

TOWN OF VASS, NORTH CAROLINA

Basic Financial Statements for the Year Ended
June 30, 2019, Supplemental Schedules, and
Independent Auditor's Report

Town of Vass, North Carolina

Henry E. Callahan, Mayor

Commissioners

George A. Blackwell, Jr.

Alphonso Mosley

Kris Kosem

Matthew A. Callahan

Rora M. Kellis

Mabel Walden, Finance Officer

Town of Vass, North Carolina
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Financial Section

J. Singh, CPA, P.A.
Certified Public Accountant
1101 Woodland Avenue
Post Office Box 1663
Sanford, North Carolina
(919) 774-3284

Independent Auditors Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Vass, 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

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

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

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

Opinion

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Vass, North Carolina as of June 30, 2019, and the respective changes in financial position, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, and the Law Enforcement Officers' Special Separation Allowance schedule of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

J. Singh, CPA, P.A.

October 28, 2019
Sanford, NC

Management Discussion and Analysis

Management's Discussion and Analysis

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

Financial Highlights

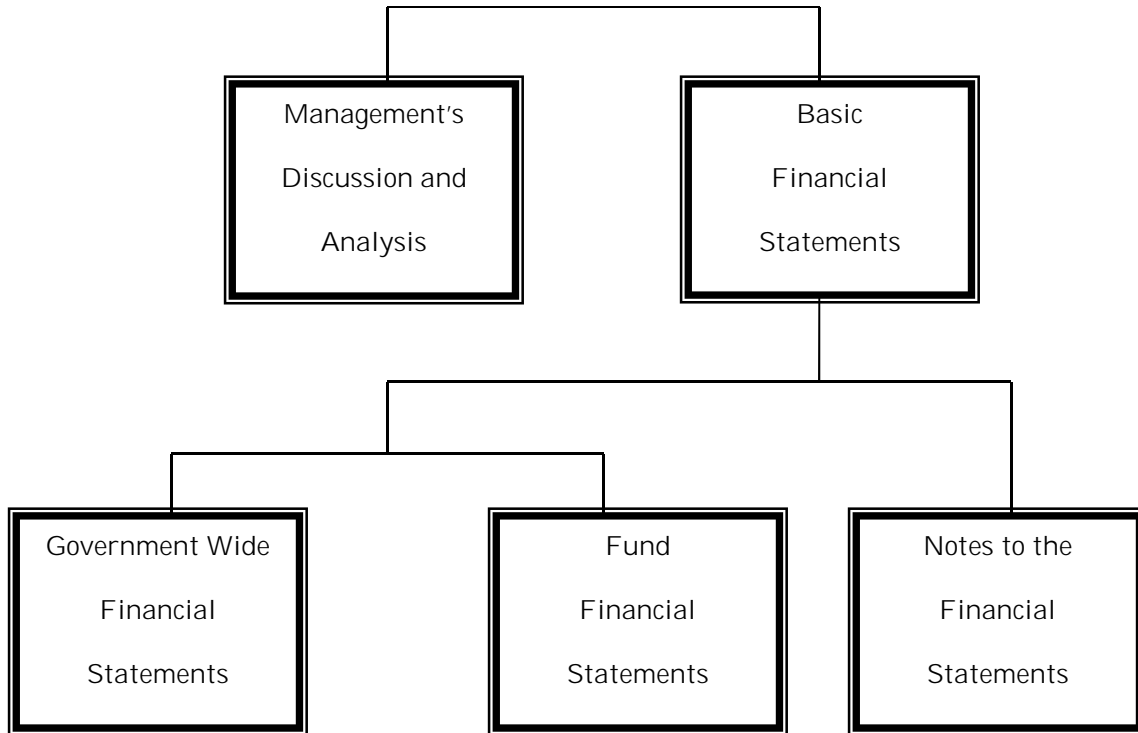
- The assets and deferred outflows of resources of the Town of Vass exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$764,002 (net position).
- The government's total net position decreased by \$44,713.
- As of the close of the current fiscal year, the Town of Vass's governmental fund reported ending fund balance of \$553,029 a decrease of \$29,558 in comparison with the prior year. Approximately 26.15 percent of this total amount, or \$144,616, is nonspendable and restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$408,413 or 49.13 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 the Town of Vass'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 Vass.

Required Components of Annual Financial Report

Figure 1



Summary → Detail

Basic Financial Statements

The first two statements (Pages 13-14) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Pages 15-18) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements, the governmental funds statements; and the budgetary comparison statements.

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

Government-wide Financial Statements

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

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and 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 describe governmental activities and include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales and other taxes, and state and federal grant funds finance most of these activities.

The government-wide financial statements are on pages 13 through 14 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) 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 Vass, 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 Vass has one fund category, the governmental funds.

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

The Town of Vass 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

Management Discussion and Analysis
Town of Vass

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. 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.

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 basic financial statements are on pages 19 through 35 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information

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.

Government-Wide Financial Analysis

As year-to-year financial information is accumulated on a consistent basis changes in Net Positions may be observed and used to discuss the changing financial position of the Town as a whole.

The Town of Vass Statement of Net Position

Figure 2

| | Governmental Activities | |
|---|-------------------------|------------|
| | 2019 | 2018 |
| Current and other assets | \$ 583,554 | \$ 610,656 |
| Capital assets - net of depreciation | 705,046 | 738,899 |
| Deferred outflows of resources | 73,535 | 47,825 |
| Total assets and deferred outflows of resources | 1,362,135 | 1,397,380 |
| Long-term liabilities outstanding | 441,396 | 469,813 |
| Other liabilities | 136,624 | 111,599 |
| Deferred inflows of resources | 20,093 | 7,233 |
| Total liabilities and deferred inflows of resources | \$ 598,113 | \$ 588,645 |
| Net position: | | |
| Net investment in capital assets | \$ 263,650 | \$ 269,086 |
| Restricted | 144,616 | 126,825 |
| Unrestricted | 355,756 | 412,824 |
| Total net position | \$ 764,022 | \$ 808,735 |

Management Discussion and Analysis Town of Vass

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 Vass exceeded liabilities and deferred inflows by \$764,022 as of June 30, 2019. The Town's net position decreased by \$44,713 for the fiscal year ended June 30, 2019. A large portion (34.51%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Vass uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Vass's net investment in its 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 Vass's net position, \$144,616, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$355,756 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.24% comparable to the statewide average.
- Increased local option sales tax revenues of approximately \$16,078 due to economic growth in the Town.

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

| | Governmental Activities | |
|--|--------------------------------|-------------------|
| | 2019 | 2018 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 74,784 | \$ 71,980 |
| Operating grants and contributions | 30,567 | 30,782 |
| General revenues: | | |
| Property taxes | 419,248 | 376,244 |
| Grants and contributions not restricted to specific programs | 274,814 | 257,482 |
| Other | 2,101 | 8,568 |
| Total revenues | <u>\$ 801,514</u> | <u>\$ 745,056</u> |
| Expenses: | | |
| General government | \$ 203,151 | \$ 181,496 |
| Public safety | 417,046 | 367,853 |
| Transportation | 75,398 | 62,697 |
| Economic and physical development | 6,300 | 4,731 |
| Environmental protection | 53,611 | 49,213 |
| Culture and recreation | 71,055 | 61,524 |
| Debt service | 19,666 | 21,051 |
| Total expenses | <u>\$ 846,227</u> | <u>\$ 748,565</u> |
| Increase (Decrease) in net position | (44,713) | (3,509) |
| Net position, beginning of year | <u>808,735</u> | <u>812,244</u> |
| Net position, end of year | <u>\$ 764,022</u> | <u>\$ 808,735</u> |

Governmental activities. Governmental activities decreased the Town's net position by \$44,713.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Vass. At the end of the current fiscal year, Town of Vass' fund balance available in the general fund was \$408,413, while total fund balance reached \$553,029. The Town of Vass currently has no policy relating to the percentage of general fund expenditures that is to be maintained in available fund balance; however fund balance available is periodically reviewed for sufficiency for unforeseen needs or opportunities in addition to meeting the cash flow needs of the Town. The Town currently has available fund balance of 49.13 percent of general fund expenditures, while total fund balance represents 66.52 percent of the same amount.

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

Revenues were more than the budgeted amounts primarily because increases in property tax base and sales tax revenue. In addition, expenditures were held in check and the Town was able to comply with its budgetary requirements.

Capital Assets

Capital assets: The Town of Vass's investment in capital assets as of June 30, 2019, totals \$705,046 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

There were no major capital asset transactions during the year.

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

Figure 4

| | Governmental Activities |
|----------------------------------|----------------------------|
| | <u>2019</u> |
| Land | \$ 47,691 |
| Buildings | 581,330 |
| Other improvements | 31,026 |
| Equipment | 3,967 |
| Vehicles and Motorized Equipment | <u>41,032</u> |
| Total | <u>\$ 705,046</u> |

Additional information on the Town's capital assets can be found on page 27 of the notes to the Basic Financial Statements.

Long-Term Debt

Promissory Note: On February 2, 2007, the Town executed a \$600,000 promissory note payable to the United States of America Department of Agriculture for the construction of a new municipal building. The note requires thirty annual payments of \$35,232 including interest at the rate of four and one eighth percent per annum.

Additional information on the Town's long-term debt can be found on page 36 of the notes to the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- Occupancy rates in office and retail space have remained steady with no significant increases or decreases.
- The Town has seen a slight increase in residential property development and one new large commercial establishment.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: The Town has approved an \$867,868 general fund budget for fiscal year 2019-2020. The property tax rate remains the same at 51.5 cents per \$100 of assessed valuation.

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 Director of Finance, Town of Vass, Post Office Box 487, Vass, NC 28394. You can also call at (910) 245-4676 or send an email to vassnc@townofvass.com for more information.

Basic Financial Statements

Government Wide Financial Statements

TOWN OF VASS, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2019

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 427,683 |
| Receivables (net): | |
| Taxes | 5,786 |
| Landfill fees | 5,460 |
| Due from other governments | 49,188 |
| Prepaid insurance | 5,474 |
| Total current assets | <u>493,591</u> |
| Restricted assets: | |
| Cash and cash equivalents | 89,963 |
| Total restricted assets | <u>89,963</u> |
| Capital assets: | |
| Land | 47,691 |
| Other capital assets, net of depreciation | 657,355 |
| Total capital assets | <u>705,046</u> |
| Total assets | <u>1,288,600</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Contributions to pension plan in current fiscal year - LGERS | 72,164 |
| Contributions to pension plan in current fiscal year - LEOSSA | 1,371 |
| Total deferred outflows of resources | <u>73,535</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable and accrued liabilities | 24,743 |
| Debt obligations - current | 17,024 |
| Total current liabilities | <u>41,767</u> |
| Non-current liabilities: | |
| Net pension liability (LGERS) | 88,488 |
| Total pension liability (LEOSSA) | 9,247 |
| Compensated absences | 14,146 |
| Debt obligations - noncurrent | 424,372 |
| Total non-current liabilities | <u>536,253</u> |
| Total liabilities | <u>578,020</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension Deferrals - LGERS | 1,849 |
| Pension Deferrals - LEOSSA | 18,244 |
| Total deferred inflows of resources | <u>20,093</u> |
| NET POSITION | |
| Net investment in capital assets (net of depreciation) | 263,650 |
| Restricted for: | |
| Stabilization by State Statute | 54,652 |
| Streets | 54,732 |
| USDA debt covenant | 35,232 |
| Unrestricted | 355,756 |
| Total net position | <u>\$ 764,022</u> |

TOWN OF VASS, NORTH CAROLINA
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|---|-------------------|----------------------------|--|--|--|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Total |
| Primary government: | | | | | | |
| Governmental activities | | | | | | |
| General government | \$ 203,151 | \$ 1,825 | \$ - | \$ - | \$ (201,326) | \$ (201,326) |
| Public Safety | 417,046 | 246 | - | - | (416,800) | (416,800) |
| Transportation | 75,398 | - | 29,934 | - | (45,464) | (45,464) |
| Economic and physical development | 6,300 | 5,500 | - | - | (800) | (800) |
| Environmental protection | 53,611 | 65,538 | 583 | - | 12,510 | 12,510 |
| Cultural and recreational | 71,055 | 1,675 | 50 | - | (69,330) | (69,330) |
| Debt Service - Interest | 19,666 | - | - | - | (19,666) | (19,666) |
| Total governmental activities | \$ 846,227 | \$ 74,784 | \$ 30,567 | \$ - | (740,876) | \$ (740,876) |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes, levied for general purposes | | | | | 419,248 | |
| Grants and contributions not restricted to specific programs | | | | | 274,814 | |
| Unrestricted investment earnings | | | | | 884 | |
| Miscellaneous | | | | | 1,217 | |
| Total general revenues | | | | | 696,163 | |
| Change in net position | | | | | (44,713) | |
| Net position, beginning | | | | | 808,735 | |
| Net position, ending | | | | | \$ 764,022 | |

Fund Financial Statements

TOWN OF VASS, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

| | General | Total Governmental Funds |
|--|-------------------|--------------------------------|
| ASSETS | | |
| Cash and cash equivalents: | | |
| Unrestricted | \$ 427,683 | \$ 427,683 |
| Restricted | 89,963 | 89,963 |
| Receivables (net): | | |
| Taxes | 5,786 | 5,786 |
| Landfill fees | 5,460 | 5,460 |
| Due from other governments | 49,188 | 49,188 |
| Prepaid insurance | 5,474 | 5,474 |
| Total assets | \$ 583,554 | \$ 583,554 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 24,739 | \$ 24,739 |
| Total liabilities | 24,739 | 24,739 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property taxes receivable | 5,786 | 5,786 |
| Total deferred inflows of resources | 5,786 | 5,786 |
| FUND BALANCES | | |
| Restricted: | | |
| Stabilization by State Statute | 54,652 | 54,652 |
| Streets | 54,732 | 54,732 |
| USDA debt covenant | 35,232 | 35,232 |
| Assigned | | |
| Subsequent years expenditures | 59,078 | 59,078 |
| Unassigned | 349,335 | 349,335 |
| Total fund balances | 553,029 | 553,029 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 583,554 | \$ 583,554 |
| Reconciliation of fund balance as reported in the balance sheet - governmental funds with Net Positions- governmental activities: | | |
| Fund balance as reported in the balance sheet - governmental funds | | \$ 553,029 |
| Amounts reported for governmental activities in the statement of Net Positions are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | | 705,046 |
| Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position | | 72,160 |
| Compensated absences not expected to be materially liquidated with expendable available resources | | (14,146) |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements | | 5,786 |
| Deferred inflows of resources are not reported in the funds | | (18,722) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds | | (441,396) |
| Net pension liability (LGERS) | | (88,488) |
| Total pension liability (LEOSSA) | | (9,247) |
| Net position of governmental activities | | <u>\$ 764,022</u> |

TOWN OF VASS, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

| | Major funds | |
|-----------------------------------|-------------------|--------------------------|
| | General Fund | Total Governmental Funds |
| REVENUE | | |
| Ad valorem taxes | \$ 419,548 | \$ 419,548 |
| Unrestricted intergovernmental | 274,814 | 274,814 |
| Restricted intergovernmental | 30,517 | 30,517 |
| Permits and fees | 5,500 | 5,500 |
| Sales and Services | 69,284 | 69,284 |
| Investment earnings | 884 | 884 |
| Miscellaneous | 1,267 | 1,267 |
| Total Revenues | <u>801,814</u> | <u>801,814</u> |
| EXPENDITURES | | |
| Current: | | |
| General government | 193,588 | 193,588 |
| Public Safety | 390,564 | 390,564 |
| Economic and physical development | 6,300 | 6,300 |
| Transportation | 72,817 | 72,817 |
| Environmental protection | 53,541 | 53,541 |
| Cultural and Recreational | 66,480 | 66,480 |
| Debt service | 48,083 | 48,083 |
| Total expenditures | <u>831,373</u> | <u>831,373</u> |
| Net change in fund balance | (29,559) | (29,559) |
| Fund balance, beginning of year | <u>582,588</u> | <u>582,588</u> |
| Fund Balance, end of year | <u>\$ 553,029</u> | <u>\$ 553,029</u> |

TOWN OF VASS, NORTH CAROLINA
 RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019

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

| | | |
|--|-----------------|--------------------|
| Net change in fund balances - total governmental funds | | \$ (29,559) |
| <p>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. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal. This is the amount by which depreciation exceeded capital outlay in the current period.</p> | | |
| | | (33,855) |
| <p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p> | | |
| | | 20,847 |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.</p> | | |
| Principal paid on long-term debt | | 28,419 |
| <p>Some expenses reported in the statement of activities do not require the use current financial resources and therefore, are not reported as expenditures in governmental funds.</p> | | |
| Compensated absences | (4,643) | |
| Pension expense | <u>(25,622)</u> | (30,265) |
| <p>Some revenues reported in the statement of activities do not provide current financial resources in governmental funds.</p> | | |
| | | <u>(300)</u> |
| Total changes in net position of governmental activities | | <u>\$ (44,713)</u> |

TOWN OF VASS, NORTH CAROLINA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

| | General Fund | | | Variance With Final Positive (Negative) |
|------------------------------------|--------------------|------------------|-------------------|--|
| | Original Budget | Final Budget | Actual | |
| REVENUES | | | | |
| Ad valorem taxes | \$ 396,880 | \$ 396,880 | \$ 419,548 | \$ 22,668 |
| Unrestricted intergovernmental | 237,841 | 237,841 | 274,814 | 36,973 |
| Permits and fees | 2,500 | 2,500 | 5,500 | 3,000 |
| Restricted intergovernmental | 30,306 | 30,306 | 30,517 | 211 |
| Sales and services | 70,490 | 70,490 | 69,284 | (1,206) |
| Investment earnings | 635 | 635 | 884 | 249 |
| Other general revenues | 200 | 1,100 | 1,267 | 167 |
| Total revenues | <u>738,852</u> | <u>739,752</u> | <u>801,814</u> | <u>62,062</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 171,317 | 189,500 | 193,588 | (4,088) |
| Public safety | 380,712 | 383,445 | 390,564 | (7,119) |
| Economic and physical development | 2,800 | 6,050 | 6,300 | (250) |
| Transportation | 77,893 | 88,230 | 72,817 | 15,413 |
| Environmental protection | 49,858 | 51,283 | 53,541 | (2,258) |
| Cultural and recreational | 107,558 | 119,817 | 66,480 | 53,337 |
| Debt service | 48,083 | 48,083 | 48,083 | - |
| Total expenditures | <u>838,221</u> | <u>886,408</u> | <u>831,373</u> | <u>55,035</u> |
| Revenues over (under) expenditures | <u>(99,369)</u> | <u>(146,656)</u> | <u>(29,559)</u> | <u>117,097</u> |
| Fund balance appropriated | <u>99,369</u> | <u>146,656</u> | <u>-</u> | <u>146,656</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>(29,559)</u> | <u>\$ (29,559)</u> |
| Fund balance, beginning | | | <u>582,588</u> | |
| Fund balance, ending | | | <u>\$ 553,029</u> | |

Notes to the Financial Statements

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statements themselves. The notes supplement the financial statements, are an integral part thereof, and are intended to be read in conjunction with the financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Vass 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 Vass is a municipal corporation, which is governed by an elected mayor and five-member board of commissioners. As required by generally accepted accounting principles the Town would include any component unit for which it is financially accountable. For the year ended June 30, 2019, no component units were included in the basic financial statements.

IV. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. For the year ended June 30, 2019, the town had no business type activities.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major 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 ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services. Additionally, the Town has legally adopted an Economic Development Fund for infrastructure improvements. Under GASB 54 guidance the Economic Development Fund is consolidated in the General Fund. The budgetary comparison for the Economic Development Fund has been included in the supplemental information.

C. Measurement Focus and Basis of Accounting

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

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

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 in general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town of Vass are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Vass because the tax is levied by Carolina 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. Under the terms of grant agreements, the Town of Vass 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 Special Revenue (Capital Reserve) 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 departmental level for all annually budgeted funds and at the object level for multiyear funds. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. 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.

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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio's securities 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.

2. Cash and Cash Equivalents

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

TOWN OF VASS, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

3. Restricted Assets

During the year ended June 30, 2007, the Town financed the construction of a new municipal building by obtaining a loan from the United States of America Department of Agriculture. As a condition of the loan the Town was required to establish a reserve account and make monthly deposits of \$293.60 to that account until the reserve account has an amount equal to one full annual payment of \$35,232. Instead of making the monthly deposits, the Town elected to fully fund the reserve account in a prior year by making a single deposit of \$35,232. 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.

Town of Vass Restricted Cash

Governmental Activities:

| | |
|-----------------------------|------------------|
| Streets (Powell Bill Funds) | \$ 54,731 |
| USDA required reserve | <u>35,232</u> |
| Total Restricted Cash | <u>\$ 89,963</u> |

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

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

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2017. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

TOWN OF VASS, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated and is determined primarily by the age of the receivable and managements opinion of its collectibility.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: Buildings, improvements, furniture and equipment, and vehicles, \$5,000. Donated capital assets received prior to June 15, 2017 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2017 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure capitalization cost is \$100,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially expend assets' lives are not capitalized.

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

| Asset Class | Estimated Useful Lives |
|-------------------------|------------------------|
| Infrastructure | 30 |
| Buildings | 50 |
| Improvements | 20 |
| Vehicles | 4 |
| Furniture and equipment | 10 |
| Computer equipment | 3 |

7. Deferred outflows/inflows of resources

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

8. Long-Term Obligations

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

9. Compensated Absences

The vacation policy of the Town provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide fund, an

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

expense and a liability for compensated absences and the salary related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

10. Net Position/Fund Balances

Net Position

Net position in government-wide financial statements are classified as net invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or law 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 government 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 – portion of fund balance that is restricted by State Statute G.S. 159-8(a).

 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.

 USDA debt covenant – Portion of fund balance restricted as a condition of a USDA loan.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Vass'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.

 Committed for Economic Development – portion of fund balance assigned by the Board for Economic Development.

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

The Town of Vass 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-city funds, city 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.

The Town of Vass has not adopted a minimum fund balance policy for the general fund.

11. Defined Benefit Cost-Sharing Plans

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

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-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-collaterization, 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 VASS, 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 \$517,546 and a bank balance of \$530,236. The Town maintains cash balances at one financial institution located in North Carolina. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$100.

2. Receivables – Due from other governmental agencies

a. At June 30, 2019 amounts due from other governmental agencies by source consist of the following:

| | <u>General Fund</u> |
|---------------------------|---------------------|
| State: | |
| Solid waste disposal tax | \$ 145 |
| Local option sales tax | 36,496 |
| Sales and gas tax refunds | 2,931 |
| Moore county | <u>9,616</u> |
| Total | <u>\$ 49,188</u> |

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

| | <u>General Fund</u> |
|------------------|---------------------|
| Taxes receivable | <u>\$ 5,786</u> |
| Total | <u>\$ 5,786</u> |

TOWN OF VASS, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

3. Capital Assets

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

| | <u>Beginning Balances</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance</u> |
|---|-------------------------------|--------------------|-----------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 47,691 | \$ - | \$ - | \$ 47,691 |
| Total Capital assets not being depreciated | <u>47,691</u> | <u>-</u> | <u>-</u> | <u>47,691</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 789,184 | - | - | 789,184 |
| Other improvements | 102,553 | 5,500 | - | 108,053 |
| Equipment | 39,216 | - | - | 39,216 |
| Vehicles and motorized equipment | 223,793 | - | - | 223,793 |
| Total capital assets being depreciated | <u>1,154,746</u> | <u>5,500</u> | <u>-</u> | <u>1,160,246</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 191,848 | 16,006 | - | 207,854 |
| Other improvements | 70,369 | 6,658 | - | 77,027 |
| Equipment | 33,889 | 1,360 | - | 35,249 |
| Vehicles and motorized equipment | 167,432 | 15,329 | - | 182,761 |
| Total accumulated depreciation | <u>463,538</u> | <u>39,353</u> | <u>-</u> | <u>502,891</u> |
| Total capital assets being depreciated, net | <u>691,208</u> | <u>(33,853)</u> | <u>-</u> | <u>657,355</u> |
| Governmental activity capital assets, net | <u>\$ 738,899</u> | <u>\$ (33,853)</u> | <u>\$ -</u> | <u>\$ 705,046</u> |

Depreciation expense was charges to functions/programs as follows:

| | |
|----------------------------|------------------|
| General government | \$ 8,922 |
| Public safety | 21,036 |
| Transportation | 3,315 |
| Cultural and recreational | <u>6,080</u> |
| Total depreciation expense | <u>\$ 39,353</u> |

B. Liabilities

1. Payables

Payables to vendors at the government-wide level at June 30, 2019 were as follows:

General Fund \$ 24,739

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2. Pension Plan Obligations and postemployment obligations
 - a. Local Governmental Employees' Retirement System

Plan Description. The Town of Vass is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustee, 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 27600-1410, or 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 return of the member's contributions.

Contributions. Contributions provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Vass employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Vass's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.92% for general employees and firefighters, actuarially determined as

TOWN OF VASS, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Vass were \$20,847 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported as a liability of \$88,488 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town’s proportion was .00373%, which was an increase of 0.00005% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Town recognized pension expense of \$24,337. 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 | \$ 13,652 | \$ 458 |
| Net difference between projected and actual earnings on pension plan investments | 12,147 | - |
| Changes in assumptions | 23,481 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 2,037 | 1,391 |
| Town contributions subsequent to the measurement date | 20,847 | - |
| Total | <u>\$ 72,164</u> | <u>\$ 1,849</u> |

TOWN OF VASS, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

\$20,847 reported as deferred outflows of resources related to pensions resulting from Town contribution subsequent to the measurement date will be recognized as an increase of the net pension asset 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:

| | |
|---------------------|--------|
| Year ended June 30: | |
| 2020 | 23,595 |
| 2021 | 15,255 |
| 2022 | 3,322 |
| 2023 | 7,295 |
| 2024 | - |
| Thereafter | - |

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

TOWN OF VASS, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| 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 | <u>100%</u> | |

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 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

| | <u>1% Decrease (6.00%)</u> | <u>Discount Rate (7.00%)</u> | <u>1% Increase (8.00%)</u> |
|---|------------------------------------|--------------------------------------|------------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 212,557 | \$ 88,488 | \$ (15,185) |

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

i. Plan Description.

The Town of Vass 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 under the age of 62 who have completed at least 30

TOWN OF VASS, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

| | |
|--|-----------------|
| Retirees receiving benefits | 0 |
| Terminated plan members entitled to but not yet receiving benefits | 0 |
| Active plan members | <u>4</u> |
| Total | <u><u>4</u></u> |

ii. 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 are recognized when due and payable in accordance with the terms of the plan.

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

iii. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|---|
| Inflation | 2.5 percent |
| Salary increases | 3.50 to 7.35 percent, including inflation and productivity factor |
| Discount rate | 3.64 percent |

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

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

iv. 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

TOWN OF VASS, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Separation Allowance are financed through investment earnings. No 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 \$9,247. 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 incorporation the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$929.

| | Deferred Outflows of | Deferred Inflows of |
|---|-------------------------|------------------------|
| Differences between expected and actual experience | \$ - | \$ 17,173 |
| Changes of assumptions | 1,371 | 1,071 |
| County benefit payments and plan administrative expense made subsequent to the measurement date | - | - |
| Total | <u>\$ 1,371</u> | <u>\$ 18,244</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension benefits will be recognized as pension expense, as follows:

| Year ended June 30: | Deferred Outflows of Resources (a) | Deferred Inflows of Resources (b) | Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense (a) - (b) |
|------------------------|---|--|--|
| 2020 | \$ 365 | \$ 3,771 | \$ (3,406) |
| 2021 | 365 | 3,771 | (3,406) |
| 2022 | 365 | 3,771 | (3,406) |
| 2023 | 276 | 3,638 | (3,362) |
| 2024 | - | 3,107 | (3,107) |
| Thereafter | - | 186 | (186) |
| Totals | <u>1,371</u> | <u>18,244</u> | <u>(16,873)</u> |

There were no benefits and no 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 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.6 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

| | 1% Decrease (2.64%) | Discount Rate (3.64%) | 1% Increase (4.64%) |
|-------------------------|------------------------|--------------------------|------------------------|
| Total pension liability | \$ 10,783 | \$ 9,247 | \$ 7,935 |

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

| | <u>2019</u> |
|---|-----------------|
| Beginning balance | \$ 23,739 |
| Service Cost | 3,586 |
| Interest on the total pension liability | 750 |
| Changes of benefit terms | - |
| Difference between expected and actual experience in the measurement of the total pension liability | (18,120) |
| Changes of assumptions or other inputs | (708) |
| Benefits payments | - |
| Other changes | - |
| Ending balance of the total pension liability | <u>\$ 9,247</u> |

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

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

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

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

| | <u>LGERS</u> | <u>LEOSSA</u> | <u>Total</u> |
|--|--------------|---------------|--------------|
| Pension Expense | \$ 24,337 | \$ 929 | \$ 25,266 |
| Pension Liability | 88,488 | 9,247 | 97,735 |
| Proportionate share of the net pension liability | 0.00373% | n/a | |
| Deferred of Outflows of Resources | | | |
| Differences between expected and actual experience | 13,652 | - | 13,652 |
| Changes of assumptions | 23,481 | 1,371 | 24,852 |
| Net difference between projected and actual earnings on plan investments | 12,147 | - | 12,147 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 2,037 | - | 2,037 |
| Benefit payments and administrative costs paid subsequent to the measurement date | 20,847 | - | 20,847 |
| Deferred of Inflows of Resources | | | |
| Differences between expected and actual experience | 458 | 17,173 | 17,631 |
| Changes of assumptions | - | 1,071 | 1,071 |
| Net difference between projected and actual earnings on plan investments | - | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 1,391 | - | 1,391 |

TOWN OF VASS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town made contributions of \$8,231 for the reporting year. No amounts were forfeited.

The Town has also elected for all permanent full-time employees not engaged in law enforcement to be covered under the Supplemental Retirement Income Plan. The Town contributes 5 percent of the employee's compensation to the plan and employees may make voluntary contributions. For employees not engaged in law enforcement the Town made contributions of \$3,999 for the year.

d. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The Town has complied with changes in laws which govern the Town's Deferred Compensation Plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the Town's Deferred Compensation Plan is not reported within a Town Agency Fund.

Employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$606 from employees.

e. Other Postemployment Benefits

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

TOWN OF VASS, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss including fidelity bonds of \$50,000 on the Town finance officer and tax collector. 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. No other employees have access to funds.

4. Long-Term Obligations

a. Promissory Note

On February 2, 2007 the Town executed a \$600,000 promissory note payable to the United States of America Department of Agriculture acting through Rural Development, for the construction of a New Town Hall Municipal Building.

The note requires thirty annual payments of \$35,232, including interest at the rate of four and one eighth percent (4.125%) per annum. The note is collateralized by a deed of trust on the new municipal building, and, "All the rents, revenues fees, charges, assessments, all income from whatever source derived, accounts receivable, other charges in action of whatever nature and service charges in connection with the operation of the facilities of the Town".

Annual requirements to retire this debt are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|-------------------|-------------------|-------------------|
| 2020 | \$ 17,024 | \$ 18,208 | \$ 35,232 |
| 2021 | 17,727 | 17,505 | 35,232 |
| 2022 | 18,458 | 16,774 | 35,232 |
| 2023 | 19,219 | 16,013 | 35,232 |
| 2024 - 2028 | 108,663 | 67,498 | 176,161 |
| 2029 - 2033 | 133,001 | 43,159 | 176,160 |
| 2034 - 2037 | 127,304 | 13,624 | 140,928 |
| Total | <u>\$ 441,396</u> | <u>\$ 192,781</u> | <u>\$ 634,177</u> |

TOWN OF VASS, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

b. Changes in Long-Term Debt

During the year ended June 30, 2019, the following changes occurred in liabilities reported in long-term debt:

| | Balance 6/30/2018 | Increases | Decreases | Balance 6/30/2019 |
|-------------------------------|----------------------|------------------|------------------|----------------------|
| Promissory note | \$ 457,746 | \$ - | \$ 16,350 | \$ 441,396 |
| Capital lease | 12,067 | - | 12,067 | - |
| Compensated absences | 9,503 | 10,562 | 5,919 | 14,146 |
| Net Pension liability (LGERS) | 56,373 | 32,115 | - | 88,488 |
| Total pension liability (LEO) | 23,739 | - | 14,492 | 9,247 |
| Total | \$ 559,428 | \$ 42,677 | \$ 48,828 | \$ 553,277 |

At June 30, 2019 the Town's legal debt margin is \$6,543,814.

III. FUND BALANCE

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

| | |
|-----------------------------------|-------------------|
| Total fund balance - General fund | \$ 553,029 |
| Less: | |
| Stabilization by State Statute | (54,652) |
| Streets - Powell Bill | (54,732) |
| USDA debt covenant | (35,232) |
| Remaining Fund Balance | <u>\$ 408,413</u> |

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. Federal and State Assisted Programs

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

V. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. North Carolina General Statute 159-13(a) requires adoption of the Budget Ordinance by July 1. For the fiscal year ending June 30, 2019 (the 2018/2019 fiscal year) the budget ordinance was not adopted by the Board of Commissioners until September 10, 2018. The proposed budget was prepared, submitted to the governing board, and the budget public hearing held

TOWN OF VASS, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

by June 30, 2018. No interim budget was adopted to fund the activities of the Town from July 1, 2018 until the adoption of the budget on September 10, 2018. The Town has adopted policies and procedures to insure compliance at all times in the future.

- B. G.S. 159-9 violation – The Town had not appointed a finance officer between April 30, 2019 (date of departure of the previous finance officer), and June 10, 2019, the date of appointment of a new finance officer. This matter was corrected by appointment of a new finance officer.
- C. Expenditures in the general fund exceeded amounts appropriated in the budget in several departments, as follows:

| Department | Budget | Actual | Variance (Unfavorable) |
|-----------------------------------|-----------|-----------|---------------------------|
| Governing Body | \$ 38,260 | \$ 40,671 | \$ (2,411) |
| Administration | 151,240 | 152,917 | (1,677) |
| Police | 311,985 | 315,252 | (3,267) |
| Fire | 71,460 | 75,312 | (3,852) |
| Economic and Physical Development | 6,050 | 6,300 | (250) |
| Environmental Protection | 51,283 | 53,541 | (2,258) |
| Total unfavorable variance | | | <u>\$ (13,715)</u> |

This finding was brought to the attention of the Board, and they plan to convene a special meeting to discuss this matter and retroactively approve a budget amendment, effective as of June 30, 2019, to correct this finding.

Total budgeted expenditures for all departments exceeded total actual expense by \$55,035.

VI. DATE OF MANAGEMENT'S REVIEW

The Town has evaluated subsequent events through October 28, 2019, the date the financial statements were available to be issued.

Required Supplemental Financial Data

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

- Schedule of Proportionate share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions of Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

TOWN OF VASS, NORTH CAROLINA
TOWN OF VASS PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
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> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Vass's proportion of the net pension liability (asset) (%) | 0.00373% | 0.00369% | 0.00374% | 0.00397% | 0.00350% | 0.00370% |
| Vass's proportion of the net pension liability (asset) (\$) | \$ 88,488 | \$ 56,375 | \$ 70,737 | \$ 17,817 | \$ (20,641) | \$ 44,599 |
| Vass's covered-employee payroll | \$ 251,167 | \$ 242,270 | \$ 194,046 | \$ 185,239 | \$ 202,455 | \$ 186,102 |
| Vass's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 35.23% | 23.27% | 36.45% | 9.62% | (10.20%) | 23.96% |
| Plan fiduciary net position as a percentage of the total pension liability ** | 92.00% | 94.18% | 91.47% | 98.09% | 102.64% | 94.35% |

* The amount 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 VASS, NORTH CAROLINA
TOWN OF VASS' 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 | \$ 20,847 | \$ 19,461 | \$ 19,088 | \$ 13,675 | \$ 13,493 | \$ 14,664 |
| Contributions in relation to the contractually required contribution | 20,847 | 19,461 | 19,088 | 13,675 | 13,493 | 14,664 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Vass's covered payroll | \$ 251,167 | \$ 242,270 | \$ 245,235 | \$ 194,046 | \$ 185,239 | \$ 202,455 |
| Contributions as a percentage of covered payroll | 8.30% | 8.03% | 7.78% | 7.05% | 7.28% | 7.24% |

TOWN OF VASS, NORTH CAROLINA
 SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 LAST THREE FISCAL YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-----------------|------------------|------------------|
| Beginning balance | \$ 23,739 | \$ 21,605 | \$ 19,387 |
| Service Cost | 3,586 | 2,328 | 2,369 |
| Interest on the total pension liability | 750 | 834 | 692 |
| Difference between expected and actual experience | (18,120) | (3,129) | - |
| Changes of assumptions or other inputs | <u>(708)</u> | <u>2,101</u> | <u>(843)</u> |
| Ending balance of the total pension liability | <u>\$ 9,247</u> | <u>\$ 23,739</u> | <u>\$ 21,605</u> |

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

TOWN OF VASS, NORTH CAROLINA
 SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED
 PAYROLL
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 LAST THREE FISCAL YEARS

| | 2019 | 2018 | 2017 |
|--|----------|-----------|-----------|
| Total pension liability | \$ 9,247 | \$ 23,739 | \$ 21,605 |
| Covered payroll | 164,628 | 156,725 | 161,117 |
| Total pension liability as a percentage of covered payroll | 5.62% | 15.15% | 13.41% |

Notes to the schedules:

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

Individual Fund Statements and Schedules

Major Governmental Funds

General Fund

The general fund accounts for resources traditionally associated with government that is not required to be accounted for in other funds.

TOWN OF VASS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Budget | Actual | Variance Positive (Negative) |
|------------------------------------|---------|------------|------------------------------------|
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Current year | | \$ 418,061 | |
| Prior year | | 3,436 | |
| Penalties, interest, and discounts | | (1,949) | |
| Total | 396,880 | 419,548 | 22,668 |
| Unrestricted intergovernmental: | | | |
| Local option sales tax | | 211,185 | |
| Utility franchise tax | | 45,636 | |
| Video programming tax | | 5,805 | |
| Telecommunications tax | | 8,603 | |
| Beer and wine tax | | 3,396 | |
| Mixed beverage | | 189 | |
| Total | 237,841 | 274,814 | 36,973 |
| Restricted intergovernmental: | | | |
| State of North Carolina: | | | |
| Powell Bill allocation | | 29,934 | |
| Solid waste disposal tax | | 583 | |
| Total | 30,306 | 30,517 | 211 |
| Permits and fees: | | | |
| Permits and applications | | 5,500 | |
| Total | 2,500 | 5,500 | 3,000 |
| Sales and services: | | | |
| Trash collections | | 65,538 | |
| Community room rental | | 1,825 | |
| Police | | 246 | |
| Recreation | | 1,675 | |
| Total | 70,490 | 69,284 | (1,206) |
| Investment earnings | 635 | 884 | 249 |
| Miscellaneous: | | | |
| Contributions and special events | | 50 | |
| Sale of surplus property | | 900 | |
| Other | | 317 | |
| Total | 1,100 | 1,267 | 167 |
| Total Revenues | 739,752 | 801,814 | 62,062 |

TOWN OF VASS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Budget | Actual | Variance Positive (Negative) |
|------------------------------------|---------|---------|------------------------------------|
| Expenditures: | | | |
| General Government: | | | |
| Governing body: | | | |
| Salaries and employee benefits | | 32,449 | |
| Other operating expenditures | | 8,222 | |
| Total | 38,260 | 40,671 | (2,411) |
| Administration: | | | |
| Salaries and employee benefits | | 83,428 | |
| Other operating expenditures | | 67,656 | |
| Capital outlay | | 1,833 | |
| Total | 151,240 | 152,917 | (1,677) |
| Total general government | 189,500 | 193,588 | (4,088) |
| Public safety: | | | |
| Police: | | | |
| Salaries and employee benefits | | 252,551 | |
| Other operating expenditures | | 60,868 | |
| Capital outlay | | 1,833 | |
| Total | 311,985 | 315,252 | (3,267) |
| Fire: | | | |
| Fire protection contract | | 75,312 | |
| Total | 71,460 | 75,312 | (3,852) |
| Total Public Safety | 383,445 | 390,564 | (7,119) |
| Economic and Physical Development: | | | |
| Other operating expenditures | | 6,300 | |
| Total | 6,050 | 6,300 | (250) |
| Transportation: | | | |
| Streets repair and construction: | | | |
| Salaries and employee benefits | | 26,931 | |
| Other operating expenditures | | 45,886 | |
| Total | 88,230 | 72,817 | 15,413 |
| Environmental protection: | | | |
| Sanitation: | | | |
| Salaries and employee benefits | | 8,154 | |
| Other operating expenditures | | 45,387 | |
| Total | 51,283 | 53,541 | (2,258) |
| Culture and recreation: | | | |
| Recreation: | | | |
| Salaries and employee benefits | | 35,286 | |
| Other operating expenditures | | 24,860 | |
| Capital outlay | | 1,834 | |
| Total | 86,623 | 61,980 | 24,643 |

TOWN OF VASS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Budget | Actual | Variance Positive (Negative) |
|------------------------------------|-----------|------------|------------------------------------|
| Libraries: | | | |
| Other operating expenditures | | 4,500 | |
| Total | 4,500 | 4,500 | - |
| Total culture and recreation | 119,817 | 66,480 | 53,337 |
| Debt service | | | |
| Principal | | 28,417 | |
| Interest | | 19,666 | |
| Total | 48,083 | 48,083 | - |
| Total expenditures | 886,408 | 831,373 | 55,035 |
| Revenues over (under) expenditures | (146,656) | (29,559) | (117,097) |
| Fund balance appropriated | 146,656 | - | (146,656) |
| Net change in fund balance | \$ - | (29,559) | \$ 29,559 |
| Fund balance: | | | |
| Beginning of year, July 1 | | 582,588 | |
| End of year, June 30 | | \$ 553,029 | |

Other Supplemental Schedules

TOWN OF VASS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2019

| Fiscal Year | Uncollected Balance 6/30/2018 | Additions | Collections And Credits | Uncollected Balance 6/30/2019 |
|-------------|-------------------------------------|------------|----------------------------|-------------------------------------|
| 2018-2019 | \$ - | \$ 421,258 | \$ 418,060 | \$ 3,198 |
| 2017-2018 | 4,114 | - | 2,139 | 1,975 |
| 2016-2017 | 1,158 | - | 523 | 635 |
| 2015-2016 | 854 | - | 204 | 650 |
| 2014-2015 | 832 | - | 76 | 756 |
| 2013-2014 | 1,037 | - | 16 | 1,021 |
| 2012-2013 | 971 | - | 76 | 895 |
| 2011-2012 | 582 | - | 77 | 505 |
| 2010-2011 | 1,026 | - | 36 | 990 |
| 2009-2010 | 766 | - | 5 | 761 |
| 2008-2009 | 660 | - | 660 | - |
| | \$ 12,000 | \$ 421,258 | \$ 421,872 | 11,386 |

Less: allowance for uncollectible accounts:
General Fund

5,600

Ad valorem taxes receivable - net

\$ 5,786

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 419,548

Reconciling items:

Interest Collected (2,249)

Discounts allowed 4,197

Taxes written off 376

Subtotal 2,324

Total collections and credits

\$ 421,872

TOWN OF VASS, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Town - Wide | | Total Levy | | |
|---|----------------------|-------|-------------------|--|---------------------------|
| | Property Valuation | Rate | Total Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy | | | | | |
| Property taxed at current rate | 81,339,611 | 0.515 | \$ 418,899 | \$ 383,182 | \$ 35,717 |
| Discoveries - current and prior years | 1,433,009 | | 7,380 | 7,380 | - |
| Releases | <u>(974,951)</u> | | <u>(5,021)</u> | <u>(5,021)</u> | <u>-</u> |
| Total property valuation | <u>\$ 81,797,669</u> | | | | |
| Net levy | | | 421,258 | 385,541 | 35,717 |
| Unpaid (by taxpayer) taxes at June 30, 2016 | | | <u>(3,198)</u> | <u>(3,198)</u> | <u>-</u> |
| Current year's taxes collected | | | <u>\$ 418,060</u> | <u>\$ 382,343</u> | <u>\$ 35,717</u> |
| Current levy collection percentage | | | <u>99.24%</u> | <u>99.17%</u> | <u>100.00%</u> |