

TOWN OF DOBSON, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2020

TOWN OF DOBSON, NORTH CAROLINA

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TOWN OF DOBSON, NORTH CAROLINA
JUNE 30, 2020

BOARD OF COMMISSIONERS

Ricky K. Draughn, Mayor
J. Wayne Atkins
Todd C. Dockery
John D. Lawson
Robin D. Testerman Beeson
Amy D. Whitaker

OFFICIALS

Laura Neely, Town Manager
Marlene Lopez, Finance Officer

Town of Dobson, North Carolina
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June 30, 2020

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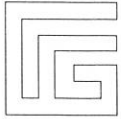
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Financial Section



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Dobson, North Carolina as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Dobson, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Dobson, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing

procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2021 on our consideration of Town of Dobson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Dobson's internal control over financial reporting and compliance.

Johnson & Company, P.C.

Winston-Salem, North Carolina
January 25, 2021

Management's Discussion and Analysis

Town of Dobson

Management's Discussion and Analysis

As management of the Town of Dobson, we offer readers of the Town of Dobson's financial statements this narrative overview and analysis of the financial activities of the Town of Dobson for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

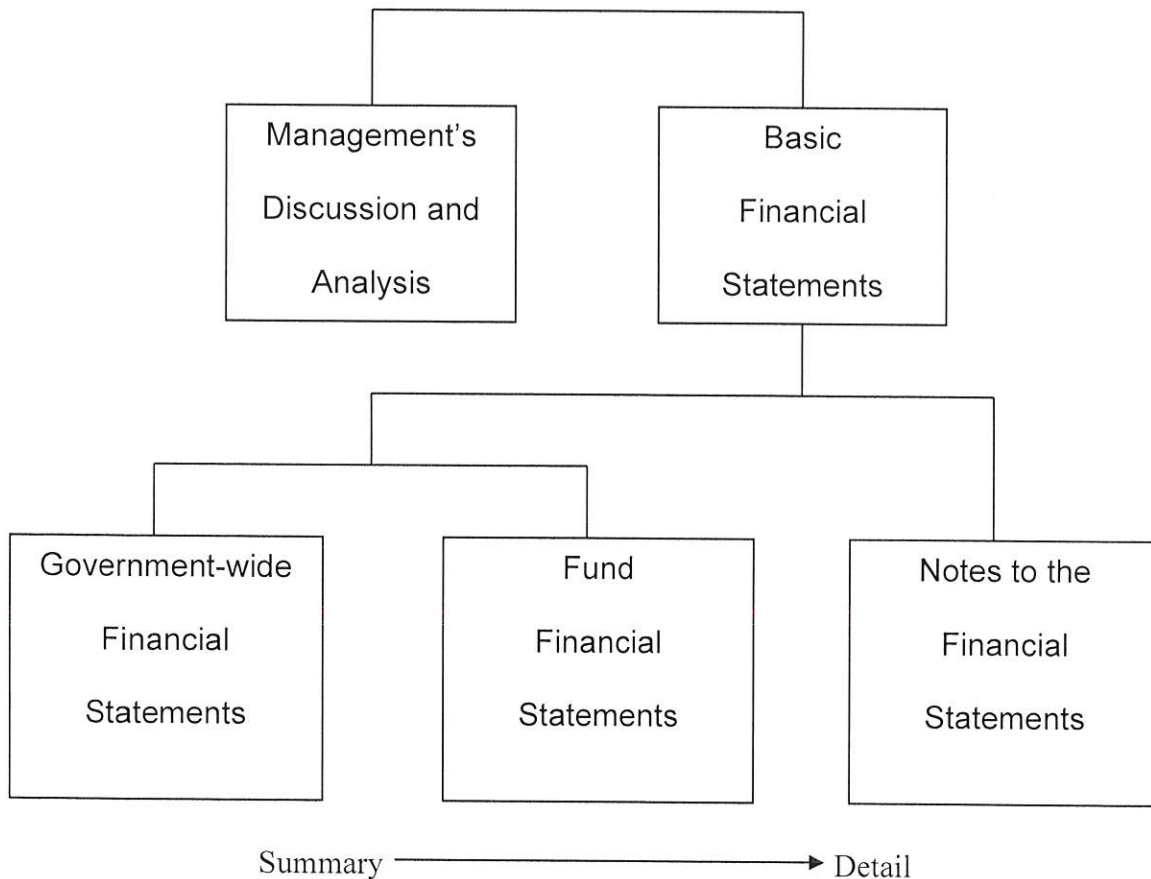
- The assets and deferred outflows of resources of the Town of Dobson exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,666,715 (*net position*).
- The government's total net position increased by \$5,676, primarily due to an increase in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Dobson's governmental funds reported combined ending fund balances of \$1,632,692 with a net decrease of \$64,602 in fund balance. Approximately 18.57 percent of this total amount, or \$303,143 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,176,681, or 58.30 percent of total general fund expenditures for the fiscal year.
- The Town of Dobson's total debt increased by \$2,255,859 (116.06%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Dobson's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Dobson.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

Government-wide Financial Statements

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

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

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

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

Fund Financial Statements

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

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

Management Discussion and Analysis

Town of Dobson

between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Dobson's progress in funding its obligation to provide other postemployment benefits to its employees and the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 57 of this report.

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

Management Discussion and Analysis
Town of Dobson

Government-Wide Financial Analysis

Town of Dobson's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,677,109	\$ 1,728,806	\$ 1,447,617	\$ 1,528,030	\$ 3,124,726	\$ 3,256,836
Capital assets	2,224,723	1,937,434	11,126,576	9,190,684	13,351,299	11,128,118
Deferred outflows of resources	127,964	140,089	102,255	121,270	230,219	261,359
Total assets and deferred outflows of resources	4,029,796	3,806,329	12,676,448	10,839,984	16,706,244	14,646,313
Long-term liabilities outstanding	848,337	720,488	1,028,706	1,043,425	1,877,043	1,763,913
Other liabilities	227,915	113,558	2,314,885	486,617	2,542,800	600,175
Deferred inflows of resources	15,211	17,133	4,475	4,053	19,686	21,186
Total liabilities and deferred inflows of resources	1,091,463	851,179	3,348,066	1,534,095	4,439,529	2,385,274
Net position:						
Net investment in capital assets	1,720,364	1,591,281	8,287,281	8,335,243	10,007,645	9,926,524
Restricted	303,143	270,960	16,409	16,409	319,552	287,369
Unrestricted	914,826	1,092,909	1,024,692	954,237	1,939,518	2,047,146
Total net position	\$ 2,938,333	\$ 2,955,150	\$ 9,328,382	\$ 9,305,889	\$ 12,266,715	\$ 12,261,039

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Town of Dobson exceeded liabilities and deferred inflows by \$12,266,715 as of June 30, 2020. The Town's net position increased by \$5,676 for the fiscal year ended June 30, 2020. However, the largest portion (81.58%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Dobson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Dobson's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Dobson's net position, \$319,552 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,939,518 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a high tax collection rate of 99.02%.

Management Discussion and Analysis
Town of Dobson

Town of Dobson's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 49,867	\$ 57,455	\$ 1,797,955	\$ 1,639,734	\$ 1,847,822	\$ 1,697,189
Operating grants and contributions	72,455	60,452	-	-	72,455	60,452
Capital grants and contributions	8,137	-	97,676	257,878	105,813	257,878
General revenues:						
Property taxes	661,564	636,995	-	-	661,564	636,995
Other taxes	103,799	127,628	-	-	103,799	127,628
Grants and contributions not restricted to specific programs	694,177	687,179	-	-	694,177	687,179
Other	72,325	107,762	78,360	61,762	150,685	169,524
Gain (loss) on disposal of capital assets	-	-	-	-	-	-
Total revenues	1,662,324	1,677,471	1,973,991	1,959,374	3,636,315	3,636,845
Expenses:						
General government	253,863	313,285	-	-	253,863	313,285
Public safety	834,909	725,053	-	-	834,909	725,053
Transportation	146,361	124,900	-	-	146,361	124,900
Economic development	103,799	127,628	-	-	103,799	127,628
Environmental protection	102,280	97,761	-	-	102,280	97,761
Cultural and recreation	227,826	238,728	-	-	227,826	238,728
Interest on long-term debt	10,103	11,318	-	-	10,103	11,318
Water and sewer	-	-	1,951,498	1,758,584	1,951,498	1,758,584
Total expenses	1,679,141	1,638,673	1,951,498	1,758,584	3,630,639	3,397,257
Increase (decrease) in net position before transfers	(16,817)	38,798	22,493	200,790	5,676	239,588
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	(16,817)	38,798	22,493	200,790	5,676	239,588
Net position, beginning, restated	2,955,150	2,916,352	9,305,889	9,105,099	12,261,039	12,021,451
Net position, ending	\$ 2,938,333	\$ 2,955,150	\$ 9,328,382	\$ 9,305,889	\$ 12,266,715	\$ 12,261,039

Governmental activities. Governmental activities decreased the Town's net position by \$16,817. Key elements of this decrease are as follows:

- Due to the COVID-19 pandemic, recreation revenues were not realized during the 19/20 fiscal year.
- Sales and Use Tax continued to increase.

Management Discussion and Analysis

Town of Dobson

Business-type activities: Business-type activities increased the Town of Dobson's net position by \$22,493. The key elements of this increase are as follows:

- The continuous additions of water and sewer customers occurred throughout the fiscal year, resulting in more water and sewer consumption.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Dobson. At the end of the current fiscal year, Town of Dobson's fund balance available in the General Fund was \$1,176,681, while total fund balance reached \$1,578,158. The Town currently has an available fund balance of 58.30% of general fund expenditures, while total fund balance represents 78.19% of the same amount.

At June 30, 2020, the governmental funds of the Town of Dobson reported a combined fund balance of \$1,632,692 with a net decrease in fund balance of \$64,602. Included in this change in fund balance is an decrease in the fund balance for the General Fund.

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

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

Proprietary Funds. The Town of Dobson's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,024,692. The total increase in net position for the fund was \$22,493. The change in net position in the Water and Sewer Fund is due to expenses exceeding revenues and the decreased contribution of water lines.

Management Discussion and Analysis
Town of Dobson

Capital Asset and Debt Administration

Capital assets. The Town of Dobson's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$13,351,299 (net of accumulated depreciation). These assets include land, buildings, sewer lines, equipment, and vehicles.

Major capital asset transactions during the year include the following:

- The Town acquired a new building for the Police Department and performed necessary renovations.
- The Town replaced the roof on the Fire Department.
- The Town purchased a water/sewer camera, a mini-excavator, and a tractor and accessories.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 330,243	\$ 330,243	\$ 90,466	\$ 90,466	\$ 420,709	\$ 420,709
Building and systems	877,688	504,791	7,698,360	7,970,847	8,576,048	8,475,638
Machinery and equipment	192,993	200,511	295,137	182,644	488,130	383,155
Park	642,959	686,538	-	-	642,959	686,538
Vehicles and motorized equipment	149,493	184,004	57,125	85,481	206,618	269,485
Construction in progress	31,347	31,347	2,985,488	861,246	3,016,835	892,593
Total	<u>\$ 2,224,723</u>	<u>\$ 1,937,434</u>	<u>\$ 11,126,576</u>	<u>\$ 9,190,684</u>	<u>\$ 13,351,299</u>	<u>\$ 11,128,118</u>

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

Long-term Debt. As of June 30, 2020, the Town of Dobson had total debt outstanding of \$4,199,517. Of this amount, \$2,855,703 is debt backed by the full faith and credit of the Town, \$307,691 is secured by the Dobson Square Park assets and \$196,666 is secured by the Kapp Street building. The remainder of the Town's debt is secured solely by specified revenue sources.

Management Discussion and Analysis
Town of Dobson

Outstanding Liabilities

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Direct placement installment purchase	\$ 307,691	\$ 346,153	\$ -	\$ -	\$ 307,691	\$ 346,153
Kapp Street Loan	196,666	-	-	-	196,666	-
General obligation bonds	-	-	-	-	-	-
DENR Revolving Loan	-	-	77,137	102,850	77,137	102,850
USDA Water and Sewer Revenue Bonds	-	-	752,000	769,000	752,000	769,000
Bond anticipation note	-	-	2,026,566	-	2,026,566	-
Compensated absences	49,405	41,764	65,998	56,806	115,403	98,570
Total OPEB liability	129,147	101,053	73,302	57,356	202,449	158,409
Total pension liability (LEO)	169,316	143,429	-	-	169,316	143,429
Net pension liability (LGERS)	182,310	168,315	169,979	156,932	352,289	325,247
	\$ 1,034,535	\$ 800,714	\$ 3,164,982	\$ 1,142,944	\$ 4,199,517	\$ 1,943,658

Town of Dobson's Outstanding Debt

The Town of Dobson's total debt increased by \$2,255,859 (116.06%) during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Dobson is \$12,050,909.

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

Economic Factors and Next Year's Budgets and Rates

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

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

Management Discussion and Analysis
Town of Dobson

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities:

- The Town anticipates that sales tax collections will continue to increase as consumer spending in Surry County increases, despite COVID-19.
- The Town anticipates that ad valorem tax collections will continue to remain steady.

Business-type Activities:

- Construction will be complete on the Water Treatment Plant project, resulting in more efficient operation of the water treatment plant.
- The Town made no changes to water and sewer rates this fiscal year to assist the community during COVID-19.

Requests for Information

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

Basic Financial Statements

Town of Dobson, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government			Town of Dobson Tourism Development Authority	Town of Dobson ABC Board
	Governmental Activities	Business-type Activities	Total		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,423,034	\$ 942,726	\$ 2,365,760	\$ 323,817	\$ 183,277
Certificate of deposit	-	-	-	-	66,675
Taxes receivables (net)	9,388	-	9,388	-	-
Accounts receivable (net)	9,805	203,700	213,505	-	945
Due from primary government	-	-	-	35,029	-
Due from other governments	132,937	128,610	261,547	-	-
Due from component unit	29,615	-	29,615	-	-
Inventories	-	132,186	132,186	-	84,052
Prepaid items	-	-	-	-	4,477
Restricted cash and cash equivalents	72,330	40,395	112,725	-	-
Total current assets	1,677,109	1,447,617	3,124,726	358,846	339,426
Non-current assets:					
Capital assets:					
Land, non-depreciable improvements, and construction in progress	361,590	3,075,954	3,437,544	-	4,500
Other capital assets, net of depreciation	1,863,133	8,050,622	9,913,755	-	20,329
Total capital assets	2,224,723	11,126,576	13,351,299	-	24,829
Total assets	3,901,832	12,574,193	16,476,025	358,846	364,255
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	127,964	102,255	230,219	-	12,402
OPEB deferrals	-	-	-	-	-
Total deferred outflows of resources	127,964	102,255	230,219	-	12,402
LIABILITIES					
Current liabilities:					
Accounts payable	-	151,687	151,687	-	84,960
Accrued interest payable	6,686	2,935	9,621	-	-
Due to primary government	-	-	-	-	29,615
Bond anticipation note	-	2,026,566	2,026,566	-	-
Current portion of long-term liabilities	186,200	109,711	295,911	-	-
Due to component unit	35,029	-	35,029	-	-
Payable from restricted assets	-	23,986	23,986	-	-
Total current liabilities	227,915	2,314,885	2,542,800	-	114,575
Long-term liabilities:					
Net pension liability (LGERS)	182,310	169,979	352,289	-	21,301
Total pension liability (LEO)	169,316	-	169,316	-	-
Net pension liability (OPEB)	129,147	73,302	202,449	-	-
Due in more than one year	367,564	785,425	1,152,989	-	-
Total liabilities	1,076,252	3,343,591	4,419,843	-	135,876
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	15,211	4,475	19,686	-	1,675
OPEB deferrals	-	-	-	-	-
Total deferred inflows of resources	15,211	4,475	19,686	-	1,675
NET POSITION					
Net investment in capital assets	1,720,364	8,287,281	10,007,645	-	24,829
Restricted for:					
Stabilization by State Statute	172,357	-	172,357	35,029	-
Streets-Powell Bill	130,786	-	130,786	-	-
USDA debt service	-	16,409	16,409	-	-
Other functions	-	-	-	-	25,319
Unrestricted	914,826	1,024,692	1,939,518	323,817	188,958
Total net position	\$ 2,938,333	\$ 9,328,382	\$ 12,266,715	\$ 358,846	\$ 239,106

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

Town of Dobson, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Town of Dobson	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		Tourism Development Authority	Town of Dobson ABC Board
Primary Government:										
Governmental Activities:										
General government	\$ 253,863	\$ -	\$ 27,033	\$ -	\$ (226,830)	\$ -	\$ (226,830)	\$ -	\$ -	\$ -
Public safety	834,909	4,294	-	8,137	(822,478)	-	(822,478)	-	-	-
Transportation	146,361	-	44,218	-	(102,143)	-	(102,143)	-	-	-
Economic development	103,799	-	-	-	(103,799)	-	(103,799)	-	-	-
Environmental protection	102,280	20,600	1,204	-	(80,476)	-	(80,476)	-	-	-
Cultural and recreation	227,826	24,973	-	-	(202,853)	-	(202,853)	-	-	-
Interest on long-term debt	10,103	-	-	-	(10,103)	-	(10,103)	-	-	-
Total governmental activities	1,679,141	49,867	72,455	8,137	(1,548,682)	-	(1,548,682)	-	-	-
Business-type activities:										
Water and sewer	1,951,498	1,797,955	-	97,676	-	(55,867)	(55,867)	-	-	-
Total business-type activity	1,951,498	1,797,955	-	97,676	-	(55,867)	(55,867)	-	-	-
Total primary government	\$ 3,630,639	\$ 1,847,822	\$ 72,455	\$ 105,813	\$ (1,548,682)	\$ (55,867)	\$ (1,604,549)	\$ -	\$ -	\$ -
Component units:										
Tourism Development Authority	\$ 90,459	\$ 103,799	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,340	\$ -	\$ -
ABC Board	823,265	849,859	-	-	-	-	-	-	-	26,594
Total component units	\$ 913,724	\$ 953,658	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,340	\$ -	\$ 26,594
General revenues:										
Taxes:										
Property taxes, levied for general purpose					661,564	-	661,564	-	-	-
Occupancy tax					103,799	-	103,799	-	-	-
Unrestricted intergovernmental revenues					694,177	-	694,177	-	-	-
Unrestricted investment earnings					1,484	2,902	4,386	426	150	
Miscellaneous					70,841	75,458	146,299	-	-	-
Gain on disposal of capital assets					-	-	-	-	-	-
Total general revenues not including transfers					1,531,865	78,360	1,610,225	426	150	
Transfers					-	-	-	-	-	-
Total general revenues and transfers					1,531,865	78,360	1,610,225	426	150	
Change in net position					(16,817)	22,493	5,676	13,766	26,744	
Net position, beginning					2,955,150	9,305,889	12,261,039	345,080	212,362	
Net position, ending					\$ 2,938,333	\$ 9,328,382	\$ 12,266,715	\$ 358,846	\$ 239,106	

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

Town of Dobson, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

	Major Fund		
	General	Total Non-Major Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,368,500	\$ 54,534	\$ 1,423,034
Restricted cash	72,330	-	72,330
Receivables, net:			
Taxes	9,388	-	9,388
Other	9,805	-	9,805
Due from other governments	132,937	-	132,937
Due from component unit	29,615	-	29,615
Total assets	<u>1,622,575</u>	<u>54,534</u>	<u>1,677,109</u>
LIABILITIES			
Accounts payable and accrued liabilities	-	-	-
Due to component unit	35,029	-	35,029
Total liabilities	<u>35,029</u>	<u>-</u>	<u>35,029</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	9,388	-	9,388
Total deferred inflows of resources	<u>9,388</u>	<u>-</u>	<u>9,388</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	172,357	-	172,357
Streets	130,786	-	130,786
Assigned			
Subsequent year's expenditures	98,334	-	98,334
Unassigned	1,176,681	54,534	1,231,215
Total fund balances	<u>1,578,158</u>	<u>54,534</u>	<u>1,632,692</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,622,575</u>	<u>\$ 54,534</u>	

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

Town of Dobson, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

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

Total fund balance, governmental funds		\$ 1,632,692
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 4,160,264	
Accumulated depreciation	<u>(1,935,541)</u>	2,224,723
Deferred outflows of resources related to pensions are not reported in the funds		127,964
Earned revenues considered deferred inflows of resources in fund statements.		9,388
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Compensated absences		(49,405)
Long-term debt		(504,359)
Accrued interest payable		(6,686)
Net pension liability (LGERS)		(182,310)
Total pension liability (LEO)		(169,316)
OPEB liability		(129,147)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(15,211)</u>
Net position of governmental activities		<u><u>\$ 2,938,333</u></u>

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

Town of Dobson, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	Major Fund		
	General	Total Non-Major Fund	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 657,878	\$ -	\$ 657,878
Unrestricted intergovernmental	694,177	-	694,177
Restricted intergovernmental	184,392	-	184,392
Permits and fees	-	-	-
Investment earnings	1,484	-	1,484
Miscellaneous	120,708	-	120,708
Total revenues	1,658,639	-	1,658,639
EXPENDITURES			
Current:			
General government	229,035	-	229,035
Public safety	1,113,621	-	1,113,621
Transportation	134,549	-	134,549
Economic development	103,799	-	103,799
Environmental protection	102,280	-	102,280
Culture and recreation	187,224	-	187,224
Debt service:			
Principal	136,795	-	136,795
Interest and other charges	10,938	-	10,938
Capital outlay	-	-	-
Total expenditures	2,018,241	-	2,018,241
Excess (deficiency) of revenues over expenditures	(359,602)	-	(359,602)
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds	-	-	-
Proceeds from financing agreement	295,000	-	295,000
Total other financing sources (uses)	295,000	-	295,000
Net change in fund balance	(64,602)	-	(64,602)
Fund balances, beginning	1,642,760	54,534	1,697,294
Fund balances, ending	\$ 1,578,158	\$ 54,534	1,632,692

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

Town of Dobson, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$ (64,602)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 436,034	
Depreciation expense for governmental activities	(148,745)	
Proceeds from sale of capital assets	-	
Gain on disposal of capital assets	-	
	287,289	

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

OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities

-

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	3,686
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(295,000)	
Principal payments on long-term debt	136,795	
Decrease in accrued interest payable	129	
	(158,076)	

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(7,642)	
Pension expense (LGERS)	(34,841)	
Pension expense (LEO)	(15,243)	
OPEB plan expense	(27,388)	
	(84,114)	

Total changes in net position of governmental activities	<u>\$ (16,817)</u>
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The notes to the financial statements are an integral part of this statement.

Town of Dobson, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 616,500	\$ 651,600	\$ 657,878	\$ 6,278
Unrestricted intergovernmental	617,200	717,800	694,177	(23,623)
Restricted intergovernmental	194,000	175,200	184,392	9,192
Permits and fees	500	500	-	(500)
Investment earnings	1,850	1,850	1,484	(366)
Miscellaneous	124,700	154,000	120,708	(33,292)
Total revenues	1,554,750	1,700,950	1,658,639	(42,311)
Expenditures:				
Current:				
General government	220,600	229,600	229,035	565
Public safety	858,834	901,700	1,113,621	(211,921)
Transportation	125,000	145,000	134,549	10,451
Economic development	140,000	125,000	103,799	21,201
Environmental protection	98,000	99,000	102,280	(3,280)
Cultural and recreation	159,650	149,650	187,224	(37,574)
Debt service:				
Principal retirement	38,500	38,500	136,795	(98,295)
Interest and other charges	12,500	12,500	10,938	1,562
Contingency	-	-	-	-
Total expenditures	1,653,084	1,700,950	2,018,241	(317,291)
Revenues over (under) expenditures	(98,334)	-	(359,602)	(359,602)
Other financing sources (uses):				
Proceeds from financing agreement	-	-	295,000	295,000
Total other financing sources (uses)	-	-	295,000	295,000
Fund balance appropriated	98,334	-	-	-
Net change in fund balance	\$ -	\$ -	(64,602)	\$ (64,602)
Fund balances, beginning			1,642,760	
Fund balances, ending			<u>\$ 1,578,158</u>	

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

Town of Dobson, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2020

	Major Enterprise Fund	
	Water and Sewer Fund	Total
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 942,726	\$ 942,726
Accounts receivable (net)	203,700	203,700
Due from other governments	128,610	128,610
Inventories	132,186	132,186
Restricted cash and cash equivalents	40,395	40,395
Total current assets	<u>1,447,617</u>	<u>1,447,617</u>
Noncurrent assets:		
Capital Assets:		
Land and other non-depreciable assets	3,075,954	3,075,954
Other capital assets, net of depreciation	8,050,622	8,050,622
Capital assets (net)	<u>11,126,576</u>	<u>11,126,576</u>
Total noncurrent assets	<u>11,126,576</u>	<u>11,126,576</u>
Total assets	<u>12,574,193</u>	<u>12,574,193</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	102,255	102,255
OPEB deferrals	-	-
Total deferred outflows of resources	<u>102,255</u>	<u>102,255</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	154,622	154,622
General obligation bonds payable - current	18,000	18,000
Bond anticipation note	2,026,566	2,026,566
Notes payable - current	25,713	25,713
Compensated absences - current	65,998	65,998
Liabilities payable from restricted assets:		
Customer deposits	23,986	23,986
Total current liabilities	<u>2,314,885</u>	<u>2,314,885</u>
Noncurrent liabilities:		
Net pension liability	169,979	169,979
Total OPEB liability	73,302	73,302
General obligation bonds payable - noncurrent	734,000	734,000
Notes payable - noncurrent	51,425	51,425
Total noncurrent liabilities	<u>1,028,706</u>	<u>1,028,706</u>
Total liabilities	<u>3,343,591</u>	<u>3,343,591</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	4,475	4,475
OPEB deferrals	-	-
Total deferred inflows of resources	<u>4,475</u>	<u>4,475</u>
NET POSITION		
Net investment in capital assets	8,287,281	8,287,281
Restricted - USDA debt service	16,409	16,409
Unrestricted	1,024,692	1,024,692
Total net position	<u>\$ 9,328,382</u>	<u>\$ 9,328,382</u>

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

Town of Dobson, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2020

	Major Enterprise Fund	
	Water and Sewer	
	Fund	Total
OPERATING REVENUES		
Charges for services	\$ 1,720,014	\$ 1,720,014
Water and sewer taps	56,300	56,300
Other operating revenues	21,641	21,641
Total operating revenues	<u>1,797,955</u>	<u>1,797,955</u>
OPERATING EXPENSES		
Total operating expenses	1,587,066	1,587,066
Depreciation	344,929	344,929
Total operating expenses	<u>1,931,995</u>	<u>1,931,995</u>
Operating income (loss)	<u>(134,040)</u>	<u>(134,040)</u>
NONOPERATING REVENUES (EXPENSES)		
Rental income	75,458	75,458
Investment earnings	2,902	2,902
Interest and other charges	(19,503)	(19,503)
Total nonoperating revenues (expenses)	<u>58,857</u>	<u>58,857</u>
Income (loss) before contributions and transfers	<u>(75,183)</u>	<u>(75,183)</u>
Capital contributions	97,676	97,676
Change in net position	<u>22,493</u>	<u>22,493</u>
Total net position, beginning	<u>9,305,889</u>	<u>9,305,889</u>
Total net position, ending	<u>\$ 9,328,382</u>	<u>\$ 9,328,382</u>

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

Town of Dobson, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020

Exhibit 8

	Major Enterprise Fund	
	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,675,729	\$ 1,675,729
Cash paid for goods and services	(973,777)	(973,777)
Cash paid on behalf of employees for services	(698,481)	(698,481)
Customer deposits received	(23,990)	(23,990)
Other operating revenues	77,941	77,941
Net cash provided (used) by operating activities	57,422	57,422
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond anticipation	2,026,566	2,026,566
Principal paid on long-term liabilities	(42,713)	(42,713)
Interest paid on long-term liabilities	(19,503)	(19,503)
Contributed capital	438,165	438,165
Acquisition and construction of capital assets	(2,328,576)	(2,328,576)
Net cash provided (used) by capital and related financing activities	73,939	73,939
CASH FLOWS FROM INVESTING ACTIVITIES		
Rental income	75,458	75,458
Investment earnings	2,902	2,902
Net cash provided (used) by investing activities	78,360	78,360
Net increase (decrease) in cash and cash equivalents	209,721	209,721
Balances, beginning	773,400	773,400
Balance, ending	\$ 983,121	\$ 983,121
NONCASH FINANCING ACTIVITIES:		
Due from other governments by accounts receivable, net	\$ 97,676	\$ 97,676
Acquisition and construction of capital assets by accounts payable, net	\$ 100,312	\$ 100,312
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (134,040)	\$ (134,040)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	344,929	344,929
Changes in assets, deferred outflows of resources, and liabilities:		
(Increase) decrease in accounts receivable	(44,285)	(44,285)
(Increase) decrease in due from other governments	(7,753)	(7,753)
(Increase) decrease in inventories	1,683	1,683
(Increase) decrease in deferred outflows of resources - pensions	19,015	19,015
Increase (decrease) in net pension liability	13,047	13,047
(Decrease) increase in OPEB liability	15,945	15,945
Increase (decrease) in deferred inflows of resources - pensions	422	422
Increase (decrease) in accounts payable and accrued liabilities	(136,743)	(136,743)
Increase (decrease) in customer deposits	(23,990)	(23,990)
Increase (decrease) in compensated absences	9,192	9,192
Total adjustments	191,462	191,462
Net cash provided by operating activities	\$ 57,422	\$ 57,422

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

Notes to the Financial Statements

Town of Dobson, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Dobson and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

Town of Dobson ABC Board

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

Town of Dobson Tourism Development Authority

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

B. Basis of Presentation

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

and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental fund:

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North

Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and its component units to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of Dobson Restricted Cash

Governmental Activities

General Fund

Streets	\$ 72,330
Total Governmental Activities	<u>72,330</u>

Business-Type Activities

Water and Sewer Fund

Customer deposits	23,986
Debt service fund	<u>16,409</u>
Total Business-Type Activities	<u>40,395</u>

Total Restricted Cash	<u>\$ 112,725</u>
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 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 by analyzing the percentage of receivables that were written off in prior years.

6. Inventory and Prepaid Items

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are set at \$2,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings	40 to 50
Plant and distribution systems	40
Equipment and furniture	5 to 20
Park	20
Vehicles	5 to 20

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category - property taxes receivable and pension deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

Vacation leave may be accumulated without any applicable maximum until June 30 of each year. However, if an employee departs from service, payment for accumulated vacation leave shall not exceed 30 days. Effective the last payroll in the fiscal year, any employee with more than 30 days of accumulated leave shall have the excess accumulation converted to sick leave so that only 30 days of vacation time is carried forward to July 1 of the next

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

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

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

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

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

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

12. Defined Benefit Cost-Sharing Plans

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

II. Stewardship, Compliance, and Accountability

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

1. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2020, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for public safety by \$211,921, for culture and recreation by \$37,574, and for debt service by \$96,733. These over-expenditures occurred because the purchase of land which was financed was not budgeted. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2020, the Town's deposits had a carrying amount of \$2,478,235 and a bank balance of \$2,376,642. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$249,252 and the bank balance was

\$251,249. All of the bank balance was covered by federal depository insurance. The carrying amount of deposits for the Tourism Development Authority was \$323,817 and the bank balance was \$353,872. 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, 2020, the Town's petty cash fund totaled \$250. At June 30, 2020, the ABC Board's petty cash fund totaled \$700.

2. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	<u>\$ 1,394</u>

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 330,243	\$ -	\$ -	\$ 330,243
Construction in progress	31,347	-	-	31,347
Total capital assets not being depreciated	<u>361,590</u>	<u>-</u>	<u>-</u>	<u>361,590</u>
Capital assets being depreciated:				
Buildings	854,254	400,874	-	1,255,128
Equipment and furniture	704,833	35,160	-	739,993
Park	871,561	-	-	871,561
Vehicles	931,992	-	-	931,992
Total capital assets being depreciated	<u>3,362,640</u>	<u>436,034</u>	<u>-</u>	<u>3,798,674</u>
Less accumulated depreciation for:				
Buildings	349,463	27,977	-	377,440
Equipment and furniture	504,322	42,678	-	547,000
Park	185,023	43,579	-	228,602
Vehicles	747,988	34,511	-	782,499
Total accumulated depreciation	<u>1,786,796</u>	<u>148,745</u>	<u>-</u>	<u>1,935,541</u>
Total capital assets being depreciated, net	<u>1,575,844</u>			<u>1,863,133</u>
Governmental activity capital assets, net	<u>\$ 1,937,434</u>			<u>\$ 2,224,723</u>

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

General government	\$ 13,795
Public safety	57,334
Transportation	5,113
Cultural and recreation	72,503
Total depreciation expense	<u>\$ 148,745</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 90,466	\$ -	\$ -	\$ 90,466
Construction in progress	861,246	2,124,242	-	2,985,488
Total capital assets not being depreciated	951,712	2,124,242	-	3,075,954
Capital assets being depreciated:				
Plant and distribution systems	12,402,296	-	-	12,402,296
Equipment and furniture	732,040	156,580	-	888,620
Vehicles	309,865	-	-	309,865
Total capital assets being depreciated	13,444,201	156,580	-	13,600,781
Less accumulated depreciation for:				
Plant and distribution systems	4,431,449	272,487	-	4,703,936
Equipment and furniture	549,396	44,087	-	593,483
Vehicles	224,384	28,356	-	252,740
Total accumulated depreciation	5,205,229	344,930	-	5,550,159
Total capital assets being depreciated, net	8,238,972			8,050,622
Business-type activity capital assets, net	<u>\$ 9,190,684</u>			<u>\$ 11,126,576</u>

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 4,500	\$ -	\$ -	\$ 4,500
Total capital assets not being depreciated	4,500	-	-	4,500
Capital assets being depreciated:				
Building	42,431	-	-	42,431
Paving	12,768	-	-	12,768
Equipment	63,946	-	-	63,946
Total capital assets being depreciated	119,145	-	-	119,145
Less accumulated depreciation for:				
Building	42,431	-	-	42,431
Paving	6,385	638	-	7,023
Equipment	45,225	4,137	-	49,362
Total accumulated depreciation	94,041	4,775	-	98,816
Total capital assets being depreciated, net	25,104			20,329
ABC Board capital assets, net	\$ 29,604			\$ 24,829

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service,

at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Dobson employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Dobson's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Dobson were \$85,423 for the year ended June 30, 2020.

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, 2020, the Town reported a liability of \$352,289 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial

valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was .01290%, which was a decrease of .00081% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$67,325. At June 30, 2020, 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	\$ 60,321	\$ -
Changes in assumptions	57,417	-
Net difference between projected and actual earnings on pension plan investments	8,593	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	172	9,273
Town contributions subsequent to the measurement date	85,423	-
Total	<u>\$ 211,926</u>	<u>\$ 9,273</u>

\$85,423 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 59,466
2022	16,909
2023	32,651
2024	8,203
2025	-

Actuarial Assumptions. The total pension liability in the December 31, 2018 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 805,749	\$ 352,289	\$ (24,628)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>6</u>
Total	<u>6</u>

2. Summary of Significant Accounting Policies:

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 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, 2018.

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

4. Contributions.

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

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

At June 30, 2020, the Town reported a total pension liability of \$169,316. The total pension liability was measured as of June 30, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$15,243.

	Deferred Outflows of	Deferred Inflows of
	<hr/>	<hr/>
Differences between expected and actual experience	\$ 6,811	\$ 3,504
Changes of assumptions	11,482	6,909
Town benefit payments and plan administrative expense made subsequent to measurement date	-	-
	<hr/> \$ 18,293	<hr/> \$ 10,413

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 1,458
2022	1,458
2023	1,458
2024	1,940
2025	570
Thereafter	996

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

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	<u>1% Decrease (2.26%)</u>	<u>Discount Rate (3.26%)</u>	<u>1% Increase (4.26%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 186,244	\$ 169,316	\$ 153,841

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

	2020
Beginning balance	\$ 143,429
Service Cost	8,564
Interest on the total pension liability	5,221
Changes of benefit terms	-
Differences between expected and actual experience in measurement of the total pension liability	6,054
Changes in assumptions or other inputs	6,048
Benefit payments	-
Other changes	-
Ending balance of total pension liability	<u>\$ 169,316</u>

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 67,325	\$ 15,243	\$ 82,568
Pension Liability	352,289	169,316	521,605
Proportionate share of the net pension liability	0.01290%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	60,321	6,811	67,132
Changes of assumptions	57,417	11,482	68,899
Net difference between projected and actual earnings on plan investments	8,593	-	8,593
Changes in proportion and differences between contributions and proportionate share of contributions	172	-	172
Benefit payments and administrative costs paid subsequent to the measurement date	85,423	-	85,423
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	3,504	3,504
Changes of assumptions	-	6,909	6,909
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	9,273	-	9,273

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

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and employees not engaged in law enforcement employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for law enforcement officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for law enforcement officers and all other employees not engaged in law enforcement. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's and employee's salary, and all amounts contributed are vested immediately. Also, law enforcement officers and employees may make voluntary contributions to the plan. Contributions for the year ended

June 30, 2020 were \$63,132, which consisted of \$46,470 from the Town and \$16,662 from law enforcement officers and employees.

d. Other Postemployment Benefit

Healthcare Benefits

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

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

Membership of the HCB Plan consisted of the following at December 31, 2019, the date of the latest actuarial valuation:

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

Total OPEB Liability

The Town's total OPEB liability of \$202,449 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.0 percent
Salary increases	2.0 percent, average, including inflation
Discount rate	2.19 percent
Healthcare cost trend rates	Medical – 4.9%
	Prescription – 5.9%
	Dental – 3.50%
	Vision – 3.00%

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	\$ 158,409
Changes for the year	
Service cost	2,343
Interest	1,609
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	40,088
Benefit payments	-
Net changes	44,040
Balance at 6/30/2020	<u><u>\$ 202,449</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.75% to 2.19%.

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

The actuarial assumptions used in the December 31, 2019 valuation were calculated using the Alternative Measurement Method in accordance with GASB methodology.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current discount rate:

	1% Decrease	Discount Rate (2.19%)	1% Increase
Total OPEB liability	\$ 250,026	\$ 202,449	\$ 164,960

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

	1 % Decrease	Current	1 % Increase
Total OPEB liability	\$ 154,834	\$ 202,449	\$ 265,434

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$44,040. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

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

Year ended June 30:

2021	\$ -
2022	-
2023	-
2024	-
2025	-
Thereafter	-

e. Other Employment Benefit

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership

service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 85,423
Differences between expected and actual experience	67,132
Changes in assumptions	68,899
Net difference between projected and actual	8,593
Changes in proportion and differences between employer contributions and proportionate share of contributions	172
Total	<u><u>\$ 230,219</u></u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 9,388
Changes in assumptions	6,909	-
Differences between expected and actual experience	3,504	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,273	-
Total	<u><u>\$ 19,686</u></u>	<u><u>\$ 9,388</u></u>

3. Risk Management

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

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

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$30,000. The finance officer of the Tourism Development Authority is bonded in the amount of \$50,000, secured by a corporate surety.

4. Commitments

The Town has entered into a contract for solid waste collection expiring June, 2021 for approximately \$98,000 per year.

5. Long-term Obligations

a. Installment purchase

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

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

Year Ending June 30	Principal	Interest
2021	\$ 38,462	\$ 9,723
2022	38,462	8,508
2023	38,462	7,292
2024	38,462	6,077
2025	38,462	4,862
2026-2028	115,381	7,292
	<u>\$ 307,691</u>	<u>\$ 43,754</u>

b. Installment purchase

In July, 2019 the Town entered into \$295,000 direct placement installment agreement to finance the purchase of real property. The property is pledged as collateral for the debt while the debt is outstanding. The installment agreement requires three annual principal payments of \$98,333 at an interest rate of 0% through July, 2021.

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

Year Ending June 30	Principal	Interest
2021	\$ 98,333	\$ -
2022	98,333	-
	<u>\$ 196,666</u>	<u>\$ -</u>

c. Non-General Obligation Indebtedness

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

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

Year Ending June 30	Principal	Interest
2021	\$ 25,713	\$ 1,747
2022	25,713	1,164
2023	25,711	583
2024	-	-
	<u>\$ 77,137</u>	<u>\$ 3,494</u>

d. Revenue Bond

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

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

Year Ending June 30	Principal	Interest
2021	\$ 18,000	\$ 16,920
2022	18,000	16,515
2023	19,000	16,110
2024	19,000	15,682
2025	20,000	15,255
2026 - 2030	104,000	69,458
2031 - 2035	116,000	57,218
2036 - 2040	130,000	43,560
2041 - 2045	145,000	28,260
2046 - 2050	<u>163,000</u>	<u>11,160</u>
	<u>\$ 752,000</u>	<u>\$ 290,138</u>

The Town is in compliance with the covenants as to rates and charges in Article III, Section 3.04 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bond, Series 2010. Article III, Section 3.04 of the Bond Order requires that the net revenues for each fiscal year will not be less than 110% of the debt service requirement for such fiscal year. The calculation for the year ended June 30, 2020 is as follows:

Operating revenues	\$ 1,797,955
Operating expenses *	<u>1,587,066</u>
Net revenues	<u>\$ 210,889</u>
Debt service	\$ 34,303
	<u>110%</u>
	<u>\$ 37,733</u>

* Per Article III, Section 3.04 of the Bond Order, this does not include depreciation expense of \$344,929 or interest expense of \$19,403.

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay the \$911,000 in water and sewer revenue bonds issued in 2010. Proceeds from the bonds provided financing for the Route 601 Water Project. The bonds are payable from water and sewer customer revenues and are payable through 2050. The total principal and interest remaining to be paid on the bonds is \$1,042,138. Principal and interest paid for the current year and total customer net revenues were \$34,303 and \$210,889, respectively.

e. Bond Anticipation Note

The Town issued Water & Sewer Revenue Bonds, Series 2019 notes on March 28, 2019 in the amount of \$2,096,000. The note will be due on July 15, 2020 with interest of 2.91%. During the year ended June 30, 2020, the Town had \$2,026,566 of draws on the bond anticipation note bringing the unpaid balance to \$2,026,566.

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

Year Ending	Principal	Interest
<u>June 30</u>		
2021	<u>\$2,096,000</u>	<u>\$ 79,122</u>
	<u>\$2,096,000</u>	<u>\$ 79,122</u>

f. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Direct placement installment purchase	\$ 346,153	\$ -	\$ 38,462	\$ 307,691	\$ 38,462
Kapp Street Building Loan	-	295,000	98,334	196,666	98,333
Compensated absences	41,764	7,641	-	49,405	49,405
Total OPEB liability	101,053	28,094	-	129,147	-
Total pension liability (LEO)	143,429	25,887		169,316	-
Net pension liability (LGERS)	168,315	13,995	-	182,310	-
Governmental activity long-term liabilities	<u>\$ 800,714</u>	<u>\$ 370,617</u>	<u>\$ 136,796</u>	<u>\$ 1,034,535</u>	<u>\$ 186,200</u>
Business-type activities:					
DENR Revolving Loan	\$ 102,850	\$ -	\$ 25,713	\$ 77,137	\$ 25,713
USDA Water and Sewer Revenue Bonds	769,000	-	17,000	752,000	18,000
Bond Anticipation note	-	2,026,566	-	2,026,566	2,026,566
Compensated absences	56,806	9,192	-	65,998	65,998
Total OPEB liability	57,356	15,946	-	73,302	-
Net pension liability (LGERS)	156,932	13,047	-	169,979	-
Business-type activity long-term liabilities	<u>\$ 1,142,944</u>	<u>\$ 2,064,751</u>	<u>\$ 42,713</u>	<u>\$ 3,164,982</u>	<u>\$ 2,136,277</u>

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

At June 30, 2020, the Town had a legal debt margin of \$12,050,909.

C. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 2,224,723	\$11,126,576
Less: long-term debt	<u>504,359</u>	<u>2,839,295</u>
Net investment in capital assets	<u>\$ 1,720,364</u>	<u>\$ 8,287,281</u>

D. Fund Balance

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

Total fund balance - General Fund	\$ 1,578,158
Less:	
Stabilization by State Statute	172,357
Streets - Powell Bill	130,786
Appropriated Fund Balance in 2021 budget	98,334
Remaining Fund Balance	1,176,681

IV. Jointly Governed Organizations

The Town, in conjunction with twelve counties and sixty other municipalities established the Piedmont Triad Regional Council. The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$803 to the Council during the fiscal year ended June 30, 2020.

V. Joint Ventures

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

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VII. Subsequent Events

Subsequent events have been evaluated through January 25, 2021, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

Town of Dobson, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2020

	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 2,343	\$ 2,343	\$ 2,343
Interest	1,609	1,463	1,463
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	40,088	16,867	77,762
Benefit payments	-	-	-
Net change in total OPEB liability	44,040	20,673	81,568
Total OPEB liability - beginning	158,409	137,736	56,168
Total OPEB liability - ending	<u>\$ 202,449</u>	<u>\$ 158,409</u>	<u>\$ 137,736</u>
Covered payroll	\$ 1,049,229	\$ 973,790	\$ 898,102
Total OPEB liability as a percentage of covered payroll	19.30%	16.27%	15.34%

Notes to schedule:

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

Fiscal Year	Rate
2018	2.98%
2019	2.98%
2020	2.19%

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

Local Governmental Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Dobson's proportion of the net pension liability (asset) (%)	0.01290%	0.01371%	0.01314%	0.01324%	0.01274%	0.01317%	0.01230%
Dobson's proportion of the net pension liability (asset) (\$)	\$ 352,289	\$ 325,247	\$ 200,743	\$ 280,997	\$ 57,176	\$ (77,670)	\$ 148,262
Dobson's covered-employee payroll	\$ 865,732	\$ 809,073	\$ 749,874	\$ 675,667	\$ 651,948	\$ 614,369	\$ 603,570
Dobson's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.69%	40.20%	26.77%	41.59%	8.77%	(12.64%)	24.56%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

Local Governmental Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 85,423	\$ 69,974	\$ 63,201	\$ 56,772	\$ 46,480	\$ 46,841	\$ 43,884
Contributions in relation to the contractually required contribution	85,423	69,974	63,201	56,772	46,480	46,841	43,884
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dobson's covered-employee payroll	\$ 921,083	\$ 865,732	\$ 809,073	\$ 749,874	\$ 675,667	\$ 651,948	\$ 614,369
Contributions as a percentage of covered-employee payroll	9.27%	8.08%	7.81%	7.57%	6.88%	7.18%	7.14%

Town of Dobson, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	2020	2019	2018	2017
Beginning balance	\$ 143,429	\$ 142,842	\$ 116,332	\$ 108,578
Service cost	8,564	8,386	8,035	7,836
Interest on the total pension liability	5,221	4,514	4,490	3,876
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	6,054	(4,974)	2,925	-
Changes of Assumptions or other inputs	6,048	(7,339)	11,060	(3,958)
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 169,316</u>	<u>\$ 143,429</u>	<u>\$ 142,842</u>	<u>\$ 116,332</u>

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

Town of Dobson, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	2020	2019	2018	2017
Total pension liability	\$ 169,316	\$ 143,429	\$ 142,842	\$ 116,332
Covered payroll	274,719	252,583	278,840	265,489
Total pension liability as a percentage of covered payroll	61.63%	56.78%	51.23%	43.82%

Notes to the schedules:

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

Individual Fund Schedules

Town of Dobson, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 655,639	\$
Interest		2,239	
Total	651,600	657,878	6,278
Unrestricted intergovernmental:			
Local option sales taxes		509,132	
Telecommunications sales tax		5,669	
Utilities sales tax		133,765	
Video franchise fee		7,572	
Beer and wine tax		6,787	
ABC profit distribution		29,614	
Court fees and charges		1,638	
Total	717,800	694,177	(23,623)
Restricted intergovernmental:			
Powell Bill allocation		44,218	
Controlled substance tax		-	
Occupancy tax		103,799	
Solid waste disposal tax		1,204	
Covid-19		27,034	
Police Department grants		-	
Fire Department grants		8,137	
Total	175,200	184,392	9,192
Permits and fees:			
Inspection and zoning	500	-	(500)
Investment earnings	1,850	1,484	(366)
Miscellaneous:			
Sanitation fees		20,600	
Rental income		52,808	
Miscellaneous		47,300	
Total	154,000	120,708	(33,292)
 Total revenues	 1,700,950	 1,658,639	 (42,311)

(continued)

Town of Dobson, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		11,400	
Total	11,500	11,400	100
Administration:			
Salaries and employee benefits		112,360	
Professional services		41,203	
Other operating expenditures		64,072	
Capital outlay		-	
Total	218,100	217,635	465
Total general government	229,600	229,035	565
Public safety:			
Police department:			
Salaries and employee benefits		516,646	
Other operating expenditures		117,370	
Capital outlay		367,074	
Total	789,200	1,001,090	(211,890)
Fire department:			
Salaries and employee benefits		16,849	
Other operating expenditures		56,882	
Capital outlay		33,800	
Total	107,500	107,531	(31)
Rescue squad:			
Contributions		5,000	
Total	5,000	5,000	-
Total public safety	901,700	1,113,621	(211,921)
Transportation:			
Public works:			
Salaries and employee benefits		82,382	
Other operating expenditures		42,101	
Total	115,000	124,483	(9,483)
Powell Bill:			
Salaries and employee benefits		6,960	
Street maintenance and repairs		3,106	
Capital outlay		-	
Total	30,000	10,066	19,934
Total transportation	145,000	134,549	10,451
Economic development			
Other operating expenditures		103,799	
Contributions		-	
Total economic development	125,000	103,799	21,201

(continued)

Town of Dobson, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Environmental protection:			
Sanitation:			
Contracted services		102,280	
Total environmental protection	99,000	102,280	(3,280)
Cultural and recreation:			
Recreation:			
Salaries and employee benefits		45,740	
Other operating expenditures		81,824	
Capital outlay		35,160	
Total	125,150	162,724	(37,574)
Library:			
Contributions		24,500	
Maintenance and repairs		-	
Total	24,500	24,500	-
Total cultural and recreation	149,650	187,224	(37,574)
Debt service:			
Principal		136,795	
Interest and other charges		10,938	
Total debt service	51,000	147,733	(96,733)
Total expenditures	1,700,950	2,018,241	(317,291)
Revenues over (under) expenditures	-	(359,602)	(359,602)
Other financing sources (uses):			
Transfers to other funds:			
Capital projects fund	-	-	-
Proceeds from financing arrangement	-	295,000	295,000
Total other financing sources (uses)	-	295,000	295,000
Fund balance appropriated	-	-	-
Net change in fund balance	\$ -	(64,602)	\$ (64,602)
Fund balances, beginning		1,642,760	
Fund balances, ending		<u>\$ 1,578,158</u>	

Town of Dobson, North Carolina
Capital Projects Fund - Dobson Square Park
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

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

Town of Dobson, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales and sewer charges	\$ 1,745,000	\$ 1,720,014	\$ (24,986)
Water and sewer taps	65,000	56,300	(8,700)
Other operating revenues	93,000	21,641	(71,359)
Total operating revenues	1,903,000	1,797,955	(105,045)
Nonoperating revenues:			
Rental income		75,458	
Interest earnings		2,902	
Total nonoperating revenues	83,700	78,360	(5,340)
Total revenues	1,986,700	1,876,315	(110,385)
Expenditures:			
Operating expenditures:			
Salaries and employee benefits		698,481	
Contracted services		95,920	
Utilities		97,075	
Chemical and supplies		180,711	
Other operating expenditures		457,387	
Total operating expenditures	1,519,200	1,529,574	(10,374)
Debt service:			
Interest and other charges		19,503	
Principal retirement		42,713	
Total debt service	67,000	62,216	4,784
Capital outlay:			
Capital outlay	400,500	156,580	
Total capital outlay	400,500	156,580	243,920
Total expenditures	1,986,700	1,748,370	238,330
Revenues over (under) expenditures	-	127,945	127,945
Other financing sources (uses):			
Transfers to other funds			
Capital projects fund	-	-	-
Total other financing sources (uses)	-	-	-
Fund balance appropriated	-	-	-
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 127,945	\$ 127,945

(continued)

Town of Dobson, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over (under) expenditures and other uses		\$ 127,945	
Reconciling items:			
Principal retirement		42,713	
Capital outlay		156,580	
Decrease in accrued interest payable		129	
Increase in accrued vacation pay		(9,192)	
Decrease in deferred outflows of resources - pensions		(19,015)	
Increase in net pension liability		(13,047)	
Increase in deferred inflows of resources - pensions		(422)	
Depreciation		(344,929)	
Increase in accrued OPEB liability		(15,945)	
Capital contributions		97,676	
Total reconciling items		(105,452)	
Change in net position		<u>\$ 22,493</u>	

Town of Dobson, North Carolina
Capital Projects Fund - WTP Solids Handling and Improvements
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2020

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Rural Utilities Service grant	\$ 813,000	\$ -	\$ -	\$ -	\$ (813,000)
ARC grant	300,000	-	97,676	97,676	(202,324)
County grant	100,000	100,000	-	100,000	-
Rural Center grant	500,000	500,000		500,000	-
Total revenues	<u>1,713,000</u>	<u>600,000</u>	<u>97,676</u>	<u>697,676</u>	<u>(1,015,324)</u>
Expenditures:					
Capital outlay	<u>4,481,000</u>	<u>861,246</u>	<u>2,124,242</u>	<u>2,985,488</u>	<u>1,495,512</u>
Total expenditures	<u>4,481,000</u>	<u>861,246</u>	<u>2,124,242</u>	<u>2,985,488</u>	<u>1,495,512</u>
Revenues over (under) expenditures	<u>(2,768,000)</u>	<u>(261,246)</u>	<u>(2,026,566)</u>	<u>(2,287,812)</u>	<u>480,188</u>
Other financing sources (uses)					
Transfers from other funds:					
Water and Sewer Fund	200,000	263,680	-	263,680	63,680
Loan proceeds	<u>2,568,000</u>	<u>-</u>	<u>2,026,566</u>	<u>2,026,566</u>	<u>(541,434)</u>
Total other financing sources (uses)	<u>2,768,000</u>	<u>263,680</u>	<u>2,026,566</u>	<u>2,290,246</u>	<u>(477,754)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 2,434</u>	<u>\$ -</u>	<u>\$ 2,434</u>	<u>\$ 2,434</u>

Town of Dobson, North Carolina
 Town of Dobson Tourism Development Authority
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues	\$ 160,000	\$ 104,225	\$ (55,775)
Expenditures:			
Economic development	160,000	90,459	69,541
	-	13,766	13,766
Fund balance appropriated	-	-	-
Revenues over (under) expenditures	\$ -	\$ 13,766	\$ 13,766

Other Schedules

Town of Dobson, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$	\$ 676,218	\$ 669,610	\$ 6,608
2018-2019	3,603		2,550	1,053
2017-2018	1,063		600	463
2016-2017	266		55	211
2015-2016	240		69	171
2014-2015	254		170	84
2013-2014	954		401	553
2012-2013	312		(183)	495
2011-2012	744		111	633
2010-2011	375		(136)	511
2009-2010	424		424	-
	<u>\$ 8,235</u>	<u>\$ 676,218</u>	<u>\$ 673,671</u>	<u>10,782</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>(1,394)</u>
Ad valorem taxes receivable - net				<u>\$ 9,388</u>
<u>Reconcilement to revenues:</u>				
Ad valorem taxes - General Fund				\$ 657,878
Reconciling items:				
Interest collected				(2,239)
Adjustments				17,608
Taxes written off				<u>424</u>
Subtotal				<u>15,793</u>
Total collections and credits				<u>\$ 673,671</u>

Town of Dobson, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2020

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 141,465,739	0.43	\$ 608,496	\$ 557,761	\$ 50,735
Discoveries - current and prior years	15,714,626	0.43	68,754	68,754	-
Releases	(239,535)	0.43	(1,032)	(1,032)	-
Total property valuation	<u>\$ 156,940,830</u>				
Net levy			676,218	625,483	50,735
Unpaid (by taxpayers) taxes at June 30, 2020			(6,608)	(6,608)	-
Current year's taxes collected			<u>\$ 669,610</u>	<u>\$ 618,875</u>	<u>\$ 50,735</u>
Current levy collection percentage			<u>99.02%</u>	<u>98.94%</u>	<u>100.00%</u>

Town of Dobson, North Carolina
Schedule of Net Position
Water and Sewer Fund by Function
June 30, 2020

	Water	Sewer	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 707,045	\$ 235,681	\$ 942,726
Accounts receivable (net)	152,775	50,925	203,700
Due from other governments	96,458	32,152	128,610
Inventories	99,140	33,046	132,186
Restricted cash and cash equivalents	30,296	10,099	40,395
Total current assets	<u>1,085,714</u>	<u>361,903</u>	<u>1,447,617</u>
Noncurrent assets:			
Capital Assets:			
Land and other non-depreciable assets	2,306,966	768,988	3,075,954
Other capital assets, net of depreciation	6,037,967	2,012,655	8,050,622
Capital assets (net)	<u>8,344,933</u>	<u>2,781,643</u>	<u>11,126,576</u>
Total noncurrent assets	<u>8,344,933</u>	<u>2,781,643</u>	<u>11,126,576</u>
Total assets	<u><u>9,430,647</u></u>	<u><u>3,143,546</u></u>	<u><u>12,574,193</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	76,691	25,564	102,255
OPEB deferrals	-	-	-
Total deferred outflows of resources	<u>76,691</u>	<u>25,564</u>	<u>102,255</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	115,967	38,655	154,622
General obligation bonds payable - current	13,500	4,500	18,000
Bond Anticipation	1,519,925	506,641	2,026,566
Notes payable - current	19,285	6,428	25,713
Compensated absences - current	49,499	16,499	65,998
Liabilities payable from restricted assets:			
Customer deposits	17,990	5,996	23,986
Total current liabilities	<u>1,736,166</u>	<u>578,719</u>	<u>2,314,885</u>
Noncurrent liabilities:			
Total OPEB liability	54,977	18,325	73,302
General obligation bonds payable - noncurrent	550,500	183,500	734,000
Notes payable - noncurrent	38,569	12,856	51,425
Net pension liability	127,484	42,495	169,979
Total noncurrent liabilities	<u>771,530</u>	<u>257,176</u>	<u>1,028,706</u>
Total liabilities	<u><u>2,507,696</u></u>	<u><u>835,895</u></u>	<u><u>3,343,591</u></u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	3,356	1,119	4,475
OPEB deferrals	-	-	-
Total deferred inflows of resources	<u>3,356</u>	<u>1,119</u>	<u>4,475</u>
NET POSITION			
Net investment in capital assets	6,215,461	2,071,820	8,287,281
Restricted - USDA debt service	12,307	4,102	16,409
Unrestricted	768,519	256,173	1,024,692
Total net position	<u><u>\$ 6,996,287</u></u>	<u><u>\$ 2,332,095</u></u>	<u><u>\$ 9,328,382</u></u>

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

Town of Dobson, North Carolina
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Water and Sewer Fund by Function
For the Year Ended June 30, 2020

	Water	Sewer	Total
OPERATING REVENUES			
Charges for services	\$ 1,290,011	\$ 430,003	\$ 1,720,014
Water and sewer taps	42,225	14,075	56,300
Other operating revenues	16,230	5,411	21,641
Total operating revenues	<u>1,348,466</u>	<u>449,489</u>	<u>1,797,955</u>
OPERATING EXPENSES			
Total operating expenses	1,190,300	396,766	1,587,066
Depreciation	258,697	86,232	344,929
Total operating expenses	<u>1,448,997</u>	<u>482,998</u>	<u>1,931,995</u>
Operating income (loss)	<u>(100,531)</u>	<u>(33,509)</u>	<u>(134,040)</u>
NONOPERATING REVENUES (EXPENSES)			
Rental income	56,594	18,864	75,458
Investment earnings	2,177	725	2,902
Interest and other charges	(14,627)	(4,876)	(19,503)
Total nonoperating revenues (expenses)	<u>44,144</u>	<u>14,713</u>	<u>58,857</u>
Income (loss) before contributions and transfers	<u>(56,387)</u>	<u>(18,796)</u>	<u>(75,183)</u>
Capital contributions	73,257	24,419	97,676
Change in net position	<u>16,870</u>	<u>5,623</u>	<u>22,493</u>
Total net position, beginning	<u>6,979,417</u>	<u>2,326,472</u>	<u>9,305,889</u>
Total net position, ending	<u>\$ 6,996,287</u>	<u>\$ 2,332,095</u>	<u>\$ 9,328,382</u>

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

Town of Dobson, North Carolina
Schedule of Cash Flows
Water and Sewer Fund by Function
For the Year Ended June 30, 2020

	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,256,797	\$ 418,932	\$ 1,675,729
Cash paid for goods and services	(730,333)	(243,444)	(973,777)
Cash paid on behalf of employees for services	(523,861)	(174,620)	(698,481)
Customer deposits received	(17,993)	(5,997)	(23,990)
Other operating revenues	58,456	19,485	77,941
Net cash provided (used) by operating activities	<u>43,066</u>	<u>14,356</u>	<u>57,422</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Bond anticipation	1,519,925	506,641	2,026,566
Principal paid on long-term liabilities	(32,035)	(10,678)	(42,713)
Interest paid on long-term liabilities	(14,627)	(4,876)	(19,503)
Contributed capital	328,624	109,541	438,165
Acquisition and construction of capital assets	(1,746,432)	(582,144)	(2,328,576)
Net cash provided (used) by capital and related financing activities	<u>55,455</u>	<u>18,484</u>	<u>73,939</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Rental income	56,594	18,864	75,458
Investment earnings	2,177	725	2,902
Net cash provided (used) by investing activities	<u>58,771</u>	<u>19,589</u>	<u>78,360</u>
Net increase (decrease) in cash and cash equivalents	157,292	52,429	209,721
Balances, beginning	580,050	193,350	773,400
Balance, ending	<u>\$ 737,342</u>	<u>\$ 245,779</u>	<u>\$ 983,121</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (100,531)	\$ (33,509)	\$ (134,040)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	258,697	86,232	344,929
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(33,214)	(11,071)	(44,285)
(Increase) decrease in due from other governments	(5,815)	(1,938)	(7,753)
(Increase) decrease in inventories	1,262	421	1,683
(Increase) decrease in deferred outflows of resources - pensions	14,261	4,754	19,015
Increase (decrease) in net pension liability	9,785	3,262	13,047
Increase (decrease) in OPEB Liability	11,959	3,986	15,945
Increase (decrease) in deferred inflows of resources - pensions	317	105	422
Increase (decrease) in accounts payable and accrued liabilities	(102,556)	(34,187)	(136,743)
Increase (decrease) in customer deposits	(17,993)	(5,997)	(23,990)
Increase (decrease) in compensated absences	6,894	2,298	9,192
Total adjustments	<u>143,597</u>	<u>47,865</u>	<u>191,462</u>
Net cash provided by operating activities	<u>\$ 43,066</u>	<u>\$ 14,356</u>	<u>\$ 57,422</u>

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

Compliance Section



GIBSON & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

**Report On Internal Control Over Financial Reporting And On Compliance and Other
Matters Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of the Town of Dobson, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Dobson's basic financial statements, and have issued our report thereon dated January 25, 2021. The financial statements of the Town of Dobson Tourism Authority and the Town of Dobson ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-1 to be a material weakness.

Compliance and Other Matters

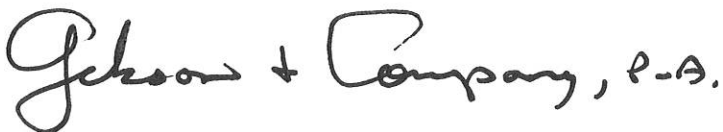
As part of obtaining reasonable assurance about whether the Town of Dobson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-1.

Town of Dobson's Response to Findings

The Town of Dobson's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

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

Winston-Salem, North Carolina
January 25, 2021



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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Dobson's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Dobson's major federal programs for the year ended June 30, 2020. The Town of Dobson's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Dobson complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Johnson & Company, P.A." in a cursive, flowing script.

Winston-Salem, North Carolina
January 25, 2021

TOWN OF DOBSON, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2020

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
Federal Grants:				
Cash Programs:				
<u>U.S. Dept. of Agriculture</u>				
Passed-through N.C. Department of Agriculture and Consumer Services:				
Water and Waste Disposal Systems for Rural Communities (Note 4)	10.760	XXXX	\$ 2,026,566	\$ -
<u>U.S. Dept. of Treasury</u>				
Passed-through the Office of State Budget and Management:				
NC Pandemic Recovery Office				
Passed-through Surry County:				
Coronavirus Relief Fund	21.019	XXXX	27,034	-
<u>Appalachian Regional Commission</u>				
Appalachian Area Development - Town of Dobson				
Water Treatment Plant Upgrade	23.002	NC-18025-214-15	97,676	-
Total assistance - federal programs			2,151,276	-
State Grants:				
Cash Assistance:				
<u>N.C. Department of Transportation:</u>				
Powell Bill		32570	-	3,096
Total assistance - State programs			-	3,096
Total assistance			\$ 2,151,276	\$ 3,096

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Dobson under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Dobson, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Dobson.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

The Town of Dobson has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Loans Outstanding

The Town of Dobson had the following loan balances outstanding at June 30, 2020 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2020 consist of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Water and Waste Disposal Systems for Rural Communities	10.760	-	\$ 2,026,566

TOWN OF DOBSON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial
statements noted

 X yes no

Federal Awards

Internal control over major federal programs:

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

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

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

 yes X no

Identification of major federal programs:

CFDA Number	Names of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish
between Type A and Type B Programs

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

TOWN OF DOBSON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

State Awards

No Major State awards.

TOWN OF DOBSON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

Section II – Financial Statement Findings

MATERIAL NONCOMPLIANCE/MATERIAL WEAKNESS

2020 - 1 Budget Violations

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public Town should be included in the budget ordinance.

Condition: The Town's general fund expended \$211,921 more for public safety, \$37,574 more for culture and recreation, and \$96,733 more for debt service that was appropriated in the budget ordinance.

Effect: Moneys were received and spent for the financing of capital outlay that had not been appropriated.

Cause: The Town received and expended monies that had not been budgeted in the budget ordinance and a budget amendment was not adopted.

Recommendation: Budget amendments should be adopted when expenditures are spent that exceed the budget ordinance prior to expending the funds.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the corrective action plan on page 83 in this audit report.

Section III - Federal Award Findings & Questioned Costs

None reported.



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(336) 356-4836

**Corrective Action Plan
For the Fiscal Year Ended June 30, 2020**

Section II – Financial Statement Findings

2020 - 1 Budget Violations

Name of contact person: Laura Neely, Town Manager

Corrective Action: The Board members will review a budget-to-actual report prepared by the finance officer at each board meeting. Budget amendments will be made as necessary.

Proposed Completion Date: The Board has implemented the above procedures.

Section III - Federal Award Findings & Questioned Costs

None reported.

TOWN OF DOBSON, NORTH CAROLINA
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2020

None.