Quality					
Connect NC Bond Program H-SRP-D-17-0070					
			-	830,719	-
			<u>\$ 698,588</u>	<u>\$ 841,962</u>	<u>\$ 40,000</u>

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Seaboard, NC under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Seaboard, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Seaboard.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Town of Seaboard, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP:
Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant Deficiency(s) ☒ yes ☐ none reported

Noncompliance material to financial
statements noted?

☐ yes ☒ no

State Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no

Significant Deficiency(s) identified

☐ yes ☒ none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR 200.516(a)?

☐ yes ☒ no

Identification of major state programs:

CFDA No(s).	Names of State Program or Cluster
N/A	NC Department of Environmental Quality

**Town of Seaboard, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Section II – Financial Statement Findings

Finding 2021-001 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is lack of segregation of duties among Town personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions:

The Town agrees with this finding.

This was also reported as Finding 2020-001 for the year ended June 30, 2020.

Section III

Federal Award Finding and Questioned Cost

None reported.



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Section II – Corrective Action Plan

Finding 2021-001

Segregation of Duties

Name of Contact Person:

Geraldine Langford
Mayor

Corrective Action:

The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date:

The Board will implement the above procedure immediately.

**Town of Seaboard, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2021**

Finding 2021-001

Segregation of Duties

This is reported in the current year as Finding 2020-001.