



**Darrell L. Keller, CPA, PA**

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**TOWN OF MOORESBORO, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

**(704) 739-0771**

**Town of Mooresboro, North Carolina**  
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**June 30, 2019**

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## **FINANCIAL SECTION**

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**INDEPENDENT AUDITOR'S REPORT**

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To the Mayor and Town Council  
Town of Mooresboro  
Mooresboro, North Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Town of Mooresboro, North Carolina as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Town of Mooresboro, North Carolina, as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

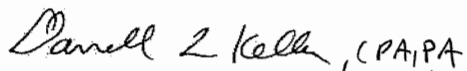
### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–10 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 my 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 Mooresboro, North Carolina's basic financial statements. The individual fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Darrell L. Keller, CPA, PA  
Kings Mountain, North Carolina  
December 22, 2019

## **Town of Mooresboro Management's Discussion and Analysis**

As management of the Town of Mooresboro, we offer readers of the Town of Mooresboro's financial statements this narrative overview and analysis of the financial activities of the Town of Mooresboro 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 Mooresboro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$327,954 (*net position*).
- The government's total net position decreased by \$6,436.
- As of the close of the current fiscal year, the Town of Mooresboro's governmental fund reported ending fund balance of \$212,106 an increase of \$273 in comparison with the prior year. \$206,623 of this total amount is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$206,623, or 592.06 percent of total general fund expenditures for the fiscal year.

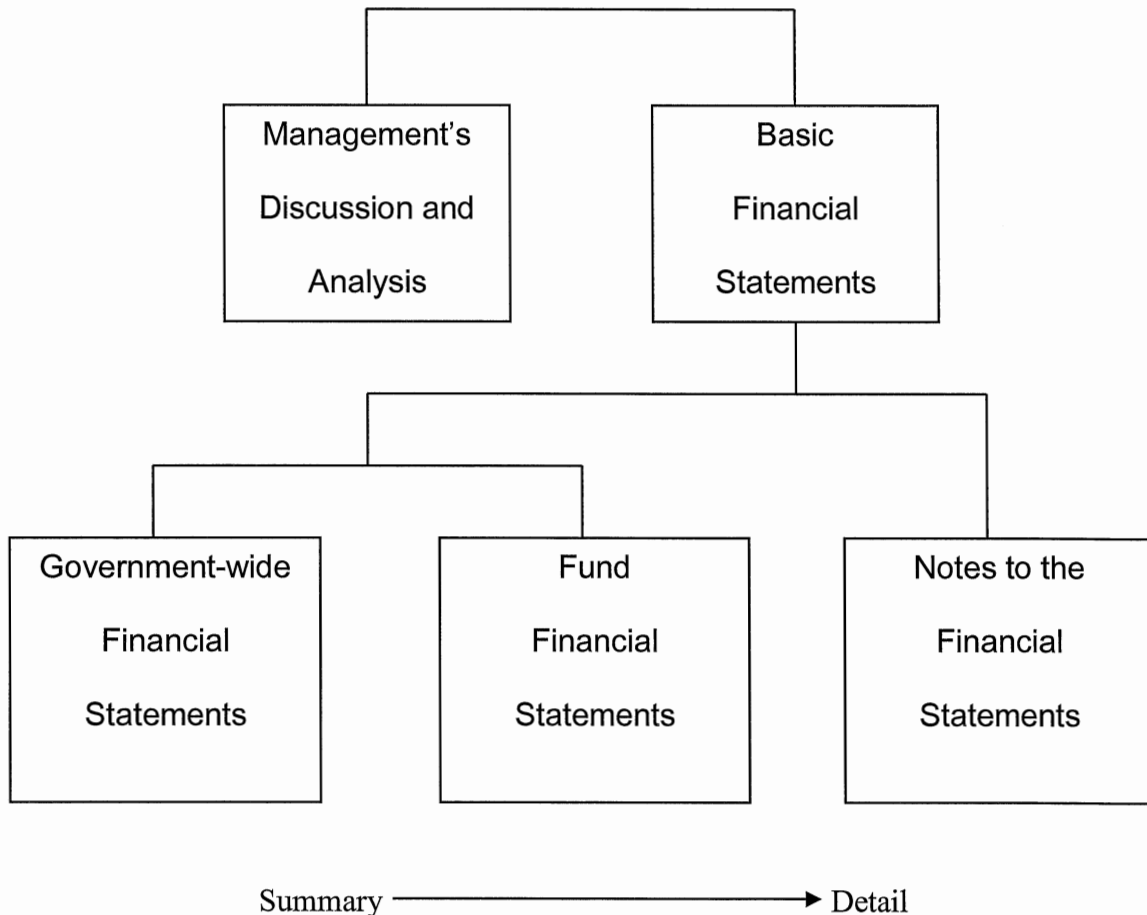
### **Overview of the Financial Statements**

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

Town of Mooresboro  
Management Discussion and Analysis

**Required Components of Annual Financial Report**

**Figure 1**



**Basic Financial Statements**

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

The next statements (Exhibits 3 through 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

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

Town of Mooresboro  
Management Discussion and Analysis

### **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 gage the Town's financial condition.

The government-wide statements present one category: governmental activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. State and federal grant funds finance most of these activities.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

### **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Mooresboro, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. The Town of Mooresboro operates only one fund, the governmental fund.

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



Town of Mooresboro  
Management Discussion and Analysis

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 17 of this report.

**Interdependence with Other Entities** – The Town depends on financial resources flowing from, or associated with, 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 State laws and State appropriations.

Town of Mooresboro  
Management Discussion and Analysis

**Government Wide Financial Analysis**

**Town of Mooresboro's Net Position**

**Figure 2**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Current and other assets	\$ 215,883	\$ 214,925
Capital assets	115,848	122,557
Total assets	331,731	337,482
Long-term liabilities outstanding	-	-
Other liabilities	3,777	3,092
Total liabilities	3,777	3,092
Net position:		
Net investment in capital assets	115,848	122,557
Restricted	5,483	6,027
Unrestricted	206,623	205,806
Total net position	\$ 327,954	\$ 334,390

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 the Town of Mooresboro exceeded liabilities and deferred inflows by \$327,954 as of June 30, 2019. The Town's net position decreased by \$6,436 for the fiscal year ended June 30, 2019. However, (35.32%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Mooresboro uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Mooresboro's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Mooresboro's net position, \$5,483, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$206,623 is unrestricted.

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

- The Town does not levy property tax nor receive Powell Bill funds.
- The Town adopted a balanced budget for the current year.
- The Town did not have any capital outlay in the current year.

Town of Mooresboro  
Management Discussion and Analysis

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

		Governmental Activities	
		2019	2018
Revenues:			
Program revenues:			
Operating grants and contributions	\$	5,125	\$ 5,125
General revenues:			
Other taxes		26,128	27,730
Unrestricted investment earnings		870	412
Sale of capital asset		-	-
Other		3,049	4,444
Total revenues		<u>35,172</u>	<u>37,711</u>
Expenses:			
General government		32,945	37,802
Culture and recreation		8,663	7,636
Total expenses		<u>41,608</u>	<u>45,438</u>
Decrease in net position		(6,436)	(7,727)
Net position, July 1		<u>334,390</u>	<u>342,117</u>
Net position, June 30	\$	<u>327,954</u>	\$ <u>334,390</u>

Governmental activities. Governmental activities decreased the Town's net position by \$6,436.

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

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

**Governmental Funds.** The focus of the Town of Mooresboro's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Mooresboro's financing requirements.

The general fund is the chief operating fund of the Town of Mooresboro. At the end of the current fiscal year, Town of Mooresboro's fund balance available in the General Fund was \$206,623 while total fund balance reached \$212,106. The governing body of Town of Mooresboro has determined that the Town should maintain an available fund balance of 8% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 592.06% of general fund expenditures, while total fund balance represents 607.77% of the same amount.

Town of Mooresboro  
Management Discussion and Analysis

**General Fund Budgetary Highlights:** During the fiscal year, the Town did not revise 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.

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Mooresboro's investment in capital assets for its governmental activities as of June 30, 2019, totals \$115,848 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and park facilities.

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

**Figure 4**

	Governmental Activities	
	2019	2018
Land	\$ 25,000	\$ 25,000
Buildings and system	84,239	88,369
Improvements other than buildings	6,609	8,902
Machinery and equipment	-	286
Infrastructure	-	-
Total	<u>\$ 115,848</u>	<u>\$ 122,557</u>

Additional information on the Town's capital assets can be found in note III. A. 2 of the Basic Financial Statements.

Town of Mooresboro  
Management Discussion and Analysis

**Long-term Debt.** As of June 30, 2019, the Town of Mooresboro has no outstanding debt.

**Town of Mooresboro's Outstanding Debt**

**General Obligation and Revenue Bonds**

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The Town does not levy property taxes and therefore has no legal debt margin.

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

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

- Low unemployment. The Town of Mooresboro unemployment rate is well below the State average.

**Budget Highlights for the Fiscal Year Ending June 30, 2019**

**Governmental Activities:**

Budgeted expenditures in the General Fund are expected to remain consistent.

Budgeted revenues in the General Fund are expected to remain consistent.

**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 Mayor, Town of Mooresboro, P.O. Box 355 Mooresboro, North Carolina 28114.

## **Basic Financial Statements**

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

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 172,542
Certificates of deposit	37,858
Due from other governments	5,483
Prepaid items	-
Total current assets	<u>215,883</u>
Capital assets (Note 1):	
Land, non-depreciable improvements, and construction in progress	25,000
Other capital assets, net of depreciation	90,848
Total capital assets	<u>115,848</u>
Total assets	<u>\$ 331,731</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 3,777
Due to other funds	-
Total liabilities	<u>3,777</u>
<b>NET POSITION</b>	
Net investment in capital assets	115,848
Restricted for:	
Stabilization by State Statute	5,483
Unrestricted	206,623
Total net position	<u>\$ 327,954</u>

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

Exhibit 2

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

Functions/Programs	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
				Primary Government
				Total Governmental Activities
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 32,945	\$ -	\$ -	\$ (32,945)
Cultural and recreation	8,663	5,125	-	(3,538)
Total governmental activities				
(See Note 1)	\$ 41,608	\$ 5,125	\$ -	(36,483)

General revenues:

Taxes:	
Other taxes	26,128
Unrestricted investment earnings	870
Miscellaneous	3,049
Total general revenues and transfers	30,047
Change in net position	(6,436)
Net position, beginning	334,390
Net position, ending	\$ 327,954

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



Exhibit 3

Town of Mooresboro  
Balance Sheet  
Governmental Funds  
June 30, 2019

**ASSETS**

	General	Total Governmental Funds
Cash and cash equivalents	\$ 172,542	\$ 172,542
Certificates of deposit	37,858	37,858
Receivables, net:		
Accounts	-	-
Due from other governments	5,483	5,483
Prepaid items	-	-
Total assets	<u>\$ 215,883</u>	<u>\$ 215,883</u>

**LIABILITIES AND FUND BALANCES**

Liabilities:

Accounts payable and accrued liabilities	\$ 3,777	\$ 3,777
Total liabilities	<u>3,777</u>	<u>3,777</u>

Fund balances:

Nonspendable		
Prepaid items	-	-
Restricted		
Stabilization by State statute	5,483	5,483
Assigned		
Subsequent year's expenditures	-	-
Unassigned	206,623	206,623
Total fund balances	<u>212,106</u>	<u>212,106</u>
Total liabilities and fund balances	<u>\$ 215,883</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.	115,848
Liabilities for earned but unavailable revenues in fund statements.	-
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note 4).	-
Net position of governmental activities	<u>\$ 327,954</u>

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

Exhibit 4

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

	<b>Major Fund</b>		<b>Total Governmental Funds</b>
	<b>General Fund</b>		
<b>REVENUES</b>			
Other taxes and licenses	\$ 26,128	\$	26,128
Restricted intergovernmental	5,125		5,125
Investment earnings	870		870
Miscellaneous	3,049		3,049
Total revenues	<u>35,172</u>		<u>35,172</u>
<b>EXPENDITURES</b>			
Current:			
General government	29,026		29,026
Culture and recreation	5,873		5,873
Total expenditures	<u>34,899</u>		<u>34,899</u>
Excess (deficiency) of revenues over expenditures	<u>273</u>		<u>273</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sales of capital assets	-		-
Capital lease obligations issued	-		-
Total other financing sources (uses)	<u>-</u>		<u>-</u>
Net change in fund balance	273		273
Fund Balance, beginning	211,833		211,833
Fund balances, ending	<u>\$ 212,106</u>	<u>\$</u>	<u>212,106</u>

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

**Town of Mooresboro**  
**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	\$ 273
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 outlay exceeded depreciation in the current period	(6,709)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Amount of donated assets	-
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	-
Total changes in net position of governmental activities	<u>\$ (6,436)</u>

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Other taxes and licenses	24,000	24,000	26,128	2,128
Restricted intergovernmental	8,500	8,500	5,125	(3,375)
Investment earnings	10	10	870	860
Miscellaneous	7,100	7,100	3,049	(4,051)
Total revenues	39,610	39,610	35,172	(4,438)
Expenditures:				
Current:				
General government	35,510	35,510	29,026	6,484
Cultural and recreation	5,300	5,300	5,873	(573)
Total expenditures	40,810	40,810	34,899	5,911
Revenues over (under) expenditures	(1,200)	(1,200)	273	1,473
Other financing sources (uses):				
Fund Balance Appropriated	1,200	1,200	-	(1,200)
Sales of capital assets	-	-	-	-
Total other financing sources (uses)	1,200	1,200	-	(1,200)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	273	\$ 273
Fund balances, beginning			211,833	
Fund balances, ending			<u>\$ 212,106</u>	

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

**Town of Mooresboro, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Mooresboro 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 Mooresboro is a municipal corporation located in Cleveland County that is governed by an elected mayor and five-member council.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds.

The Town reports the following major governmental fund:

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are County grants, and various other taxes and licenses. The primary expenditures are for public buildings, parks and recreation, and general governmental services.

**C. Measurement Focus and Basis of Accounting**

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

*Government-wide Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses

**Town of Mooresboro, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

The Town considers all revenues available if they are collected within 90 days after year-end.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

#### D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted. During the year, no amendments were made to the original budget.

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

##### 1. Deposits and Investments

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

**Town of Mooresboro, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

The Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices.

**2. Cash and Cash Equivalents**

All cash and investments with a maturity of less than twelve months are essentially demand deposits and are considered cash and cash equivalents.

**3. Allowances for Doubtful Accounts**

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

**4. Prepaid Items**

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

**5. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are considered to be \$1,000 for all assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings	25
Improvements	15
Furniture and equipment	10
Computer equipment	3

**Town of Mooresboro, North Carolina**  
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**6. 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 no items that meet this criterion. 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 no items that meet this criterion.

**6. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities type statement of net position.

In fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The Town has no long-term debt.

**7. Net Position/Fund Balances**

**Net Position**

Net position in government-wide 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:

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

Prepaid items-portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items which are not spendable resources.



**Town of Mooresboro, North Carolina**  
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Restricted Fund Balance-This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

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

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

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the Finance Officer to modify the appropriations by resource or appropriation within funds up to \$2,500.

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

The Town of Mooresboro has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy; loan 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.

**Town of Mooresboro, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

The Town of Mooresboro has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures. Any portion of the general fund balance in excess of 8% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

## **II. Stewardship, Compliance, and Accountability**

### **A. Material Violations of Finance-Related Legal and Contractual Provisions**

#### **1. Excess of Expenditures over Appropriations**

State Statute states that before an obligation can be incurred by the unit, there must be an appropriation in the budget ordinance authorizing it. For the fiscal year ended June 30, 2019, expenditures made in the General Fund for Insurance exceeded the authorized appropriations made by the governing board. Budget amendments were not completed during the fiscal year to account for additional expenditures.

The Town will be more diligent in the future in monitoring the budget and will make amendments as needed.

## **III. Detail Notes on All Funds**

### **A. Assets**

#### **1. Deposits**

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits.

**Town of Mooresboro, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

At June 30, 2019, the Town's deposits had a carrying amount of \$172,542 and a bank balance of \$172,542. Of the bank balance, \$172,542 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2019 the Town had two certificates of deposit with a bank with 24 month maturity periods bearing interest at .9910% totaling \$37,858.

## 2. Capital Assets

### **Primary Government**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	25,000	-	-	25,000
<b>Capital assets being depreciated:</b>				
Buildings	166,238	-	-	166,238
Other improvements	82,595	-	-	82,595
Equipment	24,743	-	-	24,743
Infrastructure	-	-	-	-
Total capital assets being depreciated	273,576	-	-	273,576
<b>Less accumulated depreciation for:</b>				
Buildings	77,869	4,130	-	81,999
Other improvements	73,694	2,293	-	75,987
Equipment	24,456	286	-	24,742
Infrastructure	-	-	-	-
Total accumulated depreciation	176,019	6,709	\$ -	182,728
Total capital assets being depreciated, net	97,557			90,848
<b>Governmental activity capital assets, net</b>	<b>\$ 122,557</b>			<b>\$ 115,848</b>

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

General government	\$ 3,919
Cultural and recreation	2,790
Total depreciation	<u>\$ 6,709</u>

**Town of Mooresboro, North Carolina**  
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**For the Fiscal Year Ended June 30, 2019**

**B. Liabilities**

**1. Deferred Outflows and Inflows of Resources**

There are no deferred outflows or inflows of resources.

**2. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy. The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town does not have flood insurance. The Town does have the required \$50,000 fidelity bond on the finance officer.

**C. Fund Balance**

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

<b><u>Total fund balance-General Fund</u></b>	<b><u>\$212,106</u></b>
Less;	
Stabilization by State Statute	5,483
Nonspendable	-
Appropriated Fund Balance in 2020 budget	-
Working Capital / Fund Balance Policy	3,030
Remaining Fund Balance	203,593

The Town of Mooresboro has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures.

## Supplementary Statements

**TOWN OF MOORESBORO, NORTH CAROLINA  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEARS ENDED JUNE 30**

	2019			2018
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Revenues</b>				
Other Taxes and Licenses				
Franchise Tax	\$ 24,000	\$ 26,128	\$ 2,128	\$ 27,730
	<u>24,000</u>	<u>26,128</u>	<u>2,128</u>	<u>27,730</u>
Restricted Intergovernmental				
Cleveland County				
Recreation Grant	8,500	5,125	(3,375)	5,125
	<u>8,500</u>	<u>5,125</u>	<u>(3,375)</u>	<u>5,125</u>
Other Revenue				
Rental Fees	5,000	2,160	(2,840)	2,600
Other	2,100	889	(1,211)	1,844
Investment Earnings	10	870	860	412
	<u>7,110</u>	<u>3,919</u>	<u>(3,191)</u>	<u>4,856</u>
<b>Total Revenues</b>	<u>\$ 39,610</u>	<u>\$ 35,172</u>	<u>\$ (4,438)</u>	<u>\$ 37,711</u>

**TOWN OF MOORESBORO, NORTH CAROLINA  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEARS ENDED JUNE 30**

	2019			2018
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Expenditures</b>				
General Governments				
Professional Services	\$ 7,000	\$ 5,800	\$ 1,200	\$ 5,800
Council expense	3,500	3,389	111	3,389
Insurance	2,000	5,743	(3,743)	5,479
Town Hall	19,500	11,352	8,148	13,732
Elections	-	-	-	856
Other Operating Expenses	3,510	2,742	768	3,798
Capital Outlay	-	-	-	-
Total General Governments	<u>35,510</u>	<u>29,026</u>	<u>6,484</u>	<u>33,054</u>
Cultural and Recreation				
Operating Expenses	5,300	5,873	(573)	4,846
Capital Outlay	-	-	-	-
Total Cultural and Recreation	<u>5,300</u>	<u>5,873</u>	<u>(573)</u>	<u>4,846</u>
<b>Total Expenditures</b>	<u>40,810</u>	<u>34,899</u>	<u>5,911</u>	<u>37,900</u>
Revenue Over/(Under) Expenditures	(1,200)	273	1,473	(189)
<b>Other Financing Sources</b>				
Fund Balance Appropriated	<u>1,200</u>	<u>-</u>	<u>(1,200)</u>	<u>-</u>
<b>Revenues and Other Financing Sources Over(Under) Expenditures</b>	<u>\$ -</u>	<u>273</u>	<u>\$ 273</u>	<u>(189)</u>
<b>Fund Balance Beginning of Year</b>		<u>211,833</u>		<u>212,022</u>
<b>Fund Balance End of Year</b>		<u><u>\$ 212,106</u></u>		<u><u>\$ 211,833</u></u>