

**Town of Mocksville
Mocksville, North Carolina
For the year ended
June 30, 2019**

**Independent Auditor's Reports
Basic Financial Statements
And
Information Accompanying the
Basic Financial Statements**

Town of Mocksville

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June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Mocksville
Mocksville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Mocksville, 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 of Mocksville, North Carolina'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 General of the United States. We did not audit the financial statements of the Mocksville - Cooleemee ABC Board. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mocksville - Cooleemee ABC Board, is based solely on the report of another auditor. The financial statements of the Town of Mocksville Tourism Development Authority were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3-12 and Schedule of Changes in Total OPEB Liability and Related Ratios and notes on page 50, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on page 52 and LEO Separation Allowance Schedule of Changes in Pension Liability and Pension Liability as a Percentage of Covered Payroll, on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 October 17, 2019, on our consideration of the Town of Mocksville, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 the Town of Mocksville, North Carolina's internal control over financial reporting and compliance.

Eddie Carrick, CPA, PC



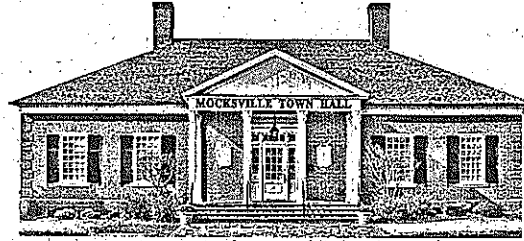
Lexington, North Carolina
October 17, 2019

WILLIAM J. MARKLIN, III
Mayor

Commissioners:
BRENT S. WARD, Mayor Pro Tem
ERIC SOUTHERN
ROB TAYLOR
AMY VAUGHAN-JONES
BRIAN WILLIAMS

Town of Mocksville

MATT SETTLEMYER
Town Manager



INCORPORATED 1839
171 S. CLEMENT STREET
MOCKSVILLE, NC 27028

Management's Discussion and Analysis

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

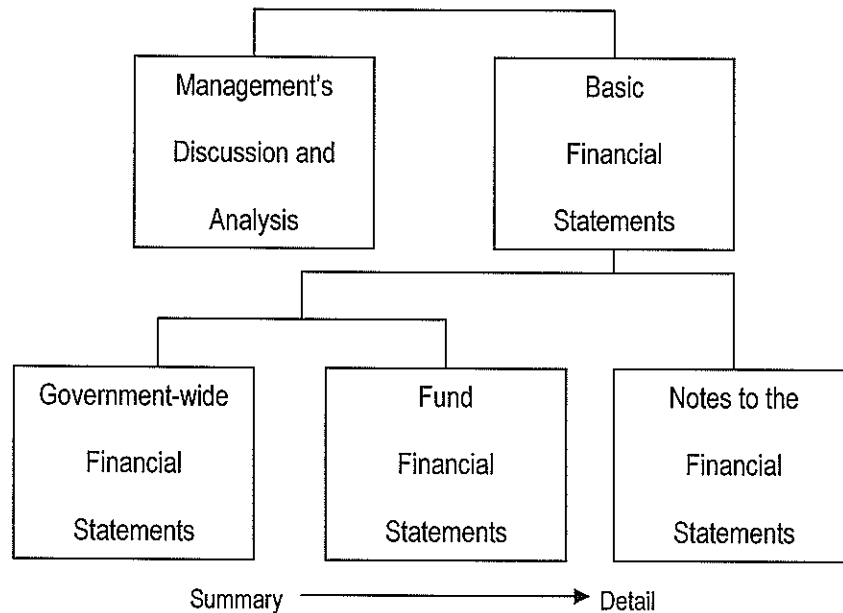
Financial highlights

- The assets and deferred outflows of resources of the Town of Mocksville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$25,043,801 (*net position*).
- The government's total net position decreased by \$261,245, primarily due to a decrease in governmental and an increase in proprietary type activities.
- As of the close of the current fiscal year, the Town of Mocksville's governmental funds reported combined ending fund balances of \$6,903,740 with a net decrease of \$1,060,940 in fund balance. Approximately 39% of this total amount, or \$2,716,516, is restricted or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,187,224, or 64% of total general fund expenditures for the fiscal year.
- The Town of Mocksville's total debt increased by \$238,383 due to an increase in accrued vacation of \$34,999, recognition of increase in other post-employment benefits of \$31,992, an increase law officers' separation allowance of \$76,676, increase in pension liability of \$307,972, and payments on long-term borrowing of \$213,256.

Overview of the Financial Statements

This discussion and analysis is intended to serve as introduction to the Town of Mocksville'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 Mocksville.

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 (Exhibit 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental fund statements 2) the budgetary comparison statements and 3) the proprietary fund statements.

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

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net position and how 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 safety and security, transportation and administration. Property tax and state shared revenues finance these activities. The business-type activities are those that the Town charges customers to provide. These include water and sewer services offered by the Town. The final category is the component units. Although legally separate from the Town, the Tourism Development Authority and ABC Board are important to the Town. The Town exercises control over the Boards 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 group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Mocksville, 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 General Statutes or the Town's budget ordinance. All of the funds of the Town of Mocksville 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 determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

Management Discussion and Analysis

Town of Mocksville

The Town of Mocksville adopts an annual budget for the General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance the 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 in 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 differences or variance between the final budget and actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

Notes to the Financial Statements – The notes provide additional information that is essential to the full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain supplemental information detailing the information provided in the basic financial statements and is presented to allow the reader to gain an in-depth understanding of the financial information presented.

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 Mocksville

Town of Mocksville's Net Position (Figure 2)

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Current and other assets	\$ 6,011,648	\$ 7,062,155	\$ 1,091,809	\$ 1,195,684	\$ 7,103,457	\$ 8,257,838
Capital and noncurrent assets	7,720,937	6,994,746	14,378,522	14,101,933	22,099,459	21,096,679
Deferred outflows of resources	582,875	214,773	77,238	32,479	660,113	-
Total assets and deferred outflows	14,315,460	14,271,674	15,547,569	15,330,096	29,863,029	29,601,770
Long-term liabilities	2,627,901	2,218,392	1,505,925	1,254,851	4,133,826	3,473,243
Current liabilities	198,173	292,480	98,177	291,589	296,350	584,069
Deferred inflows of resources	340,251	204,183	48,801	35,230	389,052	-
Total liabilities and deferred inflows	3,166,325	2,715,055	1,652,903	1,581,670	4,819,228	4,296,725
Net position						
Net investment in capital assets	6,094,716	5,935,281	14,378,522	14,101,933	20,473,238	20,037,214
Restricted	2,216,516	2,071,279	-	-	2,216,516	2,071,279
Unrestricted	2,837,903	3,350,059	(483,856)	(353,507)	2,354,047	2,996,553
Total net position	\$ 11,149,135	\$ 11,356,619	\$ 13,894,666	\$ 13,748,426	\$ 25,043,801	\$ 25,105,045

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 resources of the Town exceeded liabilities and deferred inflows by \$25,043,801 as of June 30, 2019. The Town's net position decreased by \$261,245 for the fiscal year ended June 30, 2019. However, the largest portion (82%) reflects the Town's net investment in capital assets (road improvements, equipment, machinery, utility plant). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$2,216,516 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,354,046 is unrestricted.

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

- Conservative spending by management.
- Economic incentives given to local industries
- One time expenditures in certain departments
- Overall prior maintenance of fixed assets.

Management Discussion and Analysis
Town of Mocksville

Town of Mocksville's Changes in Net Position (Figure 3)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 179,542	\$ 120,287	\$ 2,909,363	\$ 2,951,993	\$ 3,088,905	\$ 3,072,280
Operating Grants and contributions	586,756	657,730	-	-	586,756	657,730
Capital Grants and contributions	182,459	229,402	-	-	182,459	229,402
General revenues:						
Property taxes	2,746,128	2,682,758	-	-	2,746,128	2,682,758
Other taxes	1,249,765	1,222,158	-	-	1,249,765	1,222,158
Other	574,194	548,138	410,119	2,029	984,313	550,167
Total revenues	5,518,844	5,460,473	3,319,482	2,954,022	8,838,326	8,414,495
Expenses:						
General government	1,846,778	1,539,207	-	-	1,846,778	1,539,207
Economic development	229,577	279,729	-	-	229,577	279,729
Public safety	2,477,887	2,798,085	-	-	2,477,887	2,798,085
Transportation	1,050,775	520,075	-	-	1,050,775	520,075
Environmental protection	283,816	305,809	-	-	283,816	305,809
Cultural and recreational	20,004	179,662	-	-	20,004	179,662
Interest on long-term debt	17,491	-	-	-	17,491	-
Water and sewer	-	-	3,173,242	2,832,582	3,173,242	2,832,582
Total expenses	5,926,328	5,622,568	3,173,242	2,832,582	9,099,570	8,455,149
Increase in net assets before transfers and contributions	(407,484)	(162,094)	146,240	121,440	(261,244)	(40,654)
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	(407,484)	(162,094)	146,240	121,440	(261,244)	(40,654)
Net position, July 1	11,556,619	11,718,713	13,748,426	13,626,986	25,305,045	25,345,699
Net position, June 30	\$ 11,149,135	\$ 11,556,619	\$ 13,894,666	\$ 13,748,426	\$ 25,043,801	\$ 25,305,045

Governmental activities. Governmental activities decreased the Town's net position by \$407,484, thereby accounting for 100% of the total decrease in net position of the Town. The decrease in net position was the result of a concerted effort to control costs and manage expenditures. Management believes healthy investment in the Town will result in additional revenues, and in that vein added to the Town's net position by investing in capital assets. Increased efforts to maximize tax collections also contributed to the favorable net position. Tax revenue did not appreciably decline in the current year. Town management acknowledges that 2019 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Management Discussion and Analysis
Town of Mocksville

Key elements of this decrease are as follows:

- Tax revenues remained steady.
- Town Council has adopted a conservative approach to general fund spending
- Large economic incentives to new industries.
- Use of grants for capital expenditures

Business-type activities: Business-type activities increased the Town's net position by \$146,240 accounting for 0% of the total decrease in the government's net position. Key elements of this increase are as follows:

- A conservative approach to spending

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Mocksville's fund balance available in the General Fund was \$4,187,224, while total fund balance reached \$6,903,740. The Town currently has an available fund balance of 64% of general fund expenditures, while total fund balance represents 105% of the same amount.

At June 30, 2019, the governmental funds of the Town reported a combined fund balance of \$6,903,740 with a net decrease in fund balance of \$1,060,940. Included in this change in fund balance are decreases in the General Fund of \$1,060,940.

General Fund Budgetary Highlights: During the fiscal year, the Town made several revisions to the budget. Generally, budget amendments fall into one of three categories:

- 1) Amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available,
- 2) Amendments made to recognize new funding amounts from external sources, such as Federal and State grants and,
- 3) Increases in appropriations that become necessary to maintain services.

There were several reasons the Town revised its budget throughout the year. Although expenditures were held in check overall to comply with its budgetary requirements, the Town did amend the budget in the General Fund in several departments to account for unexpected expenditures.

Management Discussion and Analysis
Town of Mocksville

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position in the Water and Sewer Fund at the end of the fiscal year amounted to (\$483,856). The total change in net position was \$146,240. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$20,944,982 (net of accumulated depreciation). These assets include buildings, roads, machinery and equipment.

Major capital asset transactions during the year included the following additions:

- Vehicles and equipment \$879,222
- Building improvements \$199,800
- Road improvements Quality Drive \$106,125, grant received for current and prior of \$182,459
- Water and sewer improvements and equipment \$907,831

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2019	2018	2019	2018	2019	2018
Land and improvements	\$ 627,526	\$ 627,526	\$ 46,446	\$ 3,056	\$ 673,972	\$ 630,582
Construction in progress	-	369,589	76,571	-	76,571	369,589
Road improvements	1,937,108	1,590,260	-	-	1,937,108	1,590,260
Economic development	1,201,349	1,260,869			1,201,349	1,260,869
Buildings	1,570,136	1,456,725	-	-	1,570,136	1,456,725
Vehicles	768,724	325,277	-	-	768,724	325,277
Equipment	461,617	305,035	513,973	337,655	975,590	642,690
Plant and distribution	-	-	13,741,532	13,761,222	13,741,532	13,761,222
	<u>\$ 6,566,460</u>	<u>\$ 5,935,281</u>	<u>\$ 14,378,522</u>	<u>\$ 14,101,933</u>	<u>\$ 20,944,982</u>	<u>\$ 20,037,214</u>

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

Management Discussion and Analysis
Town of Mocksville

Long-term Debt.

The Town of Mocksville's total debt increased by \$238,383 due to an increase in accrued vacation of \$34,999, recognition of increase in other post-employment benefits of \$31,992, an increase law officers' separation allowance of \$76,676, increase in pension liability of \$307,972, and payments on long-term borrowing of \$213,256.

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 property located within that government's boundaries. The legal debt margin for the Town is \$73,733,021.

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

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- New commercial, industrial and retail development
- Commercial and major industrial constructions or expansions
- Planning and zoning practices
- Established infrastructure and utilities upgrades
- Positive Ad Valorem Property Tax re-evaluations

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities:

The 2019-2020 budget includes prioritizing capital needs for each department, stabilizing fund balance and maintaining a competitive tax rate as high priority issues. In addition the following budgetary issues were highlighted:

- Investment in a vehicle lease program for the Police Department.
- Upgrading field maintenance equipment for Parks and Grounds
- Investment in SCBA air-packs and turnout gear for the Fire Department
- New benches and planters for downtown beautification efforts
- Replacement of a bucket truck for Public Works
- Paving of Church Street

The Town continues to take an aggressive approach toward the use of grant funding where available to supplement revenues.

The Town has embarked on some major projects, and has chosen to appropriate less fund balance in the fiscal year 2020 budget. The Town's fund balances appropriations will continue to be evaluated and still exceed LGC recommendations and the reserves kept by municipalities similar in size. Management believes that increased revenues and future restrictions on spending will maintain the Town's financial position. Large capital expenditures in current year will have little ongoing operating impacts on the

Management Discussion and Analysis
Town of Mocksville

Governmental Activities: (continued)

upcoming budgets. The Town may need additional revenue in future years. As the Town considers future revenue sources, it has determined that a \$0.01 increase in the property tax rate will result in additional revenues of approximately \$91,159 at current values and collection rate. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-type Activities:

The major highlights of the 2019-20 budget for the water and sewer fund will include; the relationship/agreements with Willis Engineers, major construction and mandated rehabilitation and contracted wastewater services with Envirolink, Inc. Emphasis on improved maintenance of vehicles and equipment should provide for long term savings. Water and sewer rates increased by 2% for the upcoming year, and will continue to be analyzed and changed to maintain adequate services

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Mocksville, 171 Clement Street, Mocksville, NC 27028.

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

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Town of Mocksville-Tourism Development Authority	Mocksville-Cooleemee ABC Board
ASSETS					
Current assets:					
Cash and investments - unrestricted	\$ 4,885,397	\$ 702,127	\$ 5,587,524	\$ -	\$ 124,602
Property taxes receivable (net)	64,212	-	64,212	-	-
Internal balances	50,000	(50,000)	-	-	-
Accounts receivable (net) and prepaids	311,850	276,089	587,940	8,955	9,260
Inventory	-	48,167	48,167	-	318,396
Cash and investments - restricted	700,189	115,425	815,614	111,142	-
	<u>6,011,648</u>	<u>1,091,809</u>	<u>7,103,456</u>	<u>120,097</u>	<u>452,258</u>
Non-current assets:					
Advance from other funds - noncurrent	1,154,477	-	1,154,477	-	-
Capital assets (Note IIIA4):					
Land and CWIP not being depreciated	627,526	123,017	750,543	-	-
Other capital assets, net of depreciation	5,938,934	14,255,505	20,194,439	-	244,108
Total capital assets	<u>6,566,460</u>	<u>14,378,522</u>	<u>20,944,982</u>	<u>-</u>	<u>244,108</u>
Total noncurrent assets	<u>7,720,937</u>	<u>14,378,522</u>	<u>22,099,459</u>	<u>-</u>	<u>244,108</u>
Total assets	<u>13,732,585</u>	<u>15,470,331</u>	<u>29,202,915</u>	<u>120,097</u>	<u>696,366</u>
DEFERRED OUTFLOWS OF RESOURCES					
LGERS	503,256	77,238	580,494	-	25,240
LEO	79,619	-	79,619	-	-
Total deferred outflows of resources	<u>582,875</u>	<u>77,238</u>	<u>660,113</u>	<u>-</u>	<u>25,240</u>
LIABILITIES					
Current liabilities:					
Accounts payable	198,173	98,177	296,350	-	184,752
Current maturities on long-term debt	218,437	-	218,437	-	30,019
Customer deposits	-	115,425	115,425	-	-
Long-term liabilities:					
Advance to other funds - noncurrent	-	1,154,477	1,154,477	-	-
Long-term debt - ABC Board	-	-	-	-	318,784
USDA REDLG	600,000	-	600,000	-	-
BB&T Fire truck	353,307	-	353,307	-	-
OPEB liability	545,234	120,851	666,085	-	-
Law Enforcement Officers' Separation Allowance	211,377	-	211,377	-	-
Pension liability	568,209	86,557	654,766	-	35,585
Accrued vacation	131,337	28,615	159,952	-	-
Total liabilities	<u>2,826,074</u>	<u>1,604,102</u>	<u>4,430,176</u>	<u>-</u>	<u>569,140</u>
DEFERRED INFLOWS OF RESOURCES					
OPEB	305,254	46,989	352,243	-	-
LEO	23,099	-	23,099	-	-
LGERS	11,898	1,812	13,710	-	2,480
Total deferred inflows of resources	<u>340,251</u>	<u>48,801</u>	<u>389,052</u>	<u>-</u>	<u>2,480</u>
NET POSITION					
Net investment in capital assets	6,094,716	14,378,522	20,473,238	-	63,575
Restricted for:					
Working capital	-	-	-	-	53,599
Stabilization by State Statute	1,516,327	-	1,516,327	8,955	-
Streets	189	-	189	-	-
USDA REDLG	700,000	-	700,000	-	-
Tourism Development	-	-	-	111,142	-
Unrestricted	<u>2,837,903</u>	<u>(483,856)</u>	<u>2,354,046</u>	<u>-</u>	<u>32,812</u>
Total net position	<u>\$ 11,149,135</u>	<u>\$ 13,894,666</u>	<u>\$ 25,043,801</u>	<u>\$ 120,097</u>	<u>\$ 149,986</u>

The accompanying notes are an integral part of the financial statements

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

Exhibit 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
								Town of Mockville Tourism Development Authority	Mocksville - Cooleemee ABC Board
Function / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		
Governmental activities:									
General government	\$ 1,846,779	\$ -	\$ -	\$ -	\$ (1,846,779)	\$ -	\$ (1,846,779)	\$ -	\$ -
Economic development	229,577	-	-	182,459	(47,118)	-	(47,118)	-	-
Public safety	2,477,887	-	427,849	-	(2,050,038)	-	(2,050,038)	-	-
Transportation	1,050,775	-	158,907	-	(891,868)	-	(891,868)	-	-
Environmental protection	283,816	168,562	-	-	(115,254)	-	(115,254)	-	-
Cultural and recreational	20,004	10,980	-	-	(9,024)	-	(9,024)	-	-
Interest on long-term debt	17,491	-	-	-	(17,491)	-	(17,491)	-	-
Tourism development	-	-	-	-	-	-	-	(55,864)	-
Total governmental activities	5,926,329	179,542	586,756	182,459	(4,977,572)	-	(4,977,572)	(55,864)	-
Business-type activities:									
ABC Board	1,835,829	1,808,007	-	-	-	-	-	-	(27,822)
Water and sewer	3,173,242	2,909,363	-	-	-	(263,880)	(263,880)	-	-
Total business activities	5,009,071	4,717,370	-	-	-	(263,880)	(263,880)	-	(27,822)
Total government	\$ 10,935,401	\$ 4,896,912	\$ 586,756	\$ 182,459	(4,977,572)	(263,880)	(5,241,452)	(55,864)	(27,822)
General revenues:									
Taxes:									
Property taxes levied for general purposes					2,746,128	-	2,746,128	-	-
Other taxes					1,249,765	-	1,249,765	68,136	-
Unrestricted investment earnings					18,004	4,395	22,399	-	-
Other unrestricted revenues					556,190	4,000	560,190	6,675	-
Grants					-	401,725	-	-	-
Total general government revenues and transfers					4,570,088	410,119	4,980,207	74,811	-
Change in net position					(407,484)	146,240	(261,245)	18,947	(27,822)
Net position, beginning					11,556,619	13,748,426	25,305,045	101,150	177,808
Net position, ending					\$ 11,149,135	\$ 13,894,666	\$ 25,043,801	\$ 120,097	\$ 149,986

The accompanying notes are an integral part of the financial statements

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

	Major	
	General	Total Governmental
ASSETS		
Cash and investments -- unrestricted	\$ 4,885,397	\$ 4,885,397
Cash and investments -- restricted	700,189	700,189
Due from other funds - current portion	50,000	50,000
Property taxes receivable (net)	64,212	64,212
Accounts receivable (net)	311,850	311,850
	<u>6,011,648</u>	<u>6,011,648</u>
 Advance from other funds - long-term portion	 <u>1,154,477</u>	 <u>1,154,477</u>
 Total assets	 <u>\$ 7,166,125</u>	 <u>\$ 7,166,125</u>
LIABILITIES		
Accounts payable	\$ 198,173	\$ 198,173
Total liabilities	<u>198,173</u>	<u>198,173</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	64,212	64,212
Total deferred inflows of resources	<u>64,212</u>	<u>64,212</u>
Fund balances:		
Restricted:		
Stabilization by State Statute	1,516,327	1,516,327
Streets	189	189
USDAS REDLG	700,000	700,000
Assigned		-
Subsequent years expenditures	500,000	500,000
Unassigned	4,187,224	4,187,224
Total fund balances	<u>6,903,740</u>	<u>6,903,740</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 7,166,125</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,566,460
Deferred pension outflows	582,875
Earned revenues considered deferred inflows of resources in fund statements.	64,212
Pension and OPEB related deferrals	(340,251)
Some liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the net position of the governmental activities:	<u>(2,627,901)</u>

Net position of the governmental activities	<u>\$ 11,149,135</u>
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The accompanying notes are an integral part of the financial statements

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

	<u>Major</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
Revenues:		
Ad Valorem taxes	\$ 2,758,137	\$ 2,758,137
Other taxes and licenses	1,249,765	1,249,765
Unrestricted intergovernmental revenues	516,441	516,441
Restricted intergovernmental revenues	769,215	769,215
Permits and fees	1,587	1,587
Sales and services	199,542	199,542
Investment earnings	18,004	18,004
Other revenues	18,162	18,162
	<u>5,530,854</u>	<u>5,530,854</u>
Expenditures:		
General government	1,744,628	1,744,628
Economic development	229,577	229,577
Public safety	2,889,162	2,889,162
Transportation	1,004,802	1,004,802
Environmental protection	283,816	283,816
Cultural and recreational	209,062	209,062
Debt service	230,747	230,747
	<u>6,591,794</u>	<u>6,591,794</u>
Excess of revenues and other sources over expenditures and other uses	<u>(1,060,940)</u>	<u>(1,060,940)</u>
Other Financing Sources (Uses):		
None	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Net change in fund balance	(1,060,940)	(1,060,940)
Fund Balances		
Beginning of year, July 1	<u>7,964,680</u>	<u>7,964,680</u>
End of year, June 30	<u>\$ 6,903,740</u>	<u>\$ 6,903,740</u>

The accompanying notes are an integral part of the financial statements

Town of Mocksville, 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		\$ (1,060,940)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation for the current period.		
Capital outlay	1,185,147	
Depreciation	<u>(553,968)</u>	631,179
Change in pension expense		
Change in deferred outflows	321,904	
(Increase) decrease in pension liability	(274,091)	
Change in deferred inflows	<u>17,647</u>	65,460
Change in OPEB expense		
(Increase) decrease in OPEB liability	(27,763)	
Change in deferred inflows	<u>(138,086)</u>	(165,849)
Change in Law Enforcement Separation Allowance expense		
Change in deferred outflows	46,197	
(Increase) decrease in liability	(76,676)	
Change in deferred inflows	<u>(15,629)</u>	(46,108)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Loan proceeds		-
Change in unavailable revenue for tax revenues		(12,009)
Some of the 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.		
Debt service payments		213,256
Compensated absences		<u>(32,472)</u>
Total changes in net position of governmental activities		<u><u>\$ (407,484)</u></u>

Town of Mocksville, North Carolina

General Fund

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

	Budget		Actual	Variance with Final budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Ad Valorem taxes	\$ 2,786,800	\$ 2,797,800	\$ 2,758,137	\$ (39,663)
Other taxes and licenses	1,150,000	1,150,000	1,249,765	99,765
Unrestricted intergovernmental revenues	489,000	489,000	516,441	27,441
Restricted intergovernmental revenues	598,100	628,100	769,215	141,115
Permits and fees	1,500	1,500	1,587	87
Sales and services	187,500	187,500	199,542	12,042
Investment earnings	3,500	14,500	18,004	3,504
Other revenues	45,000	73,000	18,162	(54,838)
	<u>5,261,400</u>	<u>5,341,400</u>	<u>5,530,854</u>	<u>189,454</u>
Other financing sources:				
Appropriated fund balance	959,688	1,559,688	-	(1,559,688)
Total revenues and other sources	<u>6,221,088</u>	<u>6,901,088</u>	<u>5,530,854</u>	<u>(1,370,234)</u>
Expenditures:				
General government	1,865,150	1,865,150	1,744,628	120,522
Economic development	290,076	290,076	229,577	60,499
Public safety	2,235,762	2,915,762	2,889,162	26,600
Transportation	1,080,300	1,080,300	1,004,802	75,498
Environmental protection	294,800	294,800	283,816	10,984
Cultural and recreational	215,000	215,000	209,062	5,938
Debt service	240,000	240,000	230,747	9,253
	<u>6,221,088</u>	<u>6,901,088</u>	<u>6,591,794</u>	<u>309,294</u>
Other Financing Uses:	-	-	-	-
None	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Other Uses	<u>6,221,088</u>	<u>6,901,088</u>	<u>6,591,794</u>	<u>309,294</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(1,060,940)</u>	<u>\$ (1,060,940)</u>
Fund Balances				
Beginning of year, July 1			<u>7,964,680</u>	
End of year, June 30			<u>\$ 6,903,740</u>	

The accompanying notes are an integral part of the financial statements

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

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and investments - unrestricted	\$ 702,127
Cash and investments - restricted	115,425
Accounts receivable (net)	276,089
Inventory	48,167
Total current assets:	<u>1,141,809</u>
Non-current assets:	
Capital assets:	
Land and construction in progress	123,017
Other capital assets, net of depreciation	14,255,505
Total non-current assets:	<u>14,378,522</u>
Total assets	<u>15,520,331</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	76,662
OPEB deferrals	576
	<u>77,238</u>
LIABILITIES	
Current liabilities:	
Accounts payable	98,177
Due to other funds - current	50,000
Liabilities payable from restricted assets:	
Customer deposits	115,425
Non-current liabilities:	
Advance to other funds - noncurrent	1,154,477
Accrued vacation	28,615
Pension liability	86,557
OPEB obligation	120,851
Total non-current liabilities	<u>1,390,500</u>
Total liabilities	<u>1,654,102</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	1,812
OPEB deferrals	46,989
	<u>48,801</u>
NET POSITION	
Net investment in capital assets	14,378,522
Restricted for other uses	-
Unrestricted	(483,856)
Total net position	<u>\$ 13,894,666</u>

The accompanying notes are an integral part of the financial statements

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

	<u>Water and Sewer Fund</u>
Operating revenues:	
Utility charges, taps and connection fees	\$ 2,676,211
Other operating income	233,152
	<u>2,909,363</u>
Operating expenses:	
Water treatment and distribution	1,132,550
Waste collection and treatment	1,289,489
Depreciation	751,203
	<u>3,173,242</u>
 Operating income	 <u>(263,880)</u>
 Nonoperating revenue (expense):	
Interest income	4,395
Sale of assets	-
Rental income	4,000
Total nonoperating revenue (expense)	<u>8,395</u>
 Income before contributions and transfers	 (255,485)
 Grants	 <u>401,725</u>
 Change in net position	 146,240
 Total net position - July 1	 <u>13,748,426</u>
 Total net position - June 30	 <u><u>\$ 13,894,666</u></u>

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

	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 2,921,178
Cash payment to suppliers of goods and services	(2,074,019)
Cash payment to employees and benefits	(420,105)
Net Cash Provided By Operating Activities	427,054
Cash flows from noncapital financial activities:	
Other income	4,000
Increase in interfund payable	95,012
Net Cash Provided by Noncapital Financing Activities	99,012
Cash from capital and related financing activities:	
Grants	401,725
Increase in construction in progress	(76,570)
Purchase of capital assets	(951,222)
Net Cash Used by Capital and Related Financing Activities	(626,067)
Cash flows from investing activities:	
Interest on investments	4,395
Net Cash Provided by Investing Activities	4,395
Net Increase (Decrease) In Cash	(95,606)
Cash - Beginning of Year, July 1	913,158
Cash - End of Year, June 30	\$ 817,552
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Net Operating Income	\$ (263,880)
Depreciation	751,203
Changes in Current Assets and Liabilities:	
(Increase) decrease in accounts receivable	7,265
(Increase) decrease in inventory	1,005
(Increase) decrease in deferred outflows	(13,782)
Increase (decrease) in accounts payable	(82,537)
Increase (decrease) in accrued vacation	2,527
Increase (decrease) in OPEB	20,703
Increase (decrease) in customer deposits	4,550
	\$ 427,054
Interest paid	\$ -

Town of Mocksville, North Carolina
NOTES TO FINANCIAL STATEMENTS
As of or for the Year Ended June 30, 2019

Description of the Units

The Town of Mocksville is located in Davie County, which is in the Piedmont area of North Carolina. The Town has a population of approximately 5,472 and covers approximately seven and one-half square miles. The Town provides water and sewer services to its residents.

I. Summary of Significant Accounting Policies

The accounting policies of the Town 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 Mocksville is a municipal corporation governed by an elected mayor and 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 is reported in a separate column in the Town's financial statements in order to emphasize that they are legally separate from the Town.

Town of Mocksville Tourism Development Authority

The Town of Mocksville Tourism Development Authority (TDA) was established December 1, 2010 for the purpose of collecting a 3% occupancy tax to be used for the promotion of tourism in Mocksville. The members of the Tourism Development Authority's governing board are appointed by the Town. The Tourism Development Authority, which has a June 30 year-end, is presented as a discretely presented component units. Information concerning the Tourism Development Authority can be obtained by contacting the Finance Officer, Town of Mocksville, Mocksville, NC.

As of June 30, 2019, the Town of Mocksville held receipts of \$8,955 at June 30, 2019.

Town of Mocksville 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. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at the Town of Mocksville ABC Board, Town of Mocksville, North Carolina.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display the information about the government. These statements include the activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. The 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 part by fees charged to external parties.

Notes to the Financial Statements (continued)

B. Basis of Presentation (continued)

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 and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational and 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 the same values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in other funds. The primary revenue sources are ad valorem taxes and state-shared revenues. The primary expenditures are for streets and general government services.

The Town reports the following major enterprise funds:

Water and Sewer Fund

The Town maintains an Enterprise Fund, the Water and Sewer Fund, to account for its water and sewer services. This fund is financed and operated in the same manner as a private business enterprise.

It is the intent of the governing body that costs (expenses, including depreciation) of providing these services to the public on a continuing basis be financed or recovered primarily through user charges. Therefore, periodic accounting is necessary for determination of net income and rate control.

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 basis of accounting.

Notes to the Financial Statements (continued)

C. Measurement Focus and Basis of Accounting (continued)

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 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, includes 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 fund 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 financial sources.

The Town considers all revenue 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.

Notes to the Financial Statements (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The Town does not have a current policy which allows for departmental transfers without council approval.

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

1. Deposits and Investments

All deposits of the Town, the Tourism Development Authority and ABC Board are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The Town, the Tourism Development Authority and ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town, the Tourism Development Authority and ABC Board 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, the Tourism Development Authority and ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments with maturities of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of 11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Notes to the Financial Statements (continued)

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursements and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Tourism Development Authority and ABC Board considers all highly liquid investments (including restricted assets) with 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. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Also, a restricted cash account has been established to provide for future payments to USDA for the REDLG economic loan.

Town of Mocksville Restricted Cash

Governmental Activities			
General Fund	Powell - streets	\$	189
	USDA REDLG		700,000
Total governmental activities			<u>700,189</u>
Business-type Activities			
Water and Sewer Fund	Customer deposits		115,425
Total Business-type Activities			<u>115,425</u>
Total Restricted Cash		\$	<u>815,614</u>

4. Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories

The inventories of the Town are valued at cost (first-in, first-out), which approximates market.

The inventories of the Town's enterprise funds consist of materials held for consumption. The costs of these inventories are recorded as an expense as the inventories are consumed.

Notes to the Financial Statements (continued)

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$2500 and an estimated useful life of more than two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The Town has recorded general infrastructure consisting of roads and improvements on a prospective basis beginning July 1, 2003 as allowed by GASB Statement 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Life</u>
Automobiles and light trucks	5-10 years
Road improvements	10
Furniture, office and other equipment	10
Buildings	25

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

<u>Asset Class</u>	<u>Estimated Useful Life - Years</u>
Buildings	31.5
Building improvements	10-15
Land improvements	15
Furniture and equipment	5-10

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 two items that meet this criterion, contributions made to the pension plan in the 2019 fiscal year and other deferred pension outflows. 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 deferrals of pension expense that result from the implementation of GASB Statement 68.

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 statements of net position. Bond premiums and discounts, as well as issuance costs, 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 premium 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.

Notes to the Financial Statements (continued)

9. Long-Term Obligations(continued)

For governmental fund types, bond issuance costs are recognized during the current period. Bond proceeds are reported as other financing sources. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the Town and ABC Board provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds and proprietary funds, and ABC Board an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has not recognized a current liability due to the immaterial nature of this liability.

The Town and ABC Board's sick leave policy provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town nor the ABC Board has any obligation for the accumulation of 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 five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

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

Notes to the Financial Statements (continued)

11. Net position / Fund Balances (continued)

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 by USDA – escrow required by USDA loan

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

Assigned fund balance – portion of fund balance that the Town of Mocksville intends to use for specific purposes. A portion is assigned for subsequent years expenditures not already restricted or committed.

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 Mocksville 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. Pensions

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's employer contributions are recognized when due and the Town 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.

Notes to the Financial Statements (continued)

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions None were noted.

B. Deficit in Fund Balance or Net position of Individual Funds None were noted.

C. Excess of Expenditures over Appropriations None were noted.

III. Detail Notes on All Funds and Account Groups

A. Assets:

1. Deposits

All the deposits of the Town, the Tourism Development Authority and ABC Board 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, the Tourism Development Authority's and ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, the Tourism Development Authority and ABC Board, these deposits are considered to be held by the Town's, the Tourism Development Authority's and ABC Board's agents in their names. The amount of the pledged collateral is based on an approval averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the Tourism Development Authority, ABC Board or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town, the Tourism Development Authority and ABC Board under the Pooling Method, the potential exists to undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no 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 provisions of GS 159-31 when designating official depositories and verifying that deposits are properly secured. The Tourism Development Authority and ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$6,373,338 and a bank balance of \$6,500,425. The bank balances of the Town were covered by \$252,545 of federal depository insurance. The remaining balance of deposits is collateralized under the Pooling Method as enumerated above. At June 30, 2019, the Town's petty cash fund totaled \$500.

At June 30, 2019, the TDA's deposits had a carrying amount of \$111,142 and a bank balance of \$113,892. The bank balances of the TDA are covered by up to \$250,000 of federal depository insurance.

At June 30, 2019, the ABC Board's deposits had a carrying amount of \$121,302 and a bank balance of \$109,097. The bank balances of the ABC Board are covered by up to \$250,000 of federal depository insurance. The ABC Board has petty cash of \$3,300.

Notes to the Financial Statements (continued)

2. Investments

At June 30, 2019, the Town had \$29,300 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivable - 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:

<u>Fund</u>	<u>June 30, 2019</u>
Accounts receivable - Enterprise Fund	\$1,571

4. Capital Assets

Primary Government

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 627,526	\$ -	\$ -	\$ 627,526
Improvements	-	-	-	-
CWIP	369,589	-	(369,589)	-
Total capital assets not being depreciated:	<u>997,115</u>	<u>-</u>	<u>(369,589)</u>	<u>627,526</u>
Capital assets being depreciated:				
Road improvements	3,615,908	475,714	-	4,091,622
Economic development	1,487,989	-	-	1,487,989
Buildings	2,941,267	199,800	-	3,141,067
Vehicles	2,313,259	635,595	-	2,948,854
Equipment	1,068,101	243,627	-	1,311,728
Total capital assets being depreciated:	<u>11,426,524</u>	<u>1,554,736</u>	<u>-</u>	<u>12,981,260</u>
Less, accumulated depreciation for:				
Road improvements	2,025,648	128,866	-	2,154,514
Economic development	227,120	59,520	-	286,640
Buildings	1,484,542	86,389	-	1,570,931
Vehicles	1,987,982	192,148	-	2,180,130
Equipment	763,064	87,045	-	850,109
Total accumulated depreciation	<u>6,488,356</u>	<u>553,968</u>	<u>-</u>	<u>7,042,324</u>
Total assets being depreciated, net	<u>4,938,166</u>			<u>5,938,934</u>
Governmental activity capital assets, net	<u>\$ 5,935,281</u>			<u>\$ 6,566,460</u>

Notes to the Financial Statements (continued)

4. Capital Assets (continued)

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

General government	\$ 78,427
Public safety	203,888
Cultural and recreational	104,159
Transportation	<u>167,494</u>
	<u>\$553,968</u>

The following is a summary of fixed assets of the ABC Board at June 30, 2019:

	Useful Life	Cost	Accumulated Depreciation	Net
Land		\$ 30,000	\$ -	\$ 30,000
Land improvements	15 yrs	17,652	9,120	8,532
Buildings	31.5 yrs	119,945	114,001	5,944
Furniture/equipment	5-10 yrs	122,410	49,672	72,738
Building improvements	10-15 yrs	140,400	13,506	126,894
Totals		<u>\$ 430,407</u>	<u>\$ 186,299</u>	<u>\$ 244,108</u>

Depreciation expense for the year ended June 30, 2019 was \$24,667.

The following is a summary of fixed assets of the proprietary fund at June 30, 2019:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and sewer fund:				
Capital assets not being depreciated				
Land	\$ 3,056	\$ 43,390	\$ -	\$ 46,446
Construction in progress	-	76,571	-	76,571
Total not being depreciated	<u>3,056</u>	<u>119,961</u>	<u>-</u>	<u>123,017</u>
Capital assets being depreciated:				
Equipment	1,911,542	260,067	-	2,171,609
Water plant and lines	9,541,518	123,934	-	9,665,452
Sewer plant and lines	16,505,861	523,830	-	17,029,691
Total capital assets being depreciated:	<u>27,958,921</u>	<u>907,831</u>	<u>-</u>	<u>28,866,752</u>
Less, accumulated depreciation for:				
Equipment	1,573,887	83,749	-	1,657,636
Water plant and lines	4,796,427	241,712	-	5,038,139
Sewer plant and lines	7,489,730	425,742	-	7,915,472
Total accumulated depreciation	<u>13,860,044</u>	<u>751,203</u>	<u>-</u>	<u>14,611,247</u>
Total assets being depreciated, net	<u>14,098,877</u>			<u>14,255,505</u>
Business-type activity capital assets, net	<u>\$ 14,101,933</u>			<u>\$ 14,378,522</u>

Notes to the Financial Statements (continued)

B. Liabilities:

1. Pension Plan Obligations:

a. Local Governmental Employees' Retirement System

Plan Description. The Town and ABC Board are participating employers 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.

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town and ABC Board 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's contractually required contribution rate for the year ended June 30, 2019, was 8.25% 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 were \$163,625 for the year ended June 30, 2019. For the ABC Board, the contractually required contribution rate for the year ended June 30, 2019, was 8.25% of compensation for law enforcement officers and 7.75% for general employees. Contributions to the pension plan from the ABC Board were \$4,626 for the year ended June 30, 2019.

Refunds of Contributions – Town and ABC Board 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 and ABC Board reported a liability of \$654,766 and \$35,585 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 liability 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, 2019 (as measured at June 30, 2018), the Town's proportion was 0.02760%, which was an increase of 0.00490% from its proportion as of June 30, 2018 (as measured at June 30, 2017). At June 30, 2019 (as measured at June 30, 2018), the ABC Board's proportion was 0.00150%, which was a decrease of 0.00017% from its proportion as of June 30, 2018 (as measured at June 30, 2017).

For the year ended June 30, 2019, the Town recognized pension expense of \$192,918. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 101,691	\$ 3,390
Changes of assumptions	173,750	
Net difference between projected and actual earnings on pension plan investments	89,880	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	51,548	10,320
Town contributions subsequent to the measurement date	163,625	-
Total	<u>\$ 580,494</u>	<u>\$ 13,710</u>

\$163,625 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset 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	\$ 184,190
2021	122,911
2022	30,560
2023	64,922
	<u>\$ 402,584</u>

For the year ended June 30, 2019, the ABC Board recognized pension expense of \$9,061. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,490	\$ 184
Changes of assumptions	9,443	
Net difference between projected and actual earnings on pension plan investments	4,885	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	796	2,296
Town contributions subsequent to the measurement date	4,626	-
Total	<u>\$ 25,240</u>	<u>\$ 2,480</u>

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

\$4,626, reported as deferred outflows of resources related to pensions resulting from ABC Board contributions subsequent to the measurement date will be recognized as an increase of the net pension asset 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	\$	9,132
2021		5,977
2022		717
2023		2,308
	\$	<u>18,134</u>

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 percent
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan actuary currently uses mortality rates based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table 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 as of 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.

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 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 and ABC Board's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town and ABC Board's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town and ABC Board'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)	\$ 1,572,806	\$ 654,766	\$ (112,362)
ABC Board's proportionate share of the net pension liability (asset)	\$ 85,479	\$ 35,585	\$ (6,107)

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

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 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% 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 GS 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	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>21</u>
	23

A separate report was not issued for the plan.

2. Summary of significant accounting policies:

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

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

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, 2017 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.

Notes to the Financial Statements (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

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

3. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$14,040 as benefits came due 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 \$211,377. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$53,489

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 57,867	\$ -
Changes of assumptions	21,752	23,099
Benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 79,619</u>	<u>\$ 23,099</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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Notes to the Financial Statements (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

Year ended June 30:	Deferred Outflow of Resources	Deferred Inflow of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2020	\$ 18,375	\$ 5,467	\$ 12,908
2021	18,375	5,467	12,908
2022	18,375	5,467	12,908
2023	16,167	3,977	12,190
2024	8,327	3,721	5,606

\$0 paid as benefits came due and \$0 of administrative expenses 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 3.64percent, 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 (4.64percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 227,212	\$ 211,377	\$ 196,668

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

	2019	2018
Beginning balance	\$ 134,701	\$ 61,438
Service Cost	24,226	19,914
Interest on the total pension liability	16,355	17,208
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	64,572	7,006
Changes of assumptions or other inputs	(21,096)	33,542
Benefit payments	(7,381)	(4,407)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 211,377</u>	<u>\$ 134,701</u>

Notes to the Financial Statements (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

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 as of 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	\$ 192,918	\$ 53,489	\$ 246,407
Pension Liability	654,766	211,377	866,143
Proportionate share of the net pension liability	0.02260%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	101,691	57,867	159,558
Changes of assumptions	173,750	21,752	195,502
Net difference between projected and actual earnings on plan investments	89,880	-	89,880
Changes in proportion and differences between contributions and proportionate share of contributions	51,548	-	51,548
Benefit payments and administrative costs paid subsequent to the measurement date	163,625	-	163,625
Deferred of Inflows of Resources			
Differences between expected and actual experience	3,390	-	3,390
Changes of assumptions	-	23,099	23,099
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	10,320	-	10,320

c. Supplemental Retirement Income Plan for Law Enforcement Officers and Others

Plan Description. The Town and ABC Board 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 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

Notes to the Financial Statements (continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers and Others (cont)

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. 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 GS Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town also provided this same benefit to other eligible employees beginning as of July 1, 1998.

The Town and ABC Board made contributions of \$79,982 and \$4,000, respectively, for the reporting year. No amounts were forfeited.

d. Firefighter's and Rescue Squad Workers' Pension Fund

Plan description. The State of North Carolina contributes, on behalf of the Town of Mocksville, to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of GS Chapter 58 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 Firefighter's and Rescue Workers' Pension Fund 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 of the fund. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute \$15 per month to the fund. The State, a nonemployer contributor, funds the plan through appropriations. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

e. Other Post-Employment Benefits

Plan Description: Under the terms of a Town resolution, the Town provides for a health care benefit plan for those who leave service with thirty years of qualified service with the state retirement system with the Town. The Town pays for the full cost of these benefits through private insurers. The Town Commissioners may amend the plan.

As of June 30, 2017, membership in the plan consisted of the following:

Retirees	4
Terminated plan members entitled to but not receiving benefits	0
Active plan members	<u>45</u>
Total	49

Notes to the Financial Statements (continued)

e. Other Post-Employment Benefits (cont)

Total OPEB Liability

The Town's total OPEB liability of \$666,085 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 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	2.5 percent
Salary increases	3.5 -7.75 percent, average, including inflation
Discount rate	3.89 percent
Healthcare cost trend rates	7.5% for 2017 decreasing to an ultimate rate of 5.00% by 2023

The discount rate used the TOL was based on the June average of the Bond Buyer General Obligation 20 Year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 7-1-18	\$ 634,093
Changes for the year	
Service cost	129,339
Interest	82,536
Changes of benefit terms	-
Differences between expected and actual experience	4,975
Changes in assumptions or other inputs	(147,323)
Benefit payments	(37,535)
Net changes	<u>31,992</u>
Balance at 6-30-19	<u>\$ 666,085</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study as of December 2014.

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 (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

Notes to the Financial Statements (continued)

e. Other Post-Employment Benefits (cont)

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	\$ 548,964	\$ 666,085	\$ 821,628

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 \$186,552. 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	\$ -	\$ 3,658
Changes of assumptions	-	348,585
Benefit payments and administrative costs made subsequent to the measurement date	-	
Total	\$ -	\$ 352,243

\$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:

2020	\$ 50,415
2021	50,415
2022	50,415
2023	50,415
Thereafter	69,653

Notes to the Financial Statements (continued)

2. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources are comprised of the following:

Source	Amount
Deferred outflows for pensions	\$660,113
Total	<u>\$660,113</u>

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

Source	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable	\$0	\$64,212
Deferred inflows for OPEB	\$352,243	
Deferred inflows for pensions	36,809	0
Total	<u>\$389,052</u>	<u>\$64,212</u>

3. Commitments

The Town had the following outstanding commitments at June 30, 2019:

	Comitment	Expended	Balance
Dutchman Creek WWTP Renovations	\$ 4,000,000	\$ 76,571	\$ 3,923,429

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft or 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 \$2 million per occurrence, property coverage up to \$12,684,321 per building per occurrence, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability and auto liability in excess of \$500,000, up to \$500,000 for property, and \$250,000 up to \$5 million for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit of \$1,000,000 for the aggregate losses in a single year. After the property pool has paid out \$1,000,000, then the pool will be liable for a \$10,000 per claim maintenance deductible on future property losses for that year. The remainder of each claim will be borne by the reinsurer.

Notes to the Financial Statements (continued)

4. Risk Management (continued)

The Town carries commercial coverage for all other risks of loss. The Town has had no claims during this year or the prior two years.

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 are bonded under a blanket bond of \$25,000. The finance officer for the TDA was individually bonded for \$50,000 in the TDA name. In accordance with GS18B-700(i) and GS 18B-803(b), each Board member and employees designated as general manager and finance officer are bonded in the amount of \$50,000.

5. Long-Term Obligations

b. Long-term Debt

The Town had the following obligations outstanding at June 30, 2019:

USDA Rural Economic Development Loan (thru EnergyUnited EMC) \$1,000,000 at 0% interest dated 11-10-15; annual payments of \$100,000 due for 10 years

Future maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 100,000	\$ -	\$ 100,000
2021	100,000	-	100,000
2022	100,000	-	100,000
2023	100,000	-	100,000
2024	100,000	-	100,000
thereafter	200,000	-	200,000
	<u>\$ 700,000</u>	<u>\$ -</u>	<u>\$ 700,000</u>

BB&T, original amount of \$585,000 dated 8-28-17, annual payments of \$125,159 including interest at 2.29% of \$23,284 beginning 8-28-18.

Future maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 118,437	\$ 6,722	\$ 125,159
2021	116,940	8,219	125,159
2022	119,618	5,541	125,159
2023	116,749	2,802	119,551
	<u>\$ 471,744</u>	<u>\$ 23,284</u>	<u>\$ 495,028</u>

At June 30, 2019, the Town had no bonds authorized but unissued and a legal debt margin of \$73,733,021.

Notes to the Financial Statements (continued)

b. Changes in Long-term Liabilities

	Balance			Balance	Current Portion
	June 30, 2018	Increases	Decreases	June 30, 2019	of Balance
Governmental activities:					
Separation allowance	\$ 134,701	\$ 76,676	\$ -	\$ 211,377	\$ -
OPEB obligation	517,471	27,763	-	545,234	-
USDA - EnergyUnited	800,000	-	100,000	700,000	100,000
BBT - Fire truck	585,000	-	113,256	471,744	118,437
Pension liability	294,117	274,091	-	568,208	-
Accrued Vacation	98,866	32,472	-	131,338	-
	<u>2,430,155</u>	<u>411,002</u>	<u>213,256</u>	<u>2,627,901</u>	<u>218,437</u>
Business-type activities					
OPEB obligation	116,622	4,229	-	120,851	-
Pension liability	52,676	33,881	-	86,557	-
Accrued Vacation	26,088	2,527	-	28,615	-
	<u>\$ 195,386</u>	<u>\$ 40,637</u>	<u>\$ -</u>	<u>\$ 236,023</u>	<u>\$ -</u>

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

C. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2019 is as follows:

Due to/from other funds:

To	General Fund	\$1,204,477
From	Water and Sewer Fund	1,204,477

These interfund loans were used to fund enterprise capital projects. The Board and management has adopted a repayment schedule of \$50,000 during the current year and each subsequent year.

There were no transfers during the current year.

D. On-Behalf of Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2019, the Town of Mocksville has recognized on-behalf of payments for pension contributions made by the State as a revenue and expenditure of \$12,725 for thirty-five volunteer firemen who perform firefighting duties for the Town's fire department. The volunteers elected to be members of the Firemen and Rescue Worker's Pension fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$15 monthly contribution paid by the Town, investment income, and State appropriation.

Notes to the Financial Statements (continued)

E. Construction Commitments

The Town has active construction projects as of June 30, 2019. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to date</u>	<u>Remaining</u>
Dutchman's Creek WWTP renovations	\$76,571	\$3,923,429

F. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 6,566,460	\$ 14,378,522
less: long-term debt	471,744	-
add: unexpended debt proceeds	-	-
Net investment in capital assets	<u>\$ 6,094,716</u>	<u>\$ 14,378,522</u>

G. Fund Balance

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

<u>Total fund balance - General Fund</u>	<u>\$ 6,903,740</u>
Less:	
Stabilization by State Statute	1,516,327
Streets	189
USDA REDLG	700,000
Assigned for subsequent years expenditures	<u>500,000</u>
Remaining Fund Balance	<u>\$ 4,187,224</u>

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

<u>Encumbrances</u>	<u>General Fund</u>	<u>Non-Major Funds</u>
	\$0	

IV. 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 moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Notes to the Financial Statements (continued)

IV. Summary Disclosure of Significant Contingencies (continued)

Other contingencies

The Town had been the defendant in an on-going case concerning wrongful dismissal of three policemen. The case was settled as of March 7, 2019 with no appeals.

V. Significant Effects of Subsequent Events

Subsequent events occurring after the statement of financial position date have been evaluated through October 17, 2019, which is the date the financial statements were available to be issued. There were no subsequent events that came to our attention after the audit that would have a significant effect on the Town.

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

Total OPEB liability	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 634,093	\$ 703,755	\$ 638,066
Service Cost	129,339	146,575	132,792
Interest on total pension liability	82,536	72,056	68,142
Differences between expected and actual experience in the measurement of the total pension liability	4,975	(4,872)	-
Changes of assumptions or other inputs	(147,323)	(257,611)	(135,245)
Benefit payments	(37,535)	(25,810)	-
Other changes	-	-	-
Ending balance of the total OPEB liability	<u>\$ 666,085</u>	<u>\$ 634,093</u>	<u>\$ 703,755</u>
 Covered payroll	 \$ 1,426,205	 \$ 1,426,205	 \$ 1,426,205
Total OPEB liability as a percentage of covered payroll	46.70%	44.46%	44.46%

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2019	3.89%
2018	3.65%

Town of Mocksville, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2019

Schedule of Changes in Total Pension Liability

	2019	2018	2017
Beginning balance	\$ 134,701	\$ 61,438	\$ 49,797
Service Cost	24,226	19,914	20,984
Interest on total pension liability	16,355	17,208	15,335
Differences between expected and actual experience in the measurement of the total pension liability	64,572	7,006	-
Changes of assumptions or other inputs	(21,096)	33,542	(11,054)
Benefit payments	(7,381)	(4,407)	(13,624)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 211,377</u>	<u>\$ 134,701</u>	<u>\$ 61,438</u>

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll

	2019	2018	2017
Total pension liability	\$ 211,377	\$ 134,701	\$ 61,438
Covered payroll	979,236	959,561	943,400
Total pension liability as a percentage of covered payroll	21.59%	14.04%	6.51%

Notes to the schedules:

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

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

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 163,625	\$ 157,114	\$ 120,005	\$ 125,197	\$ 119,877	\$ 116,914
Contributions in relation to the contractually required contribution	163,625	157,114	120,005	125,197	119,877	116,914
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mocksville's covered-employee payroll	\$ 2,001,178	\$ 1,977,555	\$ 1,558,023	\$ 1,818,863	\$ 1,710,303	\$ 1,667,644
Contributions as a percentage of covered-employee payroll	8.18%	7.94%	7.70%	6.88%	7.01%	7.01%

Town of Mocksville's Proportionate Share of Net Pension Liability (Asset)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Mocksville's proportion of the net pension liability (asset) (%)	0.02760%	0.02270%	0.02616%	0.02918%	0.02898%	0.02980%
Mocksville's proportion of the net pension liability (asset) (\$)	\$ 654,766	\$ 346,793	\$ 555,203	\$ 130,959	\$ (170,908)	\$ 350,204
Mocksville's covered-employee payroll*	\$1,977,555	\$1,558,023	\$1,818,863	\$1,710,303	\$1,667,644	\$1,729,656
Mocksville's proportionate share of the net pension liability (asset) as a percentage	33.11%	22.26%	30.52%	7.66%	(10.25%)	20.25%
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 Mocksville, North Carolina
General Fund
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2018</u>
Revenues:				
Ad valorem taxes (net of refunds):				
Taxes		\$ 2,740,814		\$ 2,691,875
Penalties and interest		17,323		9,279
	<u>\$ 2,797,800</u>	<u>2,758,137</u>	<u>\$ (39,663)</u>	<u>2,701,154</u>
Other taxes and licenses:				
Local option sales tax		1,249,765		1,222,158
	<u>1,150,000</u>	<u>1,249,765</u>	<u>99,765</u>	<u>1,222,158</u>
Unrestricted intergovernmental revenues				
Utilities franchise tax		490,797		478,673
ABC distribution		2,000		-
Beer and wine tax		23,644		23,484
	<u>489,000</u>	<u>516,441</u>	<u>27,441</u>	<u>502,157</u>
Restricted intergovernmental revenues:				
Powell Bill allocation		158,769		160,698
Investment earnings - Powell Bill		138		65
On behalf payments - Fire		12,725		14,515
Restricted grants		182,459		-
Contributions from Davie County				
Rural fire protection		410,237		481,329
Fire and Police grant		4,887		1,124
CDC Davie County		-		-
	<u>628,100</u>	<u>769,215</u>	<u>141,115</u>	<u>657,730</u>
Permits and fees:				
Officer fees		1,587		1,435
Other fees		-		-
	<u>1,500</u>	<u>1,587</u>	<u>87</u>	<u>1,435</u>
Sales and services:				
Sale of fixed assets		20,000		8,000
Recreation fees		10,980		7,040
Cemetery fees		30,700		28,800
Landfill and other fees		137,862		84,447
	<u>187,500</u>	<u>199,542</u>	<u>12,042</u>	<u>128,287</u>

Town of Mocksville, North Carolina
General Fund (Continued)
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	Budget	Actual	Variance Favorable (Unfavorable)	Actual Year ended June 30, 2018
Revenues(continued):				
Investment earnings	\$ 14,500	\$ 18,004	\$ 3,504	\$ 8,774
Other revenues:				
Insurance proceeds		-		-
Miscellaneous		18,162		27,773
	73,000	18,162	(54,838)	27,773
Total revenues	5,341,400	5,530,854	189,454	5,249,468
Expenditures				
General government:				
Governing body:				
Salaries and employee benefits		39,615		40,665
Capital outlay		7,835		-
Other operating expenses		2,690		11,198
	56,000	50,140	5,860	51,863
Administration:				
Salaries and employee benefits		373,270		352,866
Other operating expenses		169,528		201,344
Davie County - IT and telephones		23,822		23,158
Professional		23,184		59,509
Capital outlay		16,375		-
	617,050	606,178	10,872	636,876
Administration: - other				
Administrative fees to Enterprise Funds		85,000		352,866
Insurance		162,604		201,344
Legal fees		93,392		23,158
Technology contracts		42,564		59,509
Other		1,700		-
	400,100	385,260	14,840	636,876
Parks and maintenance:				
Salaries and employee benefits		267,913		203,003
Other operating expenses		139,332		141,652
Capital outlay		295,805		507,082
	792,000	703,050	88,950	851,737
Total general government	1,865,150	1,744,628	120,522	1,540,477

Town of Mocksville, North Carolina
General Fund (Continued)
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2018</u>
Expenditures (continued):				
Economic development:				
Incentives		\$ 66,451		\$ 66,451
Special projects - capital outlay		-		212,040
Special projects		163,126		138,732
	<u>\$ 290,076</u>	<u>229,577</u>	<u>\$ 60,499</u>	<u>417,223</u>
Public safety:				
Police:				
Salaries and employee benefits		1,516,564		1,542,326
Vehicle maintenance and supplies		41,769		55,373
Communications		57,289		56,732
Other operating expenses		184,392		302,507
Capital outlay		62,209		55,716
	<u>1,872,200</u>	<u>1,862,223</u>	<u>9,977</u>	<u>2,012,654</u>
Fire:				
Salaries and employee benefits		194,472		169,119
On-behalf payments		12,725		14,515
Vehicle maintenance and supplies		26,619		23,974
Other operating expenses		125,835		294,115
Capital outlay		667,288		22,827
	<u>1,043,562</u>	<u>1,026,939</u>	<u>16,623</u>	<u>524,549</u>
Total public safety	<u>2,915,762</u>	<u>2,889,162</u>	<u>26,600</u>	<u>2,537,204</u>
Transportation:				
Streets and highways:				
Salaries and employee benefits		177,868		168,822
Other operating expenses		272,896		271,847
Street / sidewalk paving repairs		259,644		202,397
Powell Bill expenditures - repairs		158,760		160,762
- Capital outlay		-		-
Capital outlay:				
Equipment		29,510		-
Road improvements - Quality Drive		106,125		-
	<u>1,080,300</u>	<u>1,004,802</u>	<u>75,498</u>	<u>803,828</u>

Town of Mocksville, North Carolina
General Fund (Continued)
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2018</u>
Expenditures (continued):				
Environmental protection:				
Zoning and planning:				
Other operating expenses		\$ 8,368		\$ 7,357
Contracted services		43,650		85,355
	\$ 61,800	52,018	\$ 9,782	92,712
Sanitation:				
Landfill fees		59,030		43,985
Contracted services		172,768		169,112
	233,000	231,798	1,202	213,097
Total environmental protection	294,800	283,816	10,984	305,809
Cultural development:				
Salaries and employee benefits		75,420		59,078
Other operating expenses		63,141		55,290
Capital outlay		-		-
	140,000	138,562	1,438	114,367
Contributions:				
County library		43,500		39,150
County Arts Council		27,000		24,300
	75,000	70,500	4,500	63,450
Total cultural and recreational	215,000	209,062	5,938	177,817
Debt service:				
Principal retirement		213,256		100,000
Interest		17,491		-
	240,000	230,747	9,253	100,000
Total debt service				
Total expenditures	6,901,088	6,591,794	309,294	5,882,359
Revenues over (under) expenditures	(1,559,688)	(1,060,940)	498,748	(632,891)

Town of Mocksville, North Carolina
General Fund (Continued)
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2018</u>
Other financing sources (uses):				
Fund balance appropriated	\$ 1,559,688	\$ -	\$ (1,559,688)	\$ -
Operating transfers to (from)				
Capital projects fund - to	-	-	-	-
Loan proceeds	-	-	-	585,000
Water and sewer fund	-	-	-	-
	<u>1,559,688</u>	<u>-</u>	<u>(1,559,688)</u>	<u>585,000</u>
Total other financing sources (uses)				
	<u>1,559,688</u>	<u>-</u>	<u>(1,559,688)</u>	<u>585,000</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(1,060,940)</u>	<u>\$ (1,060,940)</u>	<u>(47,891)</u>
Fund balance:				
Beginning of year, July 1		<u>7,964,680</u>		<u>8,012,571</u>
End of year, June 30		<u>\$ 6,903,740</u>		<u>\$ 7,964,680</u>

Town of Mocksville, North Carolina
Water and Sewer Fund
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2018</u>
Revenues:				
Operating revenues:				
Water charges	\$ 1,475,000	\$ 1,233,636	\$ (241,364)	\$ 1,264,754
Sewer charges	1,425,000	1,347,158	(77,842)	1,372,443
Connection fees	44,000	95,416	51,416	110,160
	<u>2,944,000</u>	<u>2,676,211</u>	<u>(267,789)</u>	<u>2,747,357</u>
Other operating revenues	<u>137,000</u>	<u>233,152</u>	<u>96,152</u>	<u>204,636</u>
Total operating revenues	<u>3,081,000</u>	<u>2,909,363</u>	<u>(171,637)</u>	<u>2,951,993</u>
Nonoperating revenues:				
Interest on investments	1,500	4,395	2,895	2,000
Sale of assets	-	-	-	29
Rental income		4,000	4,000	-
Sales tax refunds	25,500	-	(25,500)	-
	<u>27,000</u>	<u>8,395</u>	<u>(18,605)</u>	<u>2,028</u>
Other sources:				
Other grants and reimbursements	600,000	401,725	(198,275)	-
Fund balance appropriated	190,774	-	(190,774)	-
	<u>790,774</u>	<u>401,725</u>	<u>(389,049)</u>	<u>-</u>
Total revenues and other sources	<u>3,898,774</u>	<u>3,319,482</u>	<u>(579,292)</u>	<u>2,954,021</u>

Town of Mocksville, North Carolina
Water and Sewer Fund (Continued)
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2018</u>
Expenditures:				
Water operations:				
Salaries and employee benefits		\$ 210,831		\$ 227,704
Education and training		663		979
Supplies		172,788		165,429
Utilities		66,744		80,557
System maintenance		137,219		89,147
Other operating expenses		536,089		284,405
	<u>1,284,874</u>	<u>1,124,335</u>	<u>\$ 160,539</u>	<u>848,222</u>
Sewer operations:				
Salaries and employee benefits		256,242		208,308
Education and training		-		1,288
Supplies		174,149		122,643
Utilities		88,380		112,690
System maintenance		17,822		25,649
Other operating expenses		750,656		753,557
	<u>1,424,900</u>	<u>1,287,249</u>	<u>137,651</u>	<u>1,224,136</u>
Budgetary appropriations:				
Transfer to capital projects		-		-
Capital outlay and construction		951,222		659,482
Payment on debt		-		-
	<u>1,189,000</u>	<u>951,222</u>	<u>237,778</u>	<u>659,482</u>
Total expenditures	<u>3,898,774</u>	<u>3,362,806</u>	<u>535,968</u>	<u>2,731,840</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (43,324)</u>	<u>\$ (43,324)</u>	<u>\$ 222,182</u>

Town of Mocksville, North Carolina
Water and Sewer Fund (Continued)
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

Reconciliation from budgetary basis (modified accrual) to full accrual basis:

	<u>2019</u>	<u>2018</u>
Revenues over expenditures	\$ (43,324)	\$ 222,182
Reconciling items:		
Budgetary appropriations excluding transfers	951,222	659,482
(Increase) decrease in accrued vacation pay	(2,528)	(7,517)
Depreciation	(751,203)	(716,864)
Increase (decrease) in inventory - not capitalized	(1,005)	(6,443)
Pension (expense) credit	13,781	(10,042)
OPEB expense	<u>(20,703)</u>	<u>(19,358)</u>
Total reconciling items	<u>189,564</u>	<u>(100,742)</u>
Net change in net position	<u><u>\$ 146,240</u></u>	<u><u>\$ 121,440</u></u>

Town of Mocksville, North Carolina
Water and Sewer Capital Projects Fund
Dutchman's Creek WWTP Renovations
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From inception and for the fiscal year ended June 30, 2019

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental					
SRF Loans	\$ 3,927,400	\$ -	\$ -	\$ -	\$ (3,927,400)
Other revenues:					
Other contributions	-	-	-	-	-
Total revenues	3,927,400	-	-	-	(3,927,400)
Expenditures:					
Construction	3,325,000	-	-	-	3,325,000
Planning and design	248,650	-	-	-	248,650
Engineering	150,000	-	76,571	76,571	73,429
Contingency	163,750	-	-	-	163,750
Legal fees	40,000	-	-	-	40,000
Closing costs	72,600	-	-	-	72,600
Total	4,000,000	-	76,571	76,571	3,923,429
Revenues over expenditures	(72,600)	-	(76,571)	(76,571)	(3,971)
Other financing sources:					
Operating fund - Sewer	72,600	-	-	-	(72,600)
Total other financing sources	72,600	-	-	-	(72,600)
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ (76,571)	\$ (76,571)	\$ (76,571)

Town of Mocksville, North Carolina
Schedule of Changes in Ad Valorem Taxes Receivable
For the Year Ended June 30, 2019

<u>Year of Levy</u>	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Balance June 30, 2019</u>
2019		\$ 2,780,851	\$ 2,751,646	\$ 29,205
2018	\$ 29,173		18,756	10,417
2017	10,284		5,437	4,847
2016	6,424		2,180	4,244
2015	3,628		697	2,931
2014	3,074		251	2,823
2013	1,355		126	1,229
2012	3,654		401	3,253
2011	4,051		126	3,925
2010	4,149		2,811	1,338
2009	4,943		4,943	-
2008	837		837	-
2007 and prior	4,649		4,649	-
	<u>\$ 76,221</u>	<u>\$ 2,780,851</u>	<u>\$ 2,792,860</u>	
Ad Valorem Taxes Receivable - Net				<u>\$ 64,212</u>
Reconciliation with Revenues:				
Tax - Ad Valorem				\$ 2,740,814
Other Adjustments				<u>52,046</u>
Total collections and credits				<u>\$ 2,792,860</u>

Town of Mocksville, North Carolina
Analysis of Current Tax Levy
For the Year Ended June 30, 2019

				<u>Total Levy</u>	
	<u>Property</u>	<u>Rate</u>	<u>Total</u>	<u>Property</u>	<u>Registered</u>
	<u>Valuation</u>		<u>Levy</u>	<u>excluding</u>	<u>Motor</u>
				<u>Registered</u>	<u>Motor</u>
				<u>Motor</u>	<u>Vehicles</u>
				<u>Vehicles</u>	<u>Vehicles</u>
Tax Levy - Town Wide	\$ 886,004,483	\$ 0.29	\$ 2,569,413	\$ 2,438,589	\$ 130,824
Discoveries	36,392,759		105,539	105,539	-
Abatements and Releases	<u>(734,483)</u>		<u>(2,130)</u>	<u>(2,130)</u>	<u>-</u>
Total for Year	<u>\$ 921,662,759</u>		2,672,822	2,541,998	130,824
Less, Uncollected Tax at June 30, 2019			<u>29,205</u>	<u>29,205</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 2,643,617</u>	<u>\$ 2,512,793</u>	<u>\$ 130,824</u>
Percent Current Year Collected			98.91%	98.85%	100.00%

Town of Mocksville, North Carolina
Ten Largest Taxpayers
For the Fiscal Year Ended June 30, 2019

<u>Name</u>	<u>Property Value</u>	<u>Tax Levy</u>	<u>Percentage of Total Assessed Valuation</u>
Gildan Yarns	\$ 107,301,307	\$ 311,174	11.64%
Avgol	103,294,292	299,553	11.21%
Ingersol Rand	59,697,723	173,123	6.48%
House of Raeford Farms	24,252,962	70,334	2.63%
Cpp Global	19,901,330	57,714	2.16%
VF Jeanswear	17,218,910	49,935	1.87%
Walmart	9,202,317	26,687	1.00%
Duke Energy	8,990,755	26,073	0.98%
Time Warner	7,724,641	22,401	0.84%
Lowes	7,344,480	21,299	0.80%
	<u>\$ 364,928,717</u>	<u>\$ 1,058,293</u>	<u>39.59%</u>

EDDIE CARRICK, CPA, PC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Town Council
Town of Mocksville, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Mocksville, 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 of Mocksville, North Carolina's basic financial statements, and have issued our report thereon dated October 17, 2019. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of Mocksville Tourism Development Authority were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Mocksville Tourism Development Authority. We did not audit the financial statements of the Mocksville - Cooleemee ABC Board. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mocksville -Cooleemee ABC Board, is based solely on the report of another auditor.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Mocksville'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 Mocksville's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Mocksville'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 internal control was for the 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 Mocksville'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 matters 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 results 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.



Eddie Carrick, CPA, PC
Lexington, North Carolina

October 17, 2019

Member of the American Institute
of Certified Public Accountants