

TOWN OF DOBSON, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2019

**TOWN OF DOBSON, NORTH CAROLINA
JUNE 30, 2019**

BOARD OF COMMISSIONERS

Ricky K. Draughn, Mayor

J. Wayne Atkins

Todd C. Dockery

John D. Lawson

Robin D. Testerman

Amy D. Whitaker

OFFICIALS

Laura Neely, Town Manager

Marlene Lopez, Finance Officer

Town of Dobson, North Carolina
Table of Contents
June 30, 2019

<u>Exhibit</u>		<u>Page</u>
	Financial Section:	
	Independent Auditor’s Report	1-3
	Management’s Discussion and Analysis	4-14
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	15
2	Statement of Activities	16
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	17-18
4	Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	19-20
5	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	21
6	Statement of Fund Net Position – Proprietary Fund	22
7	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	23
8	Statement of Cash Flows – Proprietary Fund	24
	Notes to the Financial Statements	25-56

Required Supplemental Financial Data:

Schedule of Changes in Total OPEB Liability and Related Ratios	57
Schedule of the Proportionate Share of Net Pension Liability (Asset) - Local Governmental Employees' Retirement System	58
Schedule of Contributions - Local Governmental Employees' Retirement System	59
Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	60
Schedule of Total Pension Liability as a Percentage of Covered Payroll	61

Individual Fund Schedules:

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	62 - 64
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Projects Fund - Dobson Square Park	65
Schedule of Revenues and Expenditures - Budget and Actual (Non- GAAP) - Water and Sewer Fund	66 - 67
Schedule of Revenues and Expenditures - Budget and Actual (Non- GAAP) - Capital Projects Fund - WTP Solids Handling and Improvements	68
Schedule of Revenues and Expenditures - Budget and Actual (Non- GAAP) - Town of Dobson Tourism Development Authority	69

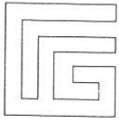
Other Schedules:

Schedule of Ad Valorem Taxes Receivable	70
Analysis of Current Tax Levy - Town-Wide Levy	71
Water and Sewer Fund's Schedule of Net Position by Function	72
Water and Sewer Fund's Schedule of Revenues, Expenses, and Changes in Fund Net Position by Function	73
Water and Sewer Fund's Schedule of Cash Flows by Function	74

Compliance

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>	75 - 76
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Financial Section



Independent Auditor's Report

To the Honorable Mayor
and Members of the Board of Commissioners
Town of Dobson, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Dobson, North Carolina as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Dobson Tourism Development Authority and the Town of Dobson ABC Board were not audited in accordance with *Governmental Auditing Standards*.

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

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

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Dobson, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios on page 57, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 58 and 59, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 60 and 61 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with

auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2019 on our consideration of Town of Dobson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of that report is to describe the scope of our 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 Dobson's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Johnson + Company, P.A." The signature is written in a cursive, flowing style.

Winston-Salem, North Carolina
December 31, 2019

Management's Discussion and Analysis

Town of Dobson Management's Discussion and Analysis

As management of the Town of Dobson, we offer readers of the Town of Dobson's financial statements this narrative overview and analysis of the financial activities of the Town of Dobson for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

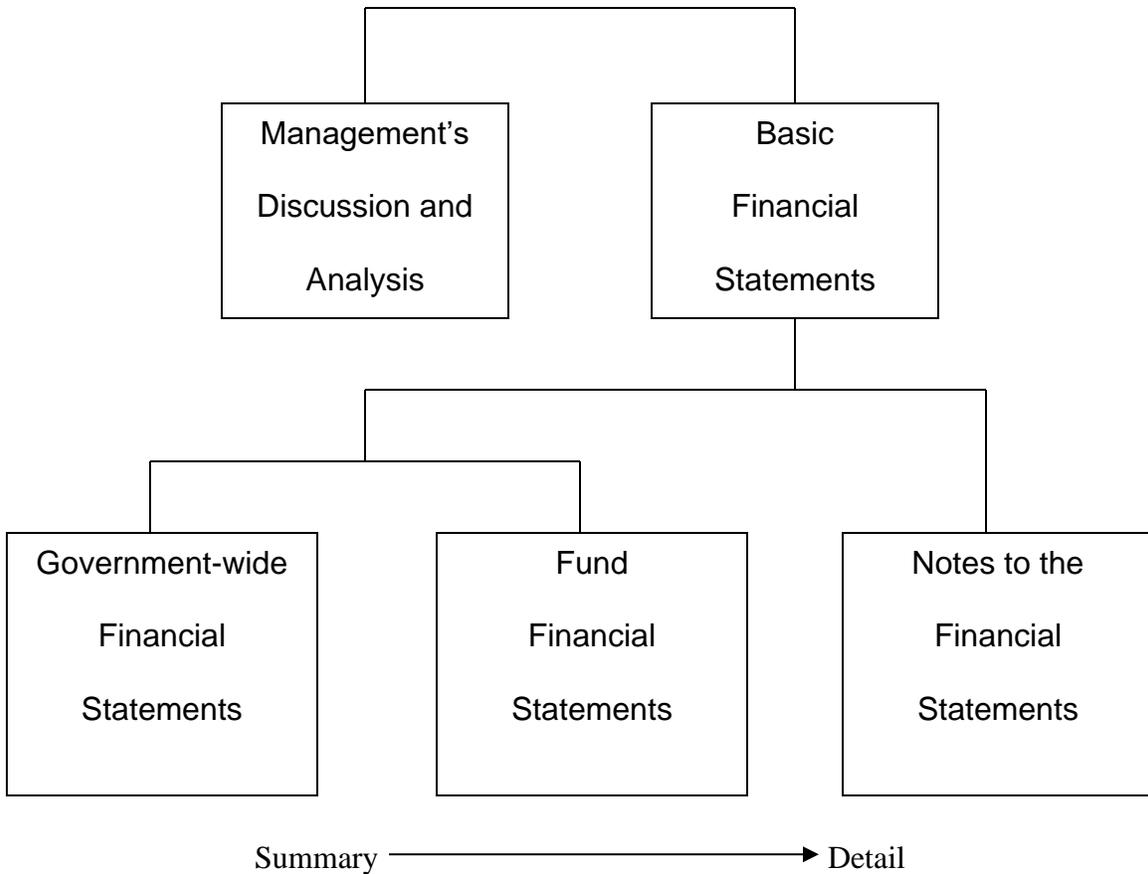
- The assets and deferred outflows of resources of the Town of Dobson exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,261,039 (*net position*).
- The government's total net position increased by \$239,588, primarily due to an increase in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Dobson's governmental funds reported combined ending fund balances of \$1,697,294 with a net increase of \$120,054 in fund balance. Approximately 15.96 percent of this total amount, or \$270,960, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,273,466, or 81.84 percent of total general fund expenditures for the fiscal year.
- The Town of Dobson's total debt increased by \$72,653 (3.88%) during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary 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 North Carolina 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 it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, public works 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's charges customers to provide. These include the water and sewer services offered by the Town of Dobson. The final category is the component units. The Town has two component units, the Town of Dobson ABC Board and the Town of Dobson Tourism Development Authority. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the ABC Board by appointing its members and the Board is required to distribute its profits to the Town. The Tourism Development Authority is also legally separate from the Town. However, the Town exercises control over the Tourism Development Authority by appointing its members.

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 Dobson, 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 Dobson 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

Management Discussion and Analysis

Town of Dobson

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 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 Dobson's progress in funding its obligation to provide other postemployment benefits to its employees and the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 61 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Management Discussion and Analysis
Town of Dobson

Government-Wide Financial Analysis

Town of Dobson's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,728,806	\$ 1,661,515	\$ 1,528,030	\$ 1,355,422	\$ 3,256,836	\$ 3,016,937
Capital assets	1,937,434	2,024,049	9,190,684	9,067,053	11,128,118	11,091,102
Deferred outflows of resources	140,089	90,999	121,270	73,653	261,359	164,652
Total assets and deferred outflows of resources	3,806,329	3,776,563	10,839,984	10,496,128	14,646,313	14,272,691
Long-term liabilities outstanding	720,488	680,744	1,043,425	1,018,578	1,763,913	1,699,322
Other liabilities	113,558	168,127	486,617	364,534	600,175	532,661
Deferred inflows of resources	17,133	11,340	4,053	7,917	21,186	19,257
Total liabilities and deferred inflows of resources	851,179	860,211	1,534,095	1,391,029	2,385,274	2,251,240
Net position:						
Net investment in capital assets	1,591,281	1,639,434	8,335,243	8,168,899	9,926,524	9,808,333
Restricted	270,960	226,205	16,409	16,409	287,369	242,614
Unrestricted	1,092,909	1,050,713	954,237	919,791	2,047,146	1,970,504
Total net position	\$ 2,955,150	\$ 2,916,352	\$ 9,305,889	\$ 9,105,099	\$ 12,261,039	\$ 12,021,451

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Town of Dobson exceeded liabilities and deferred inflows by \$12,261,039 as of June 30, 2019. The Town's net position increased by \$239,588 for the fiscal year ended June 30, 2019. However, the largest portion (80.96%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Dobson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Dobson's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Dobson's net position, \$287,369 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,047,146 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a high tax collection rate of 99.38%.

Management Discussion and Analysis
Town of Dobson

Town of Dobson's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 57,455	\$ 71,583	\$ 1,639,734	\$ 1,530,773	\$ 1,697,189	\$ 1,602,356
Operating grants and contributions	60,452	59,936	-	-	60,452	59,936
Capital grants and contributions	-	3,837	257,878	-	257,878	3,837
General revenues:						
Property taxes	636,995	566,976	-	-	636,995	566,976
Other taxes	127,628	140,850	-	-	127,628	140,850
Grants and contributions not restricted to specific programs	687,179	645,000	-	-	687,179	645,000
Other	107,762	65,901	61,762	71,592	169,524	137,493
Gain (loss) on disposal of capital assets	-	1,950	-	-	-	1,950
Total revenues	1,677,471	1,556,033	1,959,374	1,602,365	3,636,845	3,158,398
Expenses:						
General government	313,285	263,226	-	-	313,285	263,226
Public safety	725,053	674,888	-	-	725,053	674,888
Transportation	124,900	285,111	-	-	124,900	285,111
Economic development	127,628	140,850	-	-	127,628	140,850
Environmental protection	97,761	95,488	-	-	97,761	95,488
Cultural and recreation	238,728	235,316	-	-	238,728	235,316
Interest on long-term debt	11,318	12,534	-	-	11,318	12,534
Water and sewer	-	-	1,758,584	1,780,728	1,758,584	1,780,728
Total expenses	1,638,673	1,707,413	1,758,584	1,780,728	3,397,257	3,488,141
Increase (decrease) in net position before transfers	38,798	(151,380)	200,790	(178,363)	239,588	(329,743)
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	38,798	(151,380)	200,790	(178,363)	239,588	(329,743)
Net position, beginning, previously reported	2,916,352	3,067,732	9,105,099	9,283,462	12,021,451	12,351,194
Restatement	-	-	-	-	-	-
Net position, beginning, restated	2,916,352	3,067,732	9,105,099	9,283,462	12,021,451	12,351,194
Net position, ending	\$ 2,955,150	\$ 2,916,352	\$ 9,305,889	\$ 9,105,099	\$ 12,261,039	\$ 12,021,451

Governmental activities. Governmental activities increased the Town's net position by \$38,798, thereby accounting for 19.32 percent of the total increase in the net position of the Town of Dobson. Key elements of this increase are as follows:

- The Town kept operating expenses as low as possible while maintaining services.

Management Discussion and Analysis
Town of Dobson

Business-type activities: Business-type activities increased the Town of Dobson's net position by \$200,790. The key elements of this increase are as follows:

- Capital contributions of \$257,878.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Dobson. At the end of the current fiscal year, Town of Dobson's fund balance available in the General Fund was \$1,273,466, while total fund balance reached \$1,642,760. The Town currently has an available fund balance of 81.84% of general fund expenditures, while total fund balance represents 105.57% of the same amount.

At June 30, 2019, the governmental funds of the Town of Dobson reported a combined fund balance of \$1,697,294 with a net increase in fund balance of \$120,054. Included in this change in fund balance is an increase in the fund balance for the General Fund and an increase for the Capital Projects Fund.

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

Revenues were more than the budgeted amounts primarily because the Town did not expect to receive some of the funds that became available. State collected and disbursed revenues such as sales tax and franchise taxes came in higher than expected as consumer spending continues to improve. On an overall basis, expenditures were held in check to comply with its budgetary requirements.

Proprietary Funds. The Town of Dobson'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 \$954,237. The total increase in net position for the fund was \$200,790. The change in net position in the Water and Sewer Fund is due to revenues exceeding expenses due to the contribution of water lines.

Management Discussion and Analysis
Town of Dobson

Capital Asset and Debt Administration

Capital assets. The Town of Dobson's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$11,128,118 (net of accumulated depreciation). These assets include land, buildings, sewer lines, equipment, and vehicles.

Major capital asset transactions during the year include the following:

- The Town spent \$51,214 for equipment and furniture in the general fund.
- The Town spent \$60,597 for land.
- The Town spent \$340,759 on construction in process in the water and sewer fund.

Management Discussion and Analysis
Town of Dobson

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 330,243	\$ 330,243	\$ 90,466	\$ 29,869	\$ 420,709	\$ 360,112
Building and systems	504,791	503,404	7,970,847	8,249,750	8,475,638	8,753,154
Machinery and equipment	200,511	191,995	182,644	148,493	383,155	340,488
Park	686,538	730,116	-	-	686,538	730,116
Vehicles and motorized equipment	184,004	236,944	85,481	118,454	269,485	355,398
Construction in progress	31,347	31,347	861,246	520,487	892,593	551,834
Total	\$ 1,937,434	\$ 2,024,049	\$ 9,190,684	\$ 9,067,053	\$ 11,128,118	\$ 11,091,102

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

Long-term Debt. As of June 30, 2019, the Town of Dobson had total debt outstanding of \$1,943,658. Of this amount, \$725,655 is debt backed by the full faith and credit of the Town, \$346,153 is secured by the Dobson Square Park assets. The remainder of the Town's debt is secured solely by specified revenue sources.

Management Discussion and Analysis
Town of Dobson

Outstanding Liabilities

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Direct placement installment purchase	\$ 346,153	\$ 384,615	\$ -	\$ -	\$ 346,153	\$ 384,615
General obligation bonds	-	-	-	-	-	-
DENR Revolving Loan	-	-	102,850	128,561	102,850	128,561
USDA Water and Sewer Revenue Bonds	-	-	769,000	786,000	769,000	786,000
Compensated absences	41,764	41,384	56,806	49,125	98,570	90,509
Total OPEB liability	101,053	87,865	57,356	49,871	158,409	137,736
Total pension liability (LEO)	143,429	142,842	-	-	143,429	142,842
Net pension liability (LRS)	168,315	103,884	156,932	96,858	325,247	200,742
	<u>\$ 800,714</u>	<u>\$ 760,590</u>	<u>\$ 1,142,944</u>	<u>\$ 1,110,415</u>	<u>\$ 1,943,658</u>	<u>\$ 1,871,005</u>

Town of Dobson’s Outstanding Debt

The Town of Dobson’s total debt increased by \$72,653 (3.88%) during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Dobson is \$11,799,427.

Additional information regarding the Town of Dobson’s long-term debt can be found in Note II.B.5 of this report.

Economic Factors and Next Year’s Budgets and Rates

The following key economic indicator reflects the growth and prosperity of the Town:

- The Town continues to experience economic growth, evidenced by ongoing new commercial construction.
- The Town continues to expand its customer base, adding new water and sewer customers annually.
- Sales tax collections continue to increase, showing that consumer spending within the County is on the rise.
- Dobson Square Park continues to bring new visitors into the area throughout the year leading to increases in consumer spending, resulting in an increase in sales tax.

Management Discussion and Analysis
Town of Dobson

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities:

- The Town anticipates that sales tax collections will continue to increase as consumer spending in Surry County increases.
- The Town anticipates that ad valorem tax collections will continue to climb due to new business construction as well as a high collection rate.

Business-type Activities:

- Construction will continue the water treatment plant upgrade project during the 2019/2020 fiscal year, resulting in more efficient operation of the water treatment plant.
- The Town continues to modify utility rates to ensure revenues are adequate to cover operational expenses as well as capital improvements.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Marlene Lopez, Finance Officer, Town of Dobson, P.O. Box 351, Dobson, NC 27017, (336) 356-8962 or email address at customerservice@dobson-nc.com.

Basic Financial Statements

Town of Dobson, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government			Town of Dobson	
	Governmental Activities	Business-type Activities	Total	Tourism Development Authority	Town of Dobson ABC Board
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,469,475	\$ 709,015	\$ 2,178,490	\$ 324,016	\$ 138,511
Certificate of deposit	-	-	-	-	66,575
Taxes receivables (net)	5,701	-	5,701	-	-
Accounts receivable (net)	13,535	159,415	172,950	-	4,553
Due from primary government	-	-	-	25,089	-
Due from other governments	147,033	461,346	608,379	-	-
Due from component unit	20,787	-	20,787	-	-
Inventories	-	133,869	133,869	-	63,856
Prepaid items	-	-	-	-	4,839
Restricted cash and cash equivalents	72,275	64,385	136,660	-	-
Total current assets	1,728,806	1,528,030	3,256,836	349,105	278,334
Non-current assets:					
Capital assets:					
Land, non-depreciable improvements, and construction in progress	361,590	951,712	1,313,302	-	4,500
Other capital assets, net of depreciation	1,575,844	8,238,972	9,814,816	-	25,104
Total capital assets	1,937,434	9,190,684	11,128,118	-	29,604
Total assets	3,666,240	10,718,714	14,384,954	349,105	307,938
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	140,089	121,270	261,359	-	14,984
OPEB deferrals	-	-	-	-	-
Total deferred outflows of resources	140,089	121,270	261,359	-	14,984
LIABILITIES					
Current liabilities:					
Accounts payable	722	336,187	336,909	4,025	68,538
Accrued interest payable	7,521	2,935	10,456	-	-
Due to primary government	-	-	-	-	20,787
Current portion of long-term liabilities	80,226	99,519	179,745	-	-
Due to component unit	25,089	-	25,089	-	-
Payable from restricted assets	-	47,976	47,976	-	-
Total current liabilities	113,558	486,617	600,175	4,025	89,325
Long-term liabilities:					
Net pension liability (LGERS)	168,315	156,932	325,247	-	19,690
Total pension liability (LEO)	143,429	-	143,429	-	-
Net pension liability (OPEB)	101,053	57,356	158,409	-	-
Due in more than one year	307,691	829,137	1,136,828	-	-
Total liabilities	834,046	1,530,042	2,364,088	4,025	109,015
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	17,133	4,053	21,186	-	1,545
OPEB deferrals	-	-	-	-	-
Total deferred inflows of resources	17,133	4,053	21,186	-	1,545
NET POSITION					
Net investment in capital assets	1,591,281	8,335,243	9,926,524	-	29,604
Restricted for:					
Stabilization by State Statute	181,355	-	181,355	25,089	-
Streets-Powell Bill	89,605	-	89,605	-	-
USDA debt service	-	16,409	16,409	-	-
Other functions	-	-	-	-	20,927
Unrestricted	1,092,909	954,237	2,047,146	319,991	161,831
Total net position	\$ 2,955,150	\$ 9,305,889	\$ 12,261,039	\$ 345,080	\$ 212,362

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

**Town of Dobson, North Carolina
Statement of Activities
For the Year Ended June 30, 2019**

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	Total	Town of Dobson Tourism Development Authority	Town of Dobson ABC Board
Primary Government:									
Governmental Activities:									
General government	\$ 313,285	\$ 45	\$ -	\$ -	\$ (313,240)	\$ -	\$ (313,240)	\$ -	\$ -
Public safety	725,053	10,167	-	-	(714,886)	-	(714,886)	-	-
Transportation	124,900	-	45,034	-	(79,866)	-	(79,866)	-	-
Economic development	127,628	-	-	-	(127,628)	-	(127,628)	-	-
Environmental protection	97,761	19,800	1,118	-	(76,843)	-	(76,843)	-	-
Cultural and recreation	238,728	27,443	14,300	-	(196,985)	-	(196,985)	-	-
Interest on long-term debt	11,318	-	-	-	(11,318)	-	(11,318)	-	-
Total governmental activities	1,638,673	57,455	60,452	-	(1,520,766)	-	(1,520,766)	-	-
Business-type activities:									
Water and sewer	1,758,584	1,639,734	-	257,878	-	139,028	139,028	-	-
Total business-type activity	1,758,584	1,639,734	-	257,878	-	139,028	139,028	-	-
Total primary government	\$ 3,397,257	\$ 1,697,189	\$ 60,452	\$ 257,878	\$ (1,520,766)	\$ 139,028	\$ (1,381,738)	\$ -	\$ -
Component units:									
Tourism Development Authority	\$ 98,677	\$ 127,628	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,951	\$ -
ABC Board	689,426	701,590	-	-	-	-	-	-	12,164
Total component units	\$ 788,103	\$ 829,218	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,951	\$ 12,164
General revenues:									
Taxes:									
Property taxes, levied for general purpose					636,995	-	636,995	-	-
Occupancy tax					127,628	-	127,628	-	-
Unrestricted intergovernmental revenues					687,179	-	687,179	-	-
Unrestricted investment earnings					2,026	3,485	5,511	473	157
Miscellaneous					105,736	58,277	164,013	-	-
Gain on disposal of capital assets					-	-	-	-	-
Total general revenues not including transfers					1,559,564	61,762	1,621,326	473	157
Transfers					-	-	-	-	-
Total general revenues and transfers					1,559,564	61,762	1,621,326	473	157
Change in net position					38,798	200,790	239,588	29,424	12,321
Net position, beginning, previously reported					2,916,352	9,105,099	12,021,451	315,656	200,041
Restatement					-	-	-	-	-
Net position, beginning, restated					2,916,352	9,105,099	12,021,451	315,656	200,041
Net position, ending	\$ 2,955,150	\$ 9,305,889	\$ 12,261,039	\$ 345,080	\$ 212,362				

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

Town of Dobson, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	Major Fund		
	General	Total Non-Major Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,414,941	\$ 54,534	\$ 1,469,475
Restricted cash	72,275	-	72,275
Receivables, net:			
Taxes	5,701	-	5,701
Other	13,535	-	13,535
Due from other governments	147,033	-	147,033
Due from component unit	20,787	-	20,787
Total assets	<u>1,674,272</u>	<u>54,534</u>	<u>1,728,806</u>
LIABILITIES			
Accounts payable and accrued liabilities	722	-	722
Due to component unit	25,089	-	25,089
Total liabilities	<u>25,811</u>	<u>-</u>	<u>25,811</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	5,701	-	5,701
Total deferred inflows of resources	<u>5,701</u>	<u>-</u>	<u>5,701</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	181,355	-	181,355
Streets	89,605	-	89,605
Assigned			
Subsequent year's expenditures	98,334	-	98,334
Unassigned	1,273,466	54,534	1,328,000
Total fund balances	<u>1,642,760</u>	<u>54,534</u>	<u>1,697,294</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,674,272</u>	<u>\$ 54,534</u>	

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

**Town of Dobson, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019**

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

Total fund balance, governmental funds		\$ 1,697,294
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 3,724,230	
Accumulated depreciation	<u>(1,786,796)</u>	1,937,434
Deferred outflows of resources related to pensions are not reported in the funds		140,089
Earned revenues considered deferred inflows of resources in fund statements.		5,701
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Compensated absences		(41,764)
Long-term debt		(346,153)
Accrued interest payable		(7,521)
Net pension liability (LGERS)		(168,315)
Total pension liability (LEO)		(143,429)
OPEB liability		(101,053)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(17,133)</u>
Net position of governmental activities		<u><u>\$ 2,955,150</u></u>

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

Town of Dobson, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	Major Fund		
	General	Total Non-Major Fund	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 635,645	\$ -	\$ 635,645
Unrestricted intergovernmental	687,179	-	687,179
Restricted intergovernmental	173,780	-	173,780
Permits and fees	45	-	45
Investment earnings	2,026	-	2,026
Miscellaneous	163,146	14,300	177,446
Total revenues	1,661,821	14,300	1,676,121
EXPENDITURES			
Current:			
General government	322,046	-	322,046
Public safety	664,256	-	664,256
Transportation	116,295	-	116,295
Economic development	127,628	-	127,628
Environmental protection	97,761	-	97,761
Culture and recreation	177,465	-	177,465
Debt service:			
Principal	38,462	-	38,462
Interest and other charges	12,154	-	12,154
Capital outlay	-	-	-
Total expenditures	1,556,067	-	1,556,067
Excess (deficiency) of revenues over expenditures	105,754	14,300	120,054
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds	-	-	-
Proceeds from financing agreement	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	105,754	14,300	120,054
Fund balances, beginning	1,537,006	40,234	1,577,240
Fund balances, ending	\$ 1,642,760	\$ 54,534	1,697,294

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

Town of Dobson, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds		\$ 120,054
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay expenditures which were capitalized	\$ 70,945		
Depreciation expense for governmental activities	(157,560)		
Proceeds from sale of capital assets	-		
Gain on disposal of capital assets	-		
			(86,615)

Contributions to the pension plan in the current fiscal year are not included on the statement of activities.

OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		-
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		1,350

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments on long-term debt	38,462	
Decrease in accrued interest payable	129	
		38,591

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(380)
Pension expense (LGERS)		(9,215)
Pension expense (LEO)		(12,507)
OPEB plan expense		(12,480)
		(34,582)

Total changes in net position of governmental activities		<u>\$ 38,798</u>
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The notes to the financial statements are an integral part of this statement.

Town of Dobson, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 528,000	\$ 631,700	\$ 635,645	\$ 3,945
Unrestricted intergovernmental	589,000	685,000	687,179	2,179
Restricted intergovernmental	188,000	189,000	173,780	(15,220)
Permits and fees	500	500	45	(455)
Investment earnings	1,500	1,500	2,026	526
Miscellaneous	102,400	146,200	163,146	16,946
Total revenues	<u>1,409,400</u>	<u>1,653,900</u>	<u>1,661,821</u>	<u>7,921</u>
Expenditures:				
Current:				
General government	219,700	327,400	322,046	5,354
Public safety	631,500	715,000	664,256	50,744
Transportation	165,600	172,000	116,295	55,705
Economic development	135,000	140,000	127,628	12,372
Environmental protection	98,000	99,000	97,761	1,239
Cultural and recreation	147,600	184,500	177,465	7,035
Debt service:				
Principal retirement	38,500	42,500	38,462	4,038
Interest and other charges	12,500	12,500	12,154	346
Contingency	-	-	-	-
Total expenditures	<u>1,448,400</u>	<u>1,692,900</u>	<u>1,556,067</u>	<u>136,833</u>
Revenues over (under) expenditures	<u>(39,000)</u>	<u>(39,000)</u>	<u>105,754</u>	<u>144,754</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	39,000	39,000	-	(39,000)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>105,754</u>	<u>\$ 105,754</u>
Fund balances, beginning			<u>1,537,006</u>	
Fund balances, ending			<u>\$ 1,642,760</u>	

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

Town of Dobson, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2019

	Major Enterprise Fund	
	Water and Sewer Fund	Total
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 709,015	\$ 709,015
Accounts receivable (net)	159,415	159,415
Due from other governments	461,346	461,346
Inventories	133,869	133,869
Restricted cash and cash equivalents	64,385	64,385
Total current assets	1,528,030	1,528,030
Noncurrent assets:		
Capital Assets:		
Land and other non-depreciable assets	951,712	951,712
Other capital assets, net of depreciation	8,238,972	8,238,972
Capital assets (net)	9,190,684	9,190,684
Total noncurrent assets	9,190,684	9,190,684
Total assets	10,718,714	10,718,714
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	121,270	121,270
OPEB deferrals	-	-
Total deferred outflows of resources	121,270	121,270
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	339,122	339,122
General obligation bonds payable - current	17,000	17,000
Notes payable - current	25,713	25,713
Compensated absences - current	56,806	56,806
Liabilities payable from restricted assets:		
Customer deposits	47,976	47,976
Total current liabilities	486,617	486,617
Noncurrent liabilities:		
Net pension liability	156,932	156,932
Total OPEB liability	57,356	57,356
General obligation bonds payable - noncurrent	-	-
Notes payable - noncurrent	829,137	829,137
Total noncurrent liabilities	1,043,425	1,043,425
Total liabilities	1,530,042	1,530,042
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	4,053	4,053
OPEB deferrals	-	-
Total deferred inflows of resources	4,053	4,053
NET POSITION		
Net investment in capital assets	8,335,243	8,335,243
Restricted - USDA debt service	16,409	16,409
Unrestricted	954,237	954,237
Total net position	\$ 9,305,889	\$ 9,305,889

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

Town of Dobson, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2019

	Major Enterprise Fund	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 1,600,719	\$ 1,600,719
Water and sewer taps	5,700	5,700
Other operating revenues	33,315	33,315
Total operating revenues	1,639,734	1,639,734
OPERATING EXPENSES		
Total operating expenses	1,394,622	1,394,622
Depreciation	343,494	343,494
Total operating expenses	1,738,116	1,738,116
Operating income (loss)	(98,382)	(98,382)
NONOPERATING REVENUES (EXPENSES)		
Rental income	58,277	58,277
Investment earnings	3,485	3,485
Interest and other charges	(20,468)	(20,468)
Total nonoperating revenues (expenses)	41,294	41,294
Income (loss) before contributions and transfers	(57,088)	(57,088)
Capital contributions	257,878	257,878
Change in net position	200,790	200,790
Total net position, beginning	9,105,099	9,105,099
Total net position, ending	\$ 9,305,889	\$ 9,305,889

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

Town of Dobson, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019

	<u>Major Enterprise Fund</u>	
	<u>Water and Sewer Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,636,801	\$ 1,636,801
Cash paid for goods and services	(839,886)	(839,886)
Cash paid on behalf of employees for services	(642,806)	(642,806)
Customer deposits received	3,338	3,338
Other operating revenues	39,015	39,015
Net cash provided (used) by operating activities	<u>196,462</u>	<u>196,462</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term liabilities	(42,713)	(42,713)
Interest paid on long-term liabilities	(20,467)	(20,467)
Contributed capital	257,878	257,878
Acquisition and construction of capital assets	(467,125)	(467,125)
Net cash provided (used) by capital and related financing activities	<u>(272,427)</u>	<u>(272,427)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Rental income	58,277	58,277
Investment earnings	3,485	3,485
Net cash provided (used) by investing activities	<u>61,762</u>	<u>61,762</u>
Net increase (decrease) in cash and cash equivalents	(14,203)	(14,203)
Balances, beginning	787,603	787,603
Balance, ending	<u>\$ 773,400</u>	<u>\$ 773,400</u>
NONCASH FINANCING ACTIVITIES:		
Due from other governments by accounts receivable, net	<u>\$ 148,066</u>	<u>\$ 148,066</u>
Acquisition and construction of capital assets by accounts payable, net	<u>\$ 148,066</u>	<u>\$ 148,066</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	<u>\$ (98,382)</u>	<u>\$ (98,382)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	343,494	343,494
Changes in assets, deferred outflows of resources, and liabilities:		
(Increase) decrease in accounts receivable	(2,933)	(2,933)
(Increase) decrease in due from other governments	(13,019)	(13,019)
(Increase) decrease in inventories	(22,793)	(22,793)
(Increase) decrease in deferred outflows of resources - pensions	(47,617)	(47,617)
(Increase) decrease in deferred outflows of resources - OPEB	-	-
Increase (decrease) in net pension liability	60,074	60,074
(Decrease) increase in OPEB liability	7,485	7,485
Increase (decrease) in deferred inflows of resources - pensions	(3,864)	(3,864)
Increase (decrease) in deferred inflows of resources - OPEB	-	-
Increase (decrease) in accounts payable and accrued liabilities	(37,002)	(37,002)
Increase (decrease) in customer deposits	3,338	3,338
Increase (decrease) in compensated absences	7,681	7,681
Total adjustments	<u>294,844</u>	<u>294,844</u>
Net cash provided by operating activities	<u>\$ 196,462</u>	<u>\$ 196,462</u>

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

Notes to the Financial Statements

Town of Dobson, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Dobson and its discretely presented component units 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 Dobson is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, legally separate entities for which the Town is financially accountable. The discretely presented component units presented below are reported in separate columns in the Town's financial statements in order to emphasize that they are legally separate from the Town.

Town of Dobson ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Dobson ABC Board, P.O. Box 825, Dobson, NC 27017.

Town of Dobson Tourism Development Authority

The members of the Tourism Development Authority's governing board are appointed by the Town. In addition, the Town of Dobson transfers all of the occupancy tax collected to the Tourism Development Authority to be used to promote tourism. The Tourism Development Authority, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). A separate report was not issued for the Tourism Development Authority.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The Town reports the following major governmental fund:

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 administration, public safety, street maintenance and construction, and sanitation services.

The Town reports the following non-major governmental fund:

Dobson Square Park Capital Projects Fund. This fund is used to account for the construction of a new park.

The Town reports the following major enterprise fund:

Water and Sewer Fund. The fund is used to account for the Town's water and sewer operations. The WTP Solids Handling and Improvements Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The

budgetary comparison for the WTP Solids Handling and Improvements Capital Projects Fund has been included in the supplemental information.

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 water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property

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

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and its component units 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 and its component units' investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board and the Tourism Development Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Debt service funds are restricted for the payment of principal and interest on USDA revenue bonds. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Town of Dobson Restricted Cash

Governmental Activities

General Fund

Streets	\$ 72,275
Total Governmental Activities	<u>72,275</u>

Business-Type Activities

Water and Sewer Fund

Customer deposits	47,976
Debt service fund	<u>16,409</u>
Total Business-Type Activities	<u>64,385</u>

Total Restricted Cash	<u>\$ 136,660</u>
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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, 2018.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the Town and the ABC Board are valued at the lower of cost (first-in, first-out) or market. The inventory of the Town's enterprise fund consists of materials and supplies held for subsequent use. The inventory of the ABC Board consists of goods held for sale. The cost of these inventories are expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are set at \$2,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated 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
Buildings	40 to 50
Plant and distribution systems	40
Equipment and furniture	5 to 20
Park	20
Vehicles	5 to 20

Property and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Building	10 to 40
Paving	20
Equipment	3 to 20

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2019 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 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 two items that meet the criterion for this category - property taxes receivable and pension deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

Vacation leave may be accumulated without any applicable maximum until June 30 of each year. However, if an employee departs from service, payment for accumulated vacation leave shall not exceed 30 days. Effective the last payroll in the fiscal year, any employee with more than 30 days of accumulated leave shall have the excess accumulation converted to sick leave so that only 30 days of vacation time is carried forward to July 1 of the next fiscal year. 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 an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Capital Projects Fund – portion of fund balance that is restricted by revenue source that is used to account for the revenue and expenditures of the Dobson Square Park Capital Projects Fund.

Assigned fund balance – portion of fund balance that Town of Dobson intends to use for specific purposes.

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

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

The Town of Dobson 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.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, 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 Dobson's employer contributions are recognized when due and the Town of Dobson 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. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2019, the Town's deposits had a carrying amount of \$2,314,900 and a bank balance of \$2,206,085. Of the bank balance, \$500,000 was covered by federal depository

insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$204,386 and the bank balance was \$203,042. All of the bank balance was covered by federal depository insurance. The carrying amount of deposits for the Tourism Development Authority was \$324,016 and the bank balance was \$349,494. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$250. At June 30, 2019, the ABC Board's petty cash fund totaled \$700.

2. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	<u>\$ 2,534</u>

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 330,243	\$ -	\$ -	\$ 330,243
Construction in progress	31,347	-	-	31,347
Total capital assets not being depreciated	<u>361,590</u>	-	-	<u>361,590</u>
Capital assets being depreciated:				
Buildings	834,523	19,731	-	854,254
Equipment and furniture	653,619	51,214	-	704,833
Park	871,561	-	-	871,561
Vehicles	931,992	-	-	931,992
Total capital assets being depreciated	<u>3,291,695</u>	<u>70,945</u>	-	<u>3,362,640</u>
Less accumulated depreciation for:				
Buildings	331,119	18,344	-	349,463
Equipment and furniture	461,624	42,698	-	504,322
Park	141,445	43,578	-	185,023
Vehicles	695,048	52,940	-	747,988
Total accumulated depreciation	<u>1,629,236</u>	<u>157,560</u>	-	<u>1,786,796</u>
Total capital assets being depreciated, net	<u>1,662,459</u>			<u>1,575,844</u>
Governmental activity capital assets, net	<u>\$ 2,024,049</u>			<u>\$ 1,937,434</u>

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

General government	\$ 14,181
Public safety	68,167
Transportation	5,246
Cultural and recreation	69,966
Total depreciation expense	<u>\$ 157,560</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 29,869	\$ 60,597	\$ -	\$ 90,466
Construction in progress	520,487	340,759	-	861,246
Total capital assets not being depreciated	<u>550,356</u>	<u>401,356</u>	<u>-</u>	<u>951,712</u>
Capital assets being depreciated:				
Plant and distribution systems	12,402,296	-	-	12,402,296
Equipment and furniture	666,271	65,769	-	732,040
Vehicles	309,865	-	-	309,865
Total capital assets being depreciated	<u>13,378,432</u>	<u>65,769</u>	<u>-</u>	<u>13,444,201</u>
Less accumulated depreciation for:				
Plant and distribution systems	4,152,546	278,903	-	4,431,449
Equipment and furniture	517,778	31,618	-	549,396
Vehicles	191,411	32,973	-	224,384
Total accumulated depreciation	<u>4,861,735</u>	<u>343,494</u>	<u>-</u>	<u>5,205,229</u>
Total capital assets being depreciated, net	<u>8,516,697</u>			<u>8,238,972</u>
Business-type activity capital assets, net	<u>\$ 9,067,053</u>			<u>\$ 9,190,684</u>

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 4,500	\$ -	\$ -	\$ 4,500
Total capital assets not being depreciated	4,500	-	-	4,500
Capital assets being depreciated:				
Building	42,431	-	-	42,431
Paving	12,768	-	-	12,768
Equipment	63,946	-	-	63,946
Total capital assets being depreciated	119,145	-	-	119,145
Less accumulated depreciation for:				
Building	42,431	-	-	42,431
Paving	5,747	638	-	6,385
Equipment	40,650	4,575	-	45,225
Total accumulated depreciation	88,828	5,213	-	94,041
Total capital assets being depreciated, net	30,317			25,104
ABC Board capital assets, net	\$ 34,817			\$ 29,604

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Dobson 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 consists 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 (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of 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. Town of Dobson 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 Dobson's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, 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 Dobson were \$69,974 for the year ended June 30, 2019.

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, 2019, the Town reported a liability of \$325,247 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the Town's proportion was .01371%, which was a decrease of .00057% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$17,807. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 50,178	\$ 1,684
Changes in assumptions	86,308	-
Net difference between projected and actual earnings on pension plan investments	44,647	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	229	6,715
Town contributions subsequent to the measurement date	<u>69,974</u>	<u>-</u>
Total	<u>\$ 251,336</u>	<u>\$ 8,399</u>

\$69,974 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	83,066
2021		54,603
2022		9,315
2023		25,980

Actuarial Assumptions. The total pension liability in the December 31, 2017 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, 2017 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, 2017, are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town’s proportionate share of the net pension asset to changes in the discount rate. The following presents the Town’s proportionate share of the net pension 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%)
Town's proportionate share of the net pension liability (asset)	\$ 781,274	\$ 325,247	\$ (55,814)

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Dobson administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>7</u>
Total	<u>7</u>

2. *Summary of Significant Accounting Policies:*

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

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

3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2017 valuation. 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	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2015 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions.

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

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

At June 30, 2019, the Town reported a total pension liability of \$143,429. The total pension liability was measured as of June 30, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$12,507.

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	\$ 2,097	\$ 4,239
Changes of assumptions	7,926	8,548
Town benefit payments and plan administrative expense made subsequent to measurement date	-	-
	<u>\$ 10,023</u>	<u>\$ 12,787</u>

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	(393)
2021		(393)
2022		(393)
2023		(393)
2024		89
Thereafter		(1,281)

\$-0- paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Town's proportionate share of the net pension liability (asset)	\$ 159,094	\$ 143,429	\$ 129,158

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

	<u>2019</u>
Beginning balance	\$ 142,842
Service Cost	8,386
Interest on the total pension liability	4,514
Changes of benefit terms	-
Differences between expected and actual experience in measurement of the total pension liability	(4,974)
Changes in assumptions or other inputs	(7,339)
Benefit payments	-
Other changes	-
Ending balance of total pension liability	<u>\$ 143,429</u>

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 17,807	\$ 12,507	\$ 30,314
Pension Liability	325,247	143,429	468,676
Proportionate share of the net pension liability	0.01371%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	50,178	2,097	52,275
Changes of assumptions	86,308	7,926	94,234
Net difference between projected and actual earnings on plan investments	44,647	-	44,647
Changes in proportion and differences between contributions and proportionate share of contributions	229	-	229
Benefit payments and administrative costs paid subsequent to the measurement date	69,974	-	69,974
Deferred of Inflows of Resources			
Differences between expected and actual experience	1,684	4,239	5,923
Changes of assumptions	-	8,548	8,548
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	6,715	-	6,715

c. Supplemental Retirement Income Plan for Law Enforcement Officers and All Other Full-Time Employees

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and employees not engaged in law enforcement employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit

provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for law enforcement officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for law enforcement officers and all other employees not engaged in law enforcement. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's and employee's salary, and all amounts contributed are vested immediately. Also, law enforcement officers and employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$56,316, which consisted of \$43,281 from the Town and \$13,035 from law enforcement officers and employees.

d. Other Postemployment Benefit

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The Plan qualifies to use the Alternative Measurement Method. A separate report was not issued for the plan.

The Plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and are at least 60 years of age with at least twenty years of creditable service with the Town. The retiree pays 35% and Town pays 65% cost of coverage for these benefits. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. Benefits cease when the retiree reaches age 65.

Membership of the HCB Plan consisted of the following at December 31, 2018, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	-	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	13	6
Total	<u>13</u>	<u>6</u>

Total OPEB Liability

The Town's total OPEB liability of \$158,409 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.0 percent
Salary increases	3.0 percent, average, including inflation
Discount rate	2.98 percent
Healthcare cost trend rates	Medical – 4.6%
	Prescription – 7.6%
	Dental – 3.50%
	Vision – 3.00%

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	\$ 137,736
Changes for the year	
Service cost	2,343
Interest	1,463
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	16,867
Benefit payments	-
Net changes	<u>20,673</u>
Balance at 6/30/2019	<u>\$ 158,409</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.50% to 2.98%.

Mortality rates were based on the RP-2000 Mortality Table for Males and Females projected 18 years.

The actuarial assumptions used in the December 31, 2018 valuation were calculated using the Alternative Measurement Method in accordance with GASB methodology.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.98 percent) or 1-percentage-point higher (3.98 percent) than the current discount rate:

	1% Decrease	Discount Rate (2.98%)	1% Increase
Total OPEB liability	\$ 194,953	\$ 158,409	\$ 129,467

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1 % Decrease	Current	1 % Increase
Total OPEB liability	\$ 122,632	\$ 158,409	\$ 205,091

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Town recognized OPEB expense of \$20,673. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	\$ -	\$ -

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	-
2021		-
2022		-
2023		-
2024		-
Thereafter		-

e. Other Employment Benefit

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. 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 outflow of resources. Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 69,974
Differences between expected and actual experience	52,275
Changes in assumptions	94,234
Net difference between projected and actual	44,647
Changes in proportion and differences between employer contributions and proportionate share of contributions	229
 Total	 <u><u>\$ 261,359</u></u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 5,701
Changes in assumptions	8,548	-
Differences between expected and actual experience	5,923	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,715	-
Total	<u><u>\$ 21,186</u></u>	<u><u>\$ 5,701</u></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. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured

through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical 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 from the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries no flood insurance on the property or equipment. This is due to the areas around the Town not being susceptible to flooding.

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 individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$30,000.

The finance officer of the Tourism Development Authority is bonded in the amount of \$50,000, secured by a corporate surety.

4. Commitments

The Town has entered into a contract for solid waste collection expiring June, 2020 for approximately \$95,000 per year.

5. Long-term Obligations

a. Installment purchase

In October, 2014 the Town entered into \$500,000 direct placement contract to finance the construction of the Dobson Square Park. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract agreement requires annual principal payments of \$38,462 plus interest at 3.16% through October, 2027.

Annual debt service requirements to maturity for the financing agreement are as follows:

Year Ending June 30	Principal	Interest
2020	\$ 38,462	\$ 10,938
2021	38,462	9,723
2022	38,462	8,508
2023	38,462	7,292
2024	38,462	6,077
2025-2028	153,843	12,154
	<u>\$ 346,153</u>	<u>\$ 54,692</u>

b. Non-General Obligation Indebtedness

The Town has a \$411,400 DENR Revolving Loan due in annual principal installments of \$25,713 plus interest at 2.265% through May, 2023.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2020	\$ 25,713	\$ 2,330
2021	25,713	1,747
2022	25,713	1,164
2023	25,711	583
2024	-	-
	<u>\$ 102,850</u>	<u>\$ 5,824</u>

c. Revenue Bond

The Town has \$911,000 in USDA Water and Sewer Revenue Bonds due in annual installments of principal plus interest at 2.25% through June, 2050.

Annual debt service requirements to maturity for the revenue bonds are as follows:

Year Ending June 30	Principal	Interest
2020	\$ 17,000	\$ 17,302
2021	18,000	16,920
2022	18,000	16,515
2023	19,000	16,110
2024	19,000	15,682
2025 - 2029	102,000	71,752
2030 - 2034	114,000	59,783
2035 - 2039	127,000	46,418
2040 - 2044	142,000	31,455
2045 - 2049	159,000	14,738
2050	34,000	765
	<u>\$ 769,000</u>	<u>\$ 307,440</u>

The Town is in compliance with the covenants as to rates and charges in Article III, Section 3.04 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bond, Series 2010. Article III, Section 3.04 of the Bond Order requires that the net revenues for each fiscal year will not be less than 110% of the debt service requirement for such fiscal year. The calculation for the year ended June 30, 2019 is as follows:

Operating revenues	\$ 1,639,734
Operating expenses *	<u>1,394,622</u>
Net revenues	<u>\$ 245,112</u>
Debt service	\$ 34,685
	<u>110%</u>
	<u>\$ 38,154</u>

* Per Article III, Section 3.04 of the Bond Order, this does not include depreciation expense of \$343,494 or interest expense of \$20,468.

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay the \$911,000 in water and sewer revenue bonds issued in 2010. Proceeds from the bonds provided financing for the Route 601 Water Project. The

bonds are payable from water and sewer customer revenues and are payable through 2050. The total principal and interest remaining to be paid on the bonds is \$1,076,440. Principal and interest paid for the current year and total customer net revenues were \$34,685 and \$245,122, respectively.

d. Bond Anticipation Note

The Town issued Water & Sewer Rban, Series 2019 notes on March 28, 2019 in the amount of \$2,096,000. The note will be due on July 15, 2020 with interest of 2.91%. During the year ended June 30, 2019, the Town had no draws on the bond anticipation note.

e. Changes in Long-Term Liabilities

	Beginning			Ending	Current Portion
	Balance	Increases	Decreases	Balance	of Balance
Governmental activities:					
Direct placement installment purchase	\$ 384,615	\$ -	\$ 38,462	\$ 346,153	\$ 38,462
Compensated absences	41,384	380	-	41,764	41,764
Total OPEB liability	87,865	13,188	-	101,053	-
Total pension liability (LEO)	142,842	587	-	143,429	-
Net pension liability (LGERS)	103,884	64,431	-	168,315	-
Governmental activity long-term liabilities	<u>\$ 760,590</u>	<u>\$ 78,586</u>	<u>\$ 38,462</u>	<u>\$ 800,714</u>	<u>\$ 80,226</u>
Business-type activities:					
DENR Revolving Loan	\$ 128,561	\$ -	\$ 25,711	\$ 102,850	\$ 25,713
USDA Water and Sewer Revenue Bonds	786,000	-	17,000	769,000	17,000
Compensated absences	49,125	7,681	-	56,806	56,806
Total OPEB liability	49,871	7,485	-	57,356	-
Net pension liability (LGERS)	96,858	60,074	-	156,932	-
Business-type activity long-term liabilities	<u>\$ 1,110,415</u>	<u>\$ 75,240</u>	<u>\$ 42,711</u>	<u>\$ 1,142,944</u>	<u>\$ 99,519</u>

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

At June 30, 2019, the Town had a legal debt margin of \$11,799,427.

C. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 1,937,434	\$ 9,190,684
Less: long-term debt	<u>346,153</u>	<u>855,441</u>
Net investment in capital assets	<u>\$ 1,591,281</u>	<u>\$ 8,335,243</u>

D. 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	\$ 1,642,760
Less:	
Stabilization by State Statute	181,355
Streets - Powell Bill	89,605
Appropriated Fund Balance in 2020 budget	98,334
Remaining Fund Balance	1,273,466

III. Jointly Governed Organizations

The Town, in conjunction with twelve counties and sixty other municipalities established the Piedmont Triad Regional Council. The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$802 to the Council during the fiscal year ended June 30, 2019.

IV. Joint Ventures

On July 1, 2012, the Town entered into an inter-local agreement with the City of Mount Airy for the purchase of treated water. Per the agreement, the Town must purchase a minimum of 6 million gallons per month for the first 20 years and 7.5 million gallons per month for the next 20 years at a rate of \$2.66 per 1,000 gallons.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Subsequent Events

Subsequent events have been evaluated through December 31, 2019, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

Town of Dobson, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2019

	2019	2018
Total OPEB Liability		
Service Cost	\$ 2,343	\$ 2,343
Interest	1,463	1,463
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	16,867	77,762
Benefit payments	-	-
Net change in total OPEB liability	20,673	81,568
Total OPEB liability - beginning	137,736	56,168
Total OPEB liability - ending	\$ 158,409	\$ 137,736
Covered payroll	\$ 973,790	\$ 898,102
Total OPEB liability as a percentage of covered payroll	16.27%	15.34%

Notes to schedule:

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal Year	Rate
2018	2.98%
2019	2.98%

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

Local Governmental Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Dobson's proportion of the net pension liability (asset) (%)	0.01371%	0.01314%	0.01324%	0.01274%	0.01317%	0.01230%
Dobson's proportion of the net pension liability (asset) (\$)	\$ 325,247	\$ 200,743	\$ 280,997	\$ 57,176	\$ (77,670)	\$ 148,262
Dobson's covered-employee payroll	\$ 809,073	\$ 749,874	\$ 675,667	\$ 651,948	\$ 614,369	\$ 603,570
Dobson's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.20%	26.77%	41.59%	8.77%	(12.64%)	24.56%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

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

Local Governmental Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 69,974	\$ 63,201	\$ 56,772	\$ 46,480	\$ 46,841	\$ 43,884
Contributions in relation to the contractually required contribution	<u>69,974</u>	<u>63,201</u>	<u>56,772</u>	<u>46,480</u>	<u>46,841</u>	<u>43,884</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Dobson's covered-employee payroll	\$ 865,732	\$ 809,073	\$ 749,874	\$ 675,667	\$ 651,948	\$ 614,369
Contributions as a percentage of covered-employee payroll	8.08%	7.81%	7.57%	6.88%	7.18%	7.14%

Town of Dobson, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	2019	2018	2017
Beginning balance	\$ 142,842	\$ 116,332	\$ 108,578
Service cost	8,386	8,035	7,836
Interest on the total pension liability	4,514	4,490	3,876
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(4,974)	2,925	-
Changes of Assumptions or other inputs	(7,339)	11,060	(3,958)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 143,429</u>	<u>\$ 142,842</u>	<u>\$ 116,332</u>

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

Town of Dobson, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 143,429	\$ 142,842	\$ 116,332
Covered payroll	252,583	278,840	265,489
Total pension liability as a percentage of covered payroll	56.78%	51.23%	43.82%

Notes to the schedules:

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

Individual Fund Schedules

Town of Dobson, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 634,007	\$
Interest		1,638	
Total	<u>631,700</u>	<u>635,645</u>	<u>3,945</u>
Unrestricted intergovernmental:			
Local option sales taxes		494,323	
Telecommunications sales tax		7,299	
Utilities sales tax		145,148	
Video franchise fee		8,303	
Beer and wine tax		6,909	
ABC profit distribution		22,542	
Court fees and charges		2,655	
Total	<u>685,000</u>	<u>687,179</u>	<u>2,179</u>
Restricted intergovernmental:			
Powell Bill allocation		45,034	
Controlled substance tax		-	
Occupancy tax		127,628	
Solid waste disposal tax		1,118	
Police Department grants		-	
Fire Department grants		-	
Total	<u>189,000</u>	<u>173,780</u>	<u>(15,220)</u>
Permits and fees:			
Inspection and zoning	<u>500</u>	<u>45</u>	<u>(455)</u>
Investment earnings			
	<u>1,500</u>	<u>2,026</u>	<u>526</u>
Miscellaneous:			
Sanitation fees		19,800	
Rental income		62,283	
Miscellaneous		81,063	
Total	<u>146,200</u>	<u>163,146</u>	<u>16,946</u>
Total revenues	<u>1,653,900</u>	<u>1,661,821</u>	<u>7,921</u>

(continued)

**Town of Dobson, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		11,808	
Total	11,400	11,808	(408)
Administration:			
Salaries and employee benefits		101,881	
Professional services		103,710	
Other operating expenditures		76,466	
Capital outlay		28,181	
Total	316,000	310,238	5,762
Total general government	327,400	322,046	5,354
Public safety:			
Police department:			
Salaries and employee benefits		480,363	
Other operating expenditures		88,579	
Capital outlay		31,779	
Total	635,000	600,721	34,279
Fire department:			
Salaries and employee benefits		22,574	
Other operating expenditures		35,961	
Capital outlay		-	
Total	75,000	58,535	16,465
Rescue squad:			
Contributions		5,000	
Total	5,000	5,000	-
Total public safety	715,000	664,256	50,744
Transportation:			
Public works:			
Salaries and employee benefits		62,537	
Other operating expenditures		39,483	
Total	125,000	102,020	22,980
Powell Bill:			
Salaries and employee benefits		7,869	
Street maintenance and repairs		6,406	
Capital outlay		-	
Total	47,000	14,275	32,725
Total transportation	172,000	116,295	55,705
Economic development			
Other operating expenditures		127,628	
Contributions		-	
Total economic development	140,000	127,628	12,372

(continued)

Town of Dobson, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Environmental protection:			
Sanitation:			
Contracted services		97,761	
Total environmental protection	99,000	97,761	1,239
Cultural and recreation:			
Recreation:			
Salaries and employee benefits		52,749	
Other operating expenditures		89,232	
Capital outlay		10,984	
Total	160,000	152,965	7,035
Library:			
Contributions		24,500	
Maintenance and repairs		-	
Total	24,500	24,500	-
Total cultural and recreation	184,500	177,465	7,035
Debt service:			
Principal		38,462	
Interest and other charges		12,154	
Total debt service	55,000	50,616	4,384
Total expenditures	1,692,900	1,556,067	136,833
Revenues over (under) expenditures	(39,000)	105,754	144,754
Other financing sources (uses):			
Transfers to other funds:			
Capital projects fund	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	-	-	-
Fund balance appropriated	39,000	-	(39,000)
Net change in fund balance	\$ -	105,754	\$ 105,754
Fund balances, beginning		1,537,006	
Fund balances, ending		\$ 1,642,760	

Town of Dobson, North Carolina
Capital Projects Fund - Dobson Square Park
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues:					
Restricted intergovernmental:					
State grants	\$ 497,100	\$ 497,100	\$ -	\$ 497,100	\$ -
Town of Dobson Tourism Development Authority	-	75,000	-	75,000	75,000
Donations	-	52,800	14,300	67,100	67,100
Investment earnings	-	16	-	16	16
Total revenues	<u>497,100</u>	<u>624,916</u>	<u>14,300</u>	<u>639,216</u>	<u>142,116</u>
Expenditures:					
Capital outlay	<u>1,347,245</u>	<u>1,351,153</u>	<u>-</u>	<u>1,351,153</u>	<u>(3,908)</u>
Total expenditures	<u>1,347,245</u>	<u>1,351,153</u>	<u>-</u>	<u>1,351,153</u>	<u>(3,908)</u>
Revenues over (under) expenditures	<u>(850,145)</u>	<u>(726,237)</u>	<u>14,300</u>	<u>(711,937)</u>	<u>138,208</u>
Other financing sources (uses)					
Transfers from other funds:					
General fund	350,145	266,471	-	266,471	(83,674)
Proceeds from financing agreement	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
Total other financing sources (uses)	<u>850,145</u>	<u>766,471</u>	<u>-</u>	<u>766,471</u>	<u>(83,674)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 40,234</u>	<u>14,300</u>	<u>\$ 54,534</u>	<u>\$ 54,534</u>
Fund balance, beginning			<u>40,234</u>		
Fund balance, ending			<u>\$ 54,534</u>		

**Town of Dobson, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Water sales and sewer charges	\$ 1,668,500	\$ 1,600,719	\$ (67,781)
Water and sewer taps	10,000	5,700	(4,300)
Other operating revenues	77,000	33,315	(43,685)
Total operating revenues	<u>1,755,500</u>	<u>1,639,734</u>	<u>(115,766)</u>
Nonoperating revenues:			
Rental income		58,277	
Interest earnings		3,485	
Total nonoperating revenues	<u>82,500</u>	<u>61,762</u>	<u>(20,738)</u>
Total revenues	<u>1,838,000</u>	<u>1,701,496</u>	<u>(136,504)</u>
Expenditures:			
Operating expenditures:			
Salaries and employee benefits		642,935	
Contracted services		84,633	
Utilities		100,787	
Chemical and supplies		143,273	
Other operating expenditures		399,364	
Total operating expenditures	<u>1,623,000</u>	<u>1,370,992</u>	<u>252,008</u>
Debt service:			
Interest and other charges		20,468	
Principal retirement		42,713	
Total debt service	<u>67,000</u>	<u>63,181</u>	<u>3,819</u>
Capital outlay:			
Capital outlay	148,000	126,366	
Total capital outlay	<u>148,000</u>	<u>126,366</u>	<u>21,634</u>
Total expenditures	<u>1,838,000</u>	<u>1,560,539</u>	<u>277,461</u>
Revenues over (under) expenditures	-	140,957	140,957
Other financing sources (uses):			
Transfers to other funds			
Capital projects fund	(333,000)	-	333,000
Total other financing sources (uses)	<u>(333,000)</u>	<u>-</u>	<u>333,000</u>
Fund balance appropriated	333,000	-	(333,000)
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 140,957</u>	<u>\$ 140,957</u>

(continued)

Town of Dobson, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over (under) expenditures and other uses		\$ 140,957	
Reconciling items:			
Principal retirement		42,713	
Capital outlay		126,366	
Decrease in accrued interest payable		129	
Increase in accrued vacation pay		(7,681)	
Increase in deferred outflows of resources - pensions		47,617	
Increase in net pension liability		(60,074)	
Decrease in deferred inflows of resources - pensions		3,864	
Depreciation		(343,494)	
Increase in accrued OPEB liability		(7,485)	
Capital contributions		257,878	
Total reconciling items		<u>59,833</u>	
Change in net position		<u>\$ 200,790</u>	

Town of Dobson, North Carolina
Capital Projects Fund - WTP Solids Handling and Improvements
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Rural Utilities Service grant	\$ 813,000	\$ -	\$ -	\$ -	\$ (813,000)
ARC grant	300,000	-	-	-	(300,000)
County grant	100,000	25,000	75,000	100,000	-
Rural Center grant	500,000	317,122	182,878	500,000	-
Total revenues	<u>1,713,000</u>	<u>342,122</u>	<u>257,878</u>	<u>600,000</u>	<u>(1,113,000)</u>
Expenditures:					
Capital outlay	4,481,000	520,487	340,759	861,246	3,619,754
Total expenditures	<u>4,481,000</u>	<u>520,487</u>	<u>340,759</u>	<u>861,246</u>	<u>3,619,754</u>
Revenues over (under) expenditures	<u>(2,768,000)</u>	<u>(178,365)</u>	<u>(82,881)</u>	<u>(261,246)</u>	<u>2,506,754</u>
Other financing sources (uses)					
Transfers from other funds:					
Water and Sewer Fund	200,000	263,680	-	263,680	63,680
Loan proceeds	2,568,000	-	-	-	(2,568,000)
Total other financing sources (uses)	<u>2,768,000</u>	<u>263,680</u>	<u>-</u>	<u>263,680</u>	<u>(2,504,320)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 85,315</u>	<u>\$ (82,881)</u>	<u>\$ 2,434</u>	<u>\$ 2,434</u>

Town of Dobson, North Carolina
Town of Dobson Tourism Development Authority
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues	\$ 135,000	\$ 128,101	\$ (6,899)
Expenditures:			
Economic development	135,000	98,677	36,323
	-	29,424	29,424
Fund balance appropriated	-	-	-
Revenues over (under) expenditures	\$ -	\$ 29,424	\$ 29,424

Other Schedules

Town of Dobson, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<u>Fiscal Year</u>	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 580,005	\$ 576,402	\$ 3,603
2017-2018	2,394		1,331	1,063
2016-2017	452		186	266
2015-2016	267		27	240
2014-2015	282		28	254
2013-2014	1,004		50	954
2012-2013	328		16	312
2011-2012	783		39	744
2010-2011	385		10	375
2009-2010	436		12	424
2008-2009	804		804	-
	<u>\$ 7,135</u>	<u>\$ 580,005</u>	<u>\$ 578,905</u>	<u>\$ 8,235</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>(2,534)</u>
Ad valorem taxes receivable - net				<u>\$ 5,701</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 635,645
Reconciling items:				
Interest collected				(1,638)
Adjustments				(55,906)
Taxes written off				804
Subtotal				<u>(56,740)</u>
Total collections and credits				<u>\$ 578,905</u>

Town of Dobson, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2019

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 140,029,211	0.38	\$ 532,111	\$ 487,362	\$ 44,749
Discoveries - current and prior years	14,647,834	0.38	57,359	57,359	-
Releases	(2,857,292)	0.38	(9,465)	(9,465)	-
Total property valuation	<u>\$ 151,819,753</u>				
Net levy			580,005	535,256	44,749
Unpaid (by taxpayers) taxes at June 30, 2019			(3,603)	(3,603)	-
Current year's taxes collected			<u>\$ 576,402</u>	<u>\$ 531,653</u>	<u>\$ 44,749</u>
Current levy collection percentage			<u>99.38%</u>	<u>99.33%</u>	<u>100.00%</u>

Town of Dobson, North Carolina
Schedule of Net Position
Water and Sewer Fund by Function
June 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 531,761	\$ 177,254	\$ 709,015
Accounts receivable (net)	119,561	39,854	159,415
Due from other governments	346,010	115,336	461,346
Inventories	100,402	33,467	133,869
Restricted cash and cash equivalents	48,289	16,096	64,385
Total current assets	<u>1,146,023</u>	<u>382,007</u>	<u>1,528,030</u>
Noncurrent assets:			
Capital Assets:			
Land and other non-depreciable assets	713,784	237,928	951,712
Other capital assets, net of depreciation	6,179,229	2,059,743	8,238,972
Capital assets (net)	<u>6,893,013</u>	<u>2,297,671</u>	<u>9,190,684</u>
Total noncurrent assets	<u>6,893,013</u>	<u>2,297,671</u>	<u>9,190,684</u>
Total assets	<u><u>8,039,036</u></u>	<u><u>2,679,678</u></u>	<u><u>10,718,714</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	90,953	30,317	121,270
OPEB deferrals	-	-	-
Total deferred outflows of resources	<u>90,953</u>	<u>30,317</u>	<u>121,270</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	254,342	84,780	339,122
General obligation bonds payable - current	12,750	4,250	17,000
Notes payable - current	19,285	6,428	25,713
Compensated absences - current	42,605	14,201	56,806
Liabilities payable from restricted assets:			
Customer deposits	35,982	11,994	47,976
Total current liabilities	<u>364,964</u>	<u>121,653</u>	<u>486,617</u>
Noncurrent liabilities:			
Total OPEB liability	44,471	12,885	57,356
General obligation bonds payable - noncurrent	-	-	-
Notes payable - noncurrent	621,853	207,284	829,137
Net pension liability	117,699	39,233	156,932
Total noncurrent liabilities	<u>784,023</u>	<u>259,402</u>	<u>1,043,425</u>
Total liabilities	<u>1,148,987</u>	<u>381,055</u>	<u>1,530,042</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	3,040	1,013	4,053
OPEB deferrals	-	-	-
Total deferred inflows of resources	<u>3,040</u>	<u>1,013</u>	<u>4,053</u>
NET POSITION			
Net investment in capital assets	6,251,432	2,083,811	8,335,243
Restricted - USDA debt service	12,307	4,102	16,409
Unrestricted	715,678	238,559	954,237
Total net position	<u>\$ 6,979,417</u>	<u>\$ 2,326,472</u>	<u>\$ 9,305,889</u>

Note 1> Amounts above allocated 75% water and 25% sewer.

Town of Dobson, North Carolina
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Water and Sewer Fund by Function
For the Year Ended June 30, 2019

	Water	Sewer	Total
OPERATING REVENUES			
Charges for services	\$ 1,200,539	\$ 400,180	\$ 1,600,719
Water and sewer taps	4,275	1,425	5,700
Other operating revenues	24,986	8,329	33,315
Total operating revenues	<u>1,229,800</u>	<u>409,934</u>	<u>1,639,734</u>
OPERATING EXPENSES			
Total operating expenses	1,045,966	348,656	1,394,622
Depreciation	257,620	85,874	343,494
Total operating expenses	<u>1,303,587</u>	<u>434,529</u>	<u>1,738,116</u>
	-	-	
Operating income (loss)	<u>(73,787)</u>	<u>(24,595)</u>	<u>(98,382)</u>
NONOPERATING REVENUES (EXPENSES)			
Rental income	43,708	14,569	58,277
Investment earnings	2,614	871	3,485
Interest and other charges	(15,351)	(5,117)	(20,468)
Total nonoperating revenues (expenses)	<u>30,971</u>	<u>10,323</u>	<u>41,294</u>
	-	-	
Income (loss) before contributions and transfers	<u>(42,816)</u>	<u>(14,272)</u>	<u>(57,088)</u>
	-	-	
Capital contributions	193,409	64,469	257,878
	-	-	
Change in net position	<u>150,593</u>	<u>50,197</u>	<u>200,790</u>
Total net position, beginning	<u>6,828,824</u>	<u>2,276,275</u>	<u>9,105,099</u>
Total net position, ending	<u>\$ 6,979,417</u>	<u>\$ 2,326,472</u>	<u>\$ 9,305,889</u>

Note 1> Amounts above allocated 75% water and 25% sewer.

Town of Dobson, North Carolina
Schedule of Cash Flows
Water and Sewer Fund by Function
For the Year Ended June 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,227,601	\$ 409,200	\$ 1,636,801
Cash paid for goods and services	(629,915)	(209,971)	(839,886)
Cash paid on behalf of employees for services	(482,105)	(160,701)	(642,806)
Customer deposits received	2,504	834	3,338
Other operating revenues	29,261	9,754	39,015
Net cash provided (used) by operating activities	<u>147,347</u>	<u>49,115</u>	<u>196,462</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
County grant			-
Principal paid on long-term liabilities	(32,035)	(10,678)	(42,713)
Interest paid on long-term liabilities	(15,350)	(5,117)	(20,467)
Contributed capital	193,409	64,469	257,878
Acquisition and construction of capital assets	(350,344)	(116,781)	(467,125)
Net cash provided (used) by capital and related financing activities	<u>(204,320)</u>	<u>(68,107)</u>	<u>(272,427)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Rental income	43,708	14,569	58,277
Investment earnings	2,614	871	3,485
Net cash provided (used) by investing activities	<u>46,322</u>	<u>15,440</u>	<u>61,762</u>
Net increase (decrease) in cash and cash equivalents	(10,652)	(3,551)	(14,203)
Balances, beginning	590,702	196,901	787,603
Balance, ending	<u>\$ 580,050</u>	<u>\$ 193,350</u>	<u>\$ 773,400</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	<u>\$ (73,786)</u>	<u>\$ (24,596)</u>	<u>\$ (98,382)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	257,621	85,873	343,494
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(2,200)	(733)	(2,933)
(Increase) decrease in due from other governments	(9,764)	(3,255)	(13,019)
(Increase) decrease in inventories	(17,095)	(5,698)	(22,793)
(Increase) decrease in deferred outflows of resources - pensions	(35,713)	(11,904)	(47,617)
Increase (decrease) in net pension liability	45,056	15,018	60,074
(Decrease) increase in OPEB Liability	5,614	1,871	7,485
Increase (decrease) in deferred inflows of resources - pensions	(2,898)	(966)	(3,864)
Increase (decrease) in accounts payable and accrued liabilities	(27,752)	(9,250)	(37,002)
Increase (decrease) in customer deposits	2,504	834	3,338
Increase (decrease) in compensated absences	5,761	1,920	7,681
Total adjustments	<u>221,133</u>	<u>73,711</u>	<u>294,844</u>
Net cash provided by operating activities	<u>\$ 147,347</u>	<u>\$ 49,116</u>	<u>\$ 196,462</u>

Note 1> Amounts above allocated 75% water and 25% sewer.

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 *Government Auditing Standards*

Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Commissioners
Town of Dobson, North Carolina

We 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 accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Dobson, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Dobson's basic financial statements, and have issued our report thereon dated December 31, 2019. The Town of Dobson Tourism Development Authority and the Town of Dobson ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Dobson's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Dobson's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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.

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

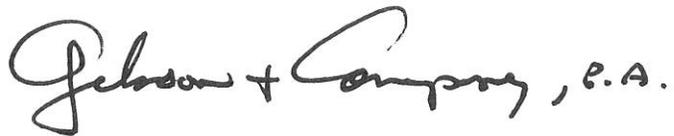
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Dobson's financial statements are free from material misstatement, we 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 statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our 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 black ink that reads "Johnson + Company, P.A." The signature is written in a cursive, flowing style.

Winston-Salem, North Carolina
December 31, 2019