

**Town of Mocksville
Mocksville, North Carolina
For the year ended
June 30, 2020**

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

Town of Mocksville

Table of Contents
June 30, 2020

Independent Auditor's Report	1-2	
Management's Discussion and Analysis	3-12	
Basic Financial Statements:		
Government-wide Financial Statements:		
Exhibit 1	Statement of Net Position	13
Exhibit 2	Statement of Activities	14
Fund Financial Statements		
Exhibit 3	Balance Sheet – Governmental Funds	15
Exhibit 4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Exhibit 5	Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Exhibit 6	Statement of Revenues, Expenditures and Changes in Fund Balances –Budget and Actual – General Fund	18
Exhibit 7	Statement of Fund Net Position – Proprietary Fund	19
Exhibit 8	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	20
Exhibit 9	Statement of Cash Flows – Proprietary Funds	21
Notes to the Financial Statements		22-49

Required Supplementary Information:

Schedule of Changes in the Total OPEB Liability and Related Ratios	50
Law Enforcement Officers' Special Separation Allowance – Schedule of Changes in Pension Liability and Pension Liability as a Percentage of Covered Payroll	51
Schedule of the Proportionate Share of the Net Pension Asset – Local Government Employees' Retirement System and Schedule of Contributions	52

Individual Funds Statements and Schedules:

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	53-57
Schedule of Revenues and Expenditures - Budget and Actual – (Non-GAAP) Water and Sewer Fund	58-60
Statement of Revenues and Expenditures - Budget and Actual – Water and Sewer Capital Projects	61

Other Schedules:

Schedule of Changes in Ad Valorem Taxes Receivable	62
Analysis of Current Tax Levy	63
Ten Largest Taxpayers	64

Compliance:

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65-66
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	67-68
Schedule of Findings and Questioned Costs	69-70
Schedule of Federal and State Financial Assistance	71

EDDIE CARRICK, CPA, PC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To Honorable Mayor
And Members of the Town Council
Town of Mocksville, North Carolina

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Mocksville, North Carolina, as of and for the year ended June 30, 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

My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the Town of Mocksville ABC Board. Those statements were audited by another auditor whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the Mocksville - Cooleemee ABC Board, is based solely on the report of another auditor. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Mocksville - Cooleemee ABC Board were not audited in accordance with *Government 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, I 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.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 12, the Law Enforcement Officers' Special Separation Allowance and the Other Postemployment Benefits

Schedules of Funding Progress and Employer Contributions, on pages 50-51, respectively, the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on page 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mocksville, North Carolina's basic financial statements. The combining and individual fund schedules, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and 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 schedules, 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 my opinion, based on my audit, and the procedures performed as describe above, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Emphasis of Matter

As discussed in Note V to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. My opinion is not modified with respect to this matter.

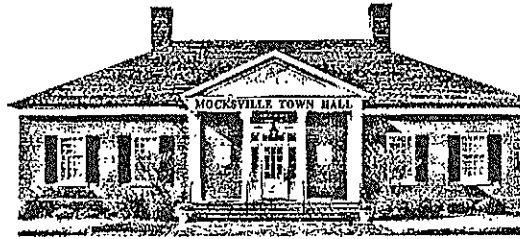
Eddie Carrick CPA, PC



Lexington, North Carolina
January 25, 2021

Town of Mocksville

Commissioners:
ROB TAYLOR, Mayor Pro Tern
ERIC SOUTHERN
AMY VAUGHAN-JONES
BRIAN WILLIAMS
JUSTIN DRAUGH



INCORPORATED 1839

171 S. CLEMENT STREET

MOCKSVILLE, NC 27028

Management's Discussion and Analysis

As management of the Town of Mocksville, we offer the readers of the Town of Mocksville's financial statements this narrative overview and analysis of the financial activities of the Town of Mocksville for the fiscal year ended June 30, 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

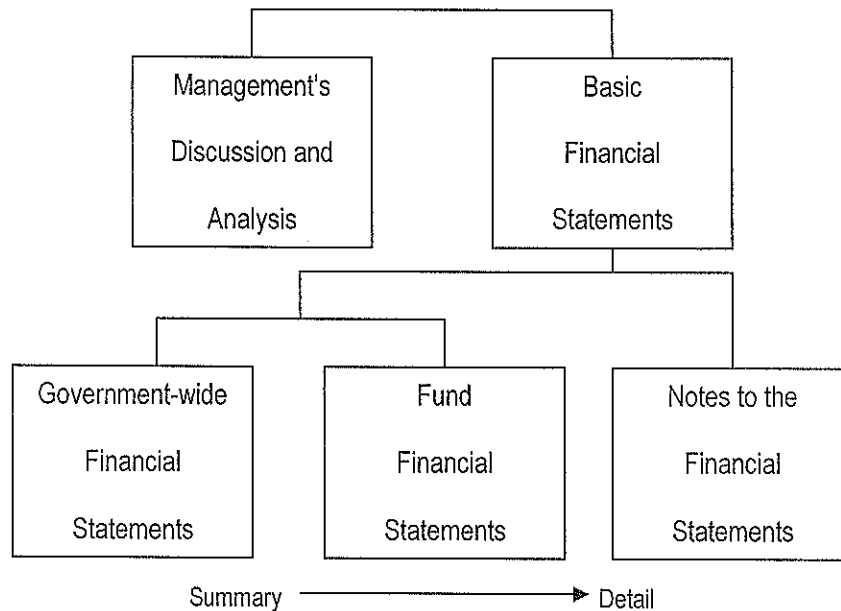
- The assets and deferred outflows of resources of the Town of Mocksville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$24,732,605 (*net position*).
- The government's total net position decreased by \$311,195, primarily due to an increase in governmental and a decrease in proprietary type activities.
- As of the close of the current fiscal year, the Town of Mocksville's governmental funds reported combined ending fund balances of \$7,361,743 with a net increase of \$458,003 in fund balance. Approximately 37% of this total amount, or \$2,752,776, is restricted or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,608,967 or 84% of total general fund expenditures for the fiscal year.
- The Town of Mocksville's total debt decreased by \$326,776 due to an increase in accrued vacation of \$7,615, recognition of decrease in other post-employment benefits of \$570,561, an increase law officers' separation allowance of \$145,330, increase in pension liability of \$189,363, proceeds from long-term borrowing of \$159,998 and payments on long-term borrowing of \$258,521.

Overview of the Financial Statements

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

Management Discussion and Analysis
Town of Mocksville

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as safety and security, transportation and administration. Property tax and state shared revenues finance these activities. The business-type activities are those that the Town charges customers to provide. These include water and sewer services offered by the Town. The final category is the component units. Although legally separate from the Town, the Tourism Development Authority and ABC Board are important to the Town. The Town exercises control over the Boards by appointing its members.

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

Fund Financial Statements

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

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

Management Discussion and Analysis
Town of Mocksville

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

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

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

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

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

Management Discussion and Analysis
Town of Mocksville

Town of Mocksville's Net Position (Figure 2)

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 5,951,278	\$ 6,011,648	\$ 1,106,870	\$ 1,091,809	\$ 7,058,148	\$ 7,103,456
Capital and noncurrent assets	7,910,153	7,720,937	16,219,259	14,378,522	24,129,412	22,099,459
Deferred outflows of resources	632,917	582,875	77,894	77,238	710,811	660,113
Total assets and deferred outflows	14,494,348	14,315,460	17,404,023	15,547,569	31,898,371	29,863,029
Long-term liabilities	2,105,122	2,627,901	3,653,140	1,505,925	5,758,262	4,133,826
Current liabilities	310,335	198,173	131,288	98,177	441,623	296,350
Deferred inflows of resources	835,446	340,251	130,435	48,801	965,881	-
Total liabilities and deferred inflows	3,250,903	3,166,325	3,914,863	1,652,903	7,165,766	4,819,228
Net position						
Net investment in capital assets	5,897,367	6,094,716	14,410,023	14,378,522	20,307,390	20,473,238
Restricted	2,502,776	2,216,516	-	-	2,502,776	2,216,516
Unrestricted	2,843,302	2,837,903	(920,862)	(483,856)	1,922,440	2,354,048
Total net position	\$ 11,243,445	\$ 11,149,135	\$ 13,489,161	\$ 13,894,666	\$ 24,732,605	\$ 25,043,801

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows by \$24,732,605 as of June 30, 2020. The Town's net position decreased by \$311,195 for the fiscal year ended June 30, 2020. However, the largest portion (82%) reflects the Town's net investment in capital assets (road improvements, equipment, machinery, utility plant). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$2,502,776 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,922,440 is unrestricted.

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

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

Management Discussion and Analysis
Town of Mocksville

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 186,037	\$ 179,542	\$ 2,911,102	\$ 2,909,363	\$ 3,097,139	\$ 3,088,905
Operating Grants and contributions	616,092	586,756	-	-	616,092	586,756
Capital Grants and contributions	-	182,459	-	-	-	182,459
General revenues:						
Property taxes	3,030,240	2,746,128	-	-	3,030,240	2,746,128
Other taxes	1,319,122	1,249,765	-	-	1,319,122	1,249,765
Other	613,509	574,194	13,546	410,119	627,055	984,313
Total revenues	5,765,000	5,518,844	2,924,648	3,319,482	8,689,648	8,838,326
Expenses:						
General government	1,740,498	1,846,778	-	-	1,740,498	1,846,778
Economic development	229,417	229,577	-	-	229,417	229,577
Public safety	2,544,782	2,477,887	-	-	2,544,782	2,477,887
Transportation	720,135	1,050,775	-	-	720,135	1,050,775
Environmental protection	283,129	283,816	-	-	283,129	283,816
Cultural and recreational	145,423	20,004	-	-	145,423	20,004
Interest on long-term debt	7,305	17,491	-	-	7,305	17,491
Water and sewer	-	-	3,330,153	3,173,242	3,330,153	3,173,242
Total expenses	5,670,689	5,926,328	3,330,153	3,173,242	9,000,842	9,099,570
Increase in net assets before transfers and contributions	94,310	(407,484)	(405,505)	146,240	(311,195)	(261,244)
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	94,310	(407,484)	(405,505)	146,240	(311,195)	(261,244)
Net position, July 1	11,149,135	11,556,619	13,894,666	13,748,426	25,043,801	25,305,045
Net position, June 30	\$ 11,243,445	\$ 11,149,135	\$ 13,489,161	\$ 13,894,666	\$ 24,732,607	\$ 25,043,801

Governmental activities. Governmental activities increased the Town's net position by \$94,310, thereby accounting for 0% of the total decrease in net position of the Town. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Management believes healthy investment in the Town will result in additional revenues, and in that vein added to the Town's net position by investing in capital assets. Increased efforts to maximize tax collections also contributed to the favorable net position. Tax revenue did not appreciably decline in the current year. Town management acknowledges that 2020 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Management Discussion and Analysis
Town of Mocksville

Key elements of this increase are as follows:

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

Business-type activities: Business-type activities decreased the Town's net position by \$405,505 accounting for 100% of the total decrease in the government's net position. Key elements of this decrease are as follows:

- A conservative approach to spending

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Mocksville's fund balance available in the General Fund was \$4,608,967, while total fund balance reached \$7,361,743. The Town currently has an available fund balance of 84% of general fund expenditures, while total fund balance represents 135% of the same amount.

At June 30, 2020, the governmental funds of the Town reported a combined fund balance of \$7,361,743 with a net increase in fund balance of \$458,003. Included in this change in fund balance are increases in the General Fund of \$458,003.

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

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

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

Management Discussion and Analysis
Town of Mocksville

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position in the Water and Sewer Fund at the end of the fiscal year amounted to (\$920,862). The total change in net position was (\$405,505). Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$22,589,846 (net of accumulated depreciation). These assets include buildings, roads, machinery and equipment.

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

- Vehicles and equipment \$331,400
- Water and sewer improvements and equipment \$346,086
- Water and sewer projects construction in progress \$2,252,389

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2020	2019	2020	2019	2020	2019
Land and improvements	\$ 627,526	\$ 627,526	\$ 46,446	\$ 46,446	\$ 673,972	\$ 673,972
Construction in progress	-	-	2,328,960	76,571	2,328,960	76,571
Road improvements	1,853,771	1,937,108	-	-	1,853,771	1,937,108
Economic development	1,141,829	1,201,349			1,141,829	1,201,349
Buildings	1,484,139	1,570,136	-	-	1,484,139	1,570,136
Vehicles	779,863	768,724	-	-	779,863	768,724
Equipment	483,459	461,617	441,228	513,973	924,687	975,590
Plant and distribution	-	-	13,402,625	13,741,532	13,402,625	13,741,532
	<u>\$ 6,370,587</u>	<u>\$ 6,566,460</u>	<u>\$ 16,219,259</u>	<u>\$ 14,378,522</u>	<u>\$ 22,589,846</u>	<u>\$ 20,944,982</u>

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

Management Discussion and Analysis
Town of Mocksville

Long-term Debt.

The Town of Mocksville's total debt decreased by \$326,776 due to an increase in accrued vacation of \$7,615, recognition of decrease in other post-employment benefits of \$570,561, an increase law officers' separation allowance of \$145,330, increase in pension liability of \$189,363, proceeds from long-term borrowing of \$159,998 and payments on long-term borrowing of \$258,521.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of property located within that government's boundaries. The legal debt margin for the Town is \$83,753,186.

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

Economic Factors and Next Year's Budgets and Rates

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

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

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities:

The 2020-2021 budget includes prioritizing capital needs for each department, stabilizing fund balance and maintaining a competitive tax rate as high priority issues. In addition, the following budgetary issues were highlighted:

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

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

The Town has embarked on some major projects, and has chosen to appropriate less fund balance in the fiscal year 2021 budget. The Town's fund balances appropriations will continue to be evaluated and still exceed LGC recommendations and the reserves kept by municipalities similar in size. Management believes that increased revenues and future restrictions on spending will maintain the Town's financial position. Large capital expenditures in current year will have little ongoing operating impacts on the

Management Discussion and Analysis
Town of Mocksville

Governmental Activities: (continued)

upcoming budgets. The Town may need additional revenue in future years. Management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-type Activities:

The major highlights of the 2020-21 budget for the water and sewer fund will include; the relationship/agreements with Willis Engineers, major construction and mandated rehabilitation and contracted wastewater services with Envirolink, Inc. Emphasis on improved maintenance of vehicles and equipment should provide for long term savings. Water and sewer rates increased by 7% for the upcoming year, and will continue to be analyzed and changed to maintain adequate services.

Requests for Information

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

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

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Town of Mocksville Tourism Development Authority	Mocksville-Coolesme ABC Board
ASSETS					
Current assets:					
Cash and investments - unrestricted	\$ 4,922,082	\$ 684,974	\$ 5,607,057	\$ -	\$ 311,475
Property taxes receivable (net)	65,986	-	65,986	-	-
Internal balances	50,000	(50,000)	-	-	-
Accounts receivable (net) and prepaids	312,420	292,663	605,083	8,955	15,884
Inventory	-	59,702	59,702	-	307,118
Cash and investments - restricted	600,790	119,530	720,320	154,415	-
	<u>5,951,278</u>	<u>1,106,870</u>	<u>7,058,148</u>	<u>163,370</u>	<u>634,477</u>
Non-current assets:					
Advance from other funds - noncurrent	1,539,566	-	1,539,566	-	-
Capital assets (Note IIIA4):					
Land and CWIP not being depreciated	627,526	2,375,406	3,002,932	-	-
Other capital assets, net of depreciation	5,743,061	13,843,852	19,586,913	-	214,375
Total capital assets	<u>6,370,587</u>	<u>16,219,259</u>	<u>22,589,846</u>	<u>-</u>	<u>214,375</u>
Total noncurrent assets	<u>7,910,153</u>	<u>16,219,259</u>	<u>24,129,412</u>	<u>-</u>	<u>214,375</u>
Total assets	<u>13,861,431</u>	<u>17,326,129</u>	<u>31,187,560</u>	<u>163,370</u>	<u>848,852</u>
DEFERRED OUTFLOWS OF RESOURCES					
LGERS	475,715	77,371	553,086	-	15,449
OPEB	3,212	523	3,735	-	-
LEO	153,990	-	153,990	-	-
Total deferred outflows of resources	<u>632,917</u>	<u>77,894</u>	<u>710,811</u>	<u>-</u>	<u>15,449</u>
LIABILITIES					
Current liabilities:					
Accounts payable	63,117	131,288	194,405	-	293,204
Current maturities on long-term debt	247,218	-	247,218	-	32,452
Customer deposits	-	119,530	119,530	-	-
Long-term liabilities:					
Advance to other funds - noncurrent	-	1,539,566	1,539,566	-	-
Long-term debt - ABC Board	-	-	-	-	276,136
Long-term debt - SRF	-	1,809,236	1,809,236	-	-
USDA REDLG	500,000	-	500,000	-	-
BB&T Fire truck	236,237	-	236,237	-	-
Police vehicle lease	89,765	-	89,765	-	-
OPEB liability	54,558	40,966	95,524	-	-
Law Enforcement Officers' Separation Allowance	356,707	-	356,707	-	-
Pension liability	726,043	118,085	844,128	-	-
Accrued vacation	141,812	25,756	167,568	-	-
Total liabilities	<u>2,415,457</u>	<u>3,784,428</u>	<u>6,199,885</u>	<u>-</u>	<u>601,792</u>
DEFERRED INFLOWS OF RESOURCES					
OPEB	812,160	129,516	941,676	-	-
LEO	17,632	-	17,632	-	-
LGERS	5,654	919	6,573	-	14,352
Total deferred inflows of resources	<u>835,446</u>	<u>130,435</u>	<u>965,881</u>	<u>-</u>	<u>14,352</u>
NET POSITION					
Net investment in capital assets	5,897,367	14,410,023	20,307,390	-	54,251
Restricted for:					
Working capital	-	-	-	-	85,604
Stabilization by State Statute	1,901,986	-	1,901,986	8,955	-
Streets	790	-	790	-	-
USDA REDLG	600,000	-	600,000	-	-
Tourism Development	-	-	-	154,415	-
Unrestricted	<u>2,843,302</u>	<u>(920,862)</u>	<u>1,922,440</u>	<u>-</u>	<u>108,302</u>
Total net position	<u>\$ 11,243,445</u>	<u>\$ 13,489,161</u>	<u>\$ 24,732,607</u>	<u>\$ 163,370</u>	<u>\$ 248,157</u>

The accompanying notes are an integral part of the financial statements

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

Exhibit 2

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Position			Town of Mocksville Tourism Development Authority	Mocksville - Cooleemee ABC Board
					Governmental Activities	Business-type Activities	Total		
Governmental activities:									
General government	\$ 1,740,498	\$ -	\$ -	\$ -	\$ (1,740,498)	\$ -	\$ (1,740,498)	\$ -	\$ -
Economic development	229,417	-	11,035	-	(218,382)	-	(218,382)	-	-
Public safety	2,544,782	1,446	448,067	-	(2,095,269)	-	(2,095,269)	-	-
Transportation	720,135	-	156,990	-	(563,145)	-	(563,145)	-	-
Environmental protection	283,129	179,548	-	-	(103,581)	-	(103,581)	-	-
Cultural and recreational	145,423	5,043	-	-	(140,380)	-	(140,380)	-	-
Interest on long-term debt	7,305	-	-	-	(7,305)	-	(7,305)	-	-
Tourism development	-	-	-	-	-	-	-	(34,942)	-
Total governmental activities	5,670,690	186,037	616,092	-	(4,868,561)	-	(4,868,561)	(34,942)	-
Business-type activities:									
ABC Board	2,792,065	2,887,599	-	-	-	-	-	-	95,534
Water and sewer	3,330,153	2,911,102	-	-	-	(419,051)	(419,051)	-	-
Total business activities	6,122,218	5,798,701	-	-	-	(419,051)	(419,051)	-	95,534
Total government	\$ 11,792,909	\$ 5,984,738	\$ 616,092	\$ -	(4,868,561)	(419,051)	(5,287,613)	(34,942)	95,534
General revenues:									
Taxes:									
Property taxes levied for general purposes					3,030,240	-	3,030,240	-	-
Other taxes					1,319,122	-	1,319,122	73,095	-
Unrestricted investment earnings					33,402	7,546	40,949	-	-
Other unrestricted revenues					580,107	6,000	586,107	5,120	-
Grants					-	-	-	-	-
Total general government revenues and transfers					4,962,871	13,546	4,976,417	78,215	-
Change in net position					94,310	(405,505)	(311,195)	43,273	95,534
Net position, beginning					11,149,135	13,894,666	25,043,801	120,097	152,623
Net position, ending					\$ 11,243,445	\$ 13,489,161	\$ 24,732,607	\$ 163,370	\$ 248,157

The accompanying notes are an integral part of the financial statements

Town of Mocksville, North Carolina

Balance Sheet
Governmental Funds
June 30, 2020

	Major General	Total Governmental
ASSETS		
Cash and investments -- unrestricted	\$ 4,922,082	\$ 4,922,082
Cash and investments -- restricted	600,790	600,790
Due from other funds - current portion	50,000	50,000
Property taxes receivable (net)	65,986	65,986
Accounts receivable (net)	312,420	312,420
	<u>5,951,278</u>	<u>5,951,278</u>
Advance from other funds - long-term portion	<u>1,539,566</u>	<u>1,539,566</u>
Total assets	<u>\$ 7,490,844</u>	<u>\$ 7,490,844</u>
LIABILITIES		
Accounts payable	\$ 63,115	\$ 63,115
Total liabilities	<u>63,115</u>	<u>63,115</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	65,986	65,986
Total deferred inflows of resources	<u>65,986</u>	<u>65,986</u>
Fund balances:		
Restricted:		
Stabilization by State Statute	1,901,986	1,901,986
Streets	790	790
USDAS REDLG	600,000	600,000
Assigned		-
Subsequent years expenditures	250,000	250,000
Unassigned	4,608,967	4,608,967
Total fund balances	<u>7,361,743</u>	<u>7,361,743</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 7,490,844</u>	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,370,587
Deferred pension outflows		629,705
Earned revenues considered deferred inflows of resources in fund statements.		65,986
Pension and OPEB related deferrals		(334,718)
Some liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the net position of the governmental activities:		<u>(2,849,858)</u>
Net position of the governmental activities		<u>\$ 11,243,445</u>

The accompanying notes are an integral part of the financial statements

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

	Major	
	General	Total Governmental
Revenues:		
Ad Valorem taxes	\$ 3,028,466	\$ 3,028,466
Other taxes and licenses	1,319,122	1,319,122
Unrestricted intergovernmental revenues	527,304	527,304
Restricted intergovernmental revenues	616,092	616,092
Permits and fees	1,446	1,446
Sales and services	184,591	184,591
Investment earnings	33,402	33,402
Other revenues	52,804	52,804
	<u>5,763,227</u>	<u>5,763,227</u>
Expenditures:		
General government	1,484,899	1,484,899
Economic development	229,417	229,417
Public safety	2,353,169	2,353,169
Transportation	650,547	650,547
Environmental protection	283,129	283,129
Cultural and recreational	198,235	198,235
Debt service	265,825	265,825
	<u>5,465,222</u>	<u>5,465,222</u>
Excess of revenues and other sources over expenditures and other uses	<u>298,005</u>	<u>298,005</u>
Other Financing Sources (Uses):		
Proceeds from loans	159,998	159,998
	<u>159,998</u>	<u>159,998</u>
Net change in fund balance	458,003	458,003
Fund Balances		
Beginning of year, July 1	<u>6,903,740</u>	<u>6,903,740</u>
End of year, June 30	<u>\$ 7,361,743</u>	<u>\$ 7,361,743</u>

The accompanying notes are an integral part of the financial statements

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

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

Net changes in fund balances - total governmental funds		\$ 458,003
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation for the current period.		
Capital outlay	\$ 331,400	
Depreciation	<u>(527,273)</u>	(195,873)
Change in pension expense		
Change in deferred outflows	(27,541)	
(Increase) decrease in pension liability	(157,834)	
Change in deferred inflows	<u>6,244</u>	(179,131)
Change in OPEB expense		
Change in deferred outflows	3,212	
(Increase) decrease in OPEB liability	490,676	
Change in deferred inflows	<u>(506,906)</u>	(13,018)
Change in Law Enforcement Separation Allowance expense		
Change in deferred outflows	74,371	
(Increase) decrease in liability	(145,330)	
Change in deferred inflows	<u>5,467</u>	(65,492)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Loan proceeds		(159,998)
Change in unavailable revenue for tax revenues		1,774
Some of the expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Debt service payments		258,520
Compensated absences		<u>(10,474)</u>
Total changes in net position of governmental activities		<u>\$ 94,310</u>

Town of Mocksville, North Carolina

General Fund

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

	Budget			Variance with Final budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Ad Valorem taxes	\$ 2,750,500	\$ 2,750,500	\$ 3,028,466	\$ 277,966
Other taxes and licenses	1,254,000	1,219,000	1,319,122	100,122
Unrestricted intergovernmental revenues	512,700	529,000	527,304	(1,696)
Restricted intergovernmental revenues	635,760	563,860	616,092	52,232
Permits and fees	1,500	1,500	1,446	(54)
Sales and services	159,000	183,500	184,591	1,091
Investment earnings	11,500	11,500	33,402	21,902
Other revenues	40,000	106,100	52,804	(53,296)
	<u>5,364,960</u>	<u>5,364,960</u>	<u>5,763,227</u>	<u>398,267</u>
Other financing sources:				
Proceeds from loans	-	-	159,998	159,998
Appropriated fund balance	500,000	601,000	-	(601,000)
Total revenues and other sources	<u>5,864,960</u>	<u>5,965,960</u>	<u>5,923,225</u>	<u>(42,735)</u>
Expenditures:				
General government	1,723,381	1,654,095	1,484,899	169,196
Economic development	168,848	290,076	229,417	60,659
Public safety	2,575,950	2,545,950	2,353,169	192,781
Transportation	704,781	681,234	650,547	30,687
Environmental protection	237,000	299,605	283,129	16,476
Cultural and recreational	215,000	225,000	198,235	26,765
Debt service	240,000	270,000	265,825	4,175
	<u>5,864,960</u>	<u>5,965,960</u>	<u>5,465,222</u>	<u>500,738</u>
Other Financing Uses:				
None	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Other Uses	<u>5,864,960</u>	<u>5,965,960</u>	<u>5,465,222</u>	<u>500,738</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	458,003	<u>\$ 458,003</u>
Fund Balances				
Beginning of year, July 1			<u>6,903,740</u>	
End of year, June 30			<u>\$ 7,361,743</u>	

The accompanying notes are an integral part of the financial statements

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

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and investments - unrestricted	\$ 684,974
Cash and investments - restricted	119,530
Accounts receivable (net)	292,663
Inventory	59,702
Total current assets:	<u>1,156,870</u>
Non-current assets:	
Capital assets:	
Land and construction in progress	2,375,406
Other capital assets, net of depreciation	13,843,852
Total non-current assets:	<u>16,219,259</u>
Total assets	<u>17,376,129</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	77,371
OPEB deferrals	523
	<u>77,894</u>
LIABILITIES	
Current liabilities:	
Accounts payable	131,288
Due to other funds - current	50,000
Liabilities payable from restricted assets:	
Customer deposits	119,530
Non-current liabilities:	
Advance to other funds - noncurrent	1,539,566
Accrued vacation	25,756
Long-term debt - SRF	1,809,236
Pension liability	118,085
OPEB obligation	40,966
Total non-current liabilities	<u>3,533,609</u>
Total liabilities	<u>3,834,428</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	919
OPEB deferrals	129,516
	<u>130,435</u>
NET POSITION	
Net investment in capital assets	14,410,023
Restricted for other uses	-
Unrestricted	(920,862)
Total net position	<u>\$ 13,489,161</u>

The accompanying notes are an integral part of the financial statements

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

	<u>Water and Sewer Fund</u>
Operating revenues:	
Utility charges, taps and connection fees	\$ 2,896,678
Other operating income	14,424
	<u>2,911,102</u>
Operating expenses:	
Water treatment and distribution	1,061,275
Waste collection and treatment	1,511,140
Depreciation	757,738
	<u>3,330,153</u>
 Operating Income	 <u>(419,051)</u>
 Nonoperating revenue (expense):	
Interest income	7,546
Sale of assets	-
Rental income	6,000
Total nonoperating revenue (expense)	<u>13,546</u>
 Income before contributions and transfers	 (405,505)
 Grants	 <u>-</u>
 Change in net position	 (405,505)
 Total net position - July 1	 <u>13,894,666</u>
 Total net position - June 30	 <u><u>\$ 13,489,161</u></u>

The accompanying notes are an integral part of the financial statements

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

	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 2,898,633
Cash payment to suppliers of goods and services	(2,071,603)
Cash payment to employees and benefits	(449,474)
Net Cash Provided By Operating Activities	<u>377,556</u>
Cash flows from noncapital financial activities:	
Other income	6,000
Increase in interfund payable	385,089
Net Cash Provided by Noncapital Financing Activities	<u>391,089</u>
Cash from capital and related financing activities:	
Grants	-
Proceeds from long-term debt	1,809,236
Increase in construction in progress	(2,252,389)
Purchase of capital assets	(346,086)
Net Cash Used by Capital and Related Financing Activities	<u>(789,239)</u>
Cash flows from investing activities:	
Interest on investments	7,546
Net Cash Provided by Investing Activities	<u>7,546</u>
Net Increase (Decrease) In Cash	(13,048)
Cash - Beginning of Year, July 1	<u>913,158</u>
 Cash - End of Year, June 30	 <u><u>\$ 900,110</u></u>
Adjustments to Reconcile Net Operating Income	
to Net Cash Provided by Operating Activities:	
Net Operating Income	\$ (419,051)
Depreciation	757,738
Changes in Current Assets and Liabilities:	
(Increase) decrease in accounts receivable	(16,574)
(Increase) decrease in inventory	(11,535)
(Increase) decrease in deferred outflows	30,502
Increase (decrease) in accounts payable	33,111
Increase (decrease) in accrued vacation	(2,859)
Increase (decrease) in OPEB	2,119
Increase (decrease) in customer deposits	4,105
	<u><u>\$ 377,556</u></u>
 Interest paid	 <u><u>\$ -</u></u>

Town of Mocksville, North Carolina
NOTES TO FINANCIAL STATEMENTS
As of or for the Year Ended June 30, 2020

Description of the Units

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

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Town of Mocksville Tourism Development Authority

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

As of June 30, 2020, the Town of Mocksville held receipts of \$8,955 at June 30, 2020.

Town of Mocksville ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at the Town of Mocksville ABC Board, Town of Mocksville, North Carolina.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display the information about the government. These statements include the activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or part by fees charged to external parties.

Notes to the Financial Statements (continued)

B. Basis of Presentation (continued)

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

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

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

The Town reports the following major governmental funds:

General Fund

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

The Town reports the following major enterprise funds:

Water and Sewer Fund

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

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

The Town reports construction of proprietary assets in the Water and Sewer Capital Project.

C. Measurement Focus and Basis of Accounting

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

Notes to the Financial Statements (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

Notes to the Financial Statements (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law (G.S. 159-30(c)) authorizes the Town, the Tourism Development Authority and ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town, the Tourism Development Authority and ABC Board's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Notes to the Financial Statements (continued)

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursements and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Tourism Development Authority and ABC Board considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Also, a restricted cash account has been established to provide for future payments to USDA for the REDLG economic loan.

Town of Mocksville Restricted Cash

Governmental Activities			
General Fund	Powell - streets	\$	790
	USDA REDLG		600,000
Total governmental activities			<u>600,790</u>
Business-type Activities			
Water and Sewer Fund	Customer deposits		119,530
Total Business-type Activities			<u>119,530</u>
Total Restricted Cash		\$	<u>720,320</u>

4. Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories

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

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

Notes to the Financial Statements (continued)

7. Capital Assets

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

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

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

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

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

8. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, contributions made to the pension plan in the 2020 fiscal year and other deferred pension outflows. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category - property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

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

Notes to the Financial Statements (continued)

9. Long-Term Obligations(continued)

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

10. Compensated Absences

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

The Town and ABC Board's sick leave policy provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town nor the ABC Board has any obligation for the accumulation of sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net position / Fund Balances

Net position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Notes to the Financial Statements (continued)

11. Net position / Fund Balances (continued)

cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Restricted by USDA – escrow required by USDA loan

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

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

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

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

12. Pensions

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

Notes to the Financial Statements (continued)

II. Stewardship, Compliance, and Accountability

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

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

C. Excess of Expenditures over Appropriations None were noted.

III. Detail Notes on All Funds and Account Groups

A. Assets:

1. Deposits

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

At June 30, 2020, the Town's deposits had a carrying amount of \$1,218,521 and a bank balance of \$1,628,842. The bank balances of the Town were covered by \$250,000 of federal depository insurance. The remaining balance of deposits is collateralized under the Pooling Method as enumerated above. At June 30, 2020, the Town's petty cash fund totaled \$500.

At June 30, 2020, the TDA's deposits had a carrying amount of \$154,415 and a bank balance of \$161,115. The bank balances of the TDA are covered by up to \$250,000 of federal depository insurance.

At June 30, 2020, the ABC Board's deposits had a carrying amount of \$308,175 and a bank balance of \$302,206. The bank balances of the ABC Board are covered by up to \$250,000 of federal depository insurance. The remaining balance of deposits is collateralized under the Pooling Method as enumerated above. The ABC Board has petty cash of \$3,300.

Notes to the Financial Statements (continued)

2. Investments

At June 30, 2020, the Town had \$5,108,356 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivable - Allowances for Doubtful Accounts

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

<u>Fund</u>	<u>June 30, 2020</u>
Accounts receivable - Enterprise Fund	\$1,571

4. Capital Assets

Primary Government

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 627,526	\$ -	\$ -	\$ 627,526
Improvements	-	-	-	-
CWIP	-	-	-	-
Total capital assets not being depreciated:	<u>627,526</u>	<u>-</u>	<u>-</u>	<u>627,526</u>
Capital assets being depreciated:				
Road improvements	4,091,622	-	-	4,091,622
Economic development	1,487,989	-	-	1,487,989
Buildings	3,141,067	-	-	3,141,067
Vehicles	2,948,854	214,898	-	3,163,752
Equipment	1,311,728	116,502	-	1,428,230
Total capital assets being depreciated:	<u>12,981,260</u>	<u>331,400</u>	<u>-</u>	<u>13,312,660</u>
Less, accumulated depreciation for:				
Road improvements	2,154,514	83,337	-	2,237,851
Economic development	286,640	59,520	-	346,160
Buildings	1,570,931	85,997	-	1,656,928
Vehicles	2,180,130	203,759	-	2,383,889
Equipment	850,109	94,660	-	944,769
Total accumulated depreciation	<u>7,042,324</u>	<u>527,273</u>	<u>-</u>	<u>7,569,597</u>
Total assets being depreciated, net	<u>5,938,934</u>			<u>5,743,061</u>
Governmental activity capital assets, net	<u>\$ 6,566,460</u>			<u>\$ 6,370,587</u>

Notes to the Financial Statements (continued)

4. Capital Assets (continued)

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

General government	\$185,533
Public safety	215,787
Transportation	<u>125,953</u>
	<u>\$572,273</u>

The following is a summary of fixed assets of the ABC Board at June 30, 2020:

	Useful Life	Cost	Accumulated Depreciation	Net
Land		\$ 30,000	\$ -	\$ 30,000
Land improvements	15 yrs	17,652	10,297	7,355
Buildings	31.5 yrs	119,945	117,682	2,263
Furniture/equipment	5-10 yrs	125,671	64,233	61,438
Building improvements	10-15 yrs	140,400	27,081	113,319
Totals		<u>\$ 433,668</u>	<u>\$ 219,293</u>	<u>\$ 214,375</u>

Depreciation expense for the year ended June 30, 2020 was \$34,649.

The following is a summary of fixed assets of the proprietary fund at June 30, 2020:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and sewer fund:				
Capital assets not being depreciated				
Land	\$ 46,446	\$ -	\$ -	\$ 46,446
Construction in progress	76,571	2,252,389	-	2,328,960
Total not being depreciated	<u>123,017</u>	<u>2,252,389</u>	<u>-</u>	<u>2,375,406</u>
Capital assets being depreciated:				
Equipment	2,171,609	9,114	-	2,180,723
Water plant and lines	9,665,452	311,441	-	9,976,893
Sewer plant and lines	17,029,691	25,531	-	17,055,222
Total capital assets being depreciated:	<u>28,866,752</u>	<u>346,086</u>	<u>-</u>	<u>29,212,838</u>
Less, accumulated depreciation for:				
Equipment	1,657,636	81,859	-	1,739,495
Water plant and lines	5,038,139	249,498	-	5,287,637
Sewer plant and lines	7,915,472	426,381	-	8,341,853
Total accumulated depreciation	<u>14,611,247</u>	<u>757,738</u>	<u>-</u>	<u>15,368,985</u>
Total assets being depreciated, net	<u>14,255,505</u>			<u>13,843,853</u>
Business-type activity capital assets, net	<u>\$ 14,378,522</u>			<u>\$ 16,219,259</u>

Notes to the Financial Statements (continued)

B. Liabilities:

1. Pension Plan Obligations:

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town and ABC Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 9.01% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$185,542 for the year ended June 30, 2020. For the ABC Board, the 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. Contributions to the pension plan from the ABC Board were \$11,312 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town and ABC Board reported a liability of \$844,128 and \$0 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 liability 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, 2020 (as measured at June 30, 2019), the Town's proportion was 0.03091%, which was an increase of 0.00331% from its proportion as of June 30, 2019 (as measured at June 30, 2018). At June 30, 2020 (as measured at June 30, 2019), the ABC Board's proportion was 0.00%, which was a decrease of 0.00150% from its proportion as of June 30, 2019 (as measured at June 30, 2018).

For the year ended June 30, 2020, the Town recognized pension expense of \$394,598. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 144,536	\$ -
Changes of assumptions	137,579	
Net difference between projected and actual earnings on pension plan investments	20,589	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	64,840	6,573
Town contributions subsequent to the measurement date	185,542	-
Total	<u>\$ 553,086</u>	<u>\$ 6,573</u>

\$185,542 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 166,605
2021	63,096
2022	101,227
2023	30,043
	<u>\$ 360,972</u>

For the year ended June 30, 2020, the ABC Board recognized pension expense of (\$2,610). At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,137	14,352
Town contributions subsequent to the measurement date	11,312	-
Total	<u>\$ 15,449</u>	<u>\$ 14,352</u>

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

\$11,312, reported as deferred outflows of resources related to pensions resulting from ABC Board contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ (2,474)
2021	(2,677)
2022	(2,796)
2023	(2,268)
	<u>\$ (10,215)</u>

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 actuary currently uses mortality rates based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study from December 31, 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.

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1,930,675	\$ 844,128	\$ (59,013)
ABC Board's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan description.

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

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

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>22</u>
	23

A separate report was not issued for the plan.

2. Summary of significant accounting policies:

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 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.

Notes to the Financial Statements (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

3. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$14,000 as benefits came due for the reporting period.

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

At June 30, 2020, the Town reported a total pension liability of \$356,707. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$65,492.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 120,978	\$ -
Changes of assumptions	33,012	17,632
Benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 153,990</u>	<u>\$ 17,632</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:

Notes to the Financial Statements (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

<u>Year ended June 30:</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense</u>
2021	\$ 36,007	\$ 5,467	\$ 30,540
2022	36,007	5,467	30,540
2023	33,799	3,977	29,822
2024	25,959	2,721	23,238
2025	17,632	-	17,632

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

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26 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>
Total pension liability	\$ 383,593	\$ 356,707	\$ 331,535

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

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 211,377	\$ 134,701
Service Cost	27,442	24,226
Interest on the total pension liability	21,510	16,355
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	89,962	64,572
Changes of assumptions or other inputs	20,416	(21,096)
Benefit payments	(14,000)	(7,381)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 356,707</u>	<u>\$ 211,377</u>

Notes to the Financial Statements (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the five years ending 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	\$ 394,598	\$ 65,492	\$ 460,090
Pension Liability	844,128	356,707	1,200,835
Proportionate share of the net pension liability	0.03091%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	144,536	120,978	265,514
Changes of assumptions	137,579	33,012	170,591
Net difference between projected and actual earnings on plan investments	20,589	-	20,589
Changes in proportion and differences between contributions and proportionate share of contributions	64,840	-	64,840
Benefit payments and administrative costs paid subsequent to the measurement date	185,542	-	185,542
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	17,632	17,632
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	6,573	-	6,573

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

Plan Description. The Town and ABC Board contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's

Notes to the Financial Statements (continued)

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

CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of GS Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town also provided this same benefit to other eligible employees beginning as of July 1, 1998.

The Town and ABC Board made contributions of \$13,319 and \$3,771, respectively, for the reporting year. No amounts were forfeited.

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

Plan description. The State of North Carolina contributes, on behalf of the Town of Mocksville, to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of GS Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighter's and Rescue Workers' Pension Fund is included in the comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The state's CAFR includes financial statements and required supplementary information of the fund. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

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

e. Other Post-Employment Benefits

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

As of June 30, 2018, membership in the plan consisted of the following:

Retirees	2
Terminated plan members entitled to but not receiving benefits	0
Active plan members	<u>35</u>
Total	37

Notes to the Financial Statements (continued)

e. Other Post-Employment Benefits (cont)

Total OPEB Liability

The Town's total OPEB liability of \$95,524 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 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	2.5 percent
Salary increases	3.5 -7.75 percent, average, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 7-1-19	\$ 666,085
Changes for the year	
Service cost	121,846
Interest	91,567
Changes of benefit terms	-
Differences between expected and actual experience	(738,301)
Changes in assumptions or other inputs	(15,128)
Benefit payments	(30,545)
Net changes	(570,561)
Balance at 6-30-20	\$ 95,524

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an 5 year actuarial experience study ending December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

Notes to the Financial Statements (continued)

e. Other Post-Employment Benefits (cont)

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 115,497	\$ 95,524	\$ 80,109

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 \$186,552. 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	\$ 3,735	\$ 656,294
Changes of assumptions	-	285,382
Benefit payments and administrative costs made subsequent to the measurement date	-	
Total	\$ 3,735	\$ 941,676

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

Year ended June 30:

2020	\$ (137,216)
2021	(137,216)
2022	(137,216)
2023	(137,216)
2024	(137,216)
Thereafter	(251,861)

Notes to the Financial Statements (continued)

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Deferred outflows for pensions	\$710,811
Total	<u>\$710,811</u>

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

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

3. Commitments

The Town had the following outstanding commitments at June 30, 2020:

	Commitment	Expended	Balance
Dutchman Creek WWTP Renovations	\$ 4,000,000	\$ 2,328,960	\$ 1,671,040

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to \$12,684,321 per building per occurrence, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability and auto liability in excess of \$500,000, up to \$500,000 for property, and \$250,000 up to \$5 million for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit of \$1,000,000 for the aggregate losses in a single year. After the property pool has paid out \$1,000,000, then the pool will be liable for a \$10,000 per claim maintenance deductible on future property losses for that year. The remainder of each claim will be borne by the reinsurer.

Notes to the Financial Statements (continued)

4. Risk Management (continued)

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The remaining employees are bonded under a blanket bond of \$25,000. The finance officer for the TDA was individually bonded for \$50,000 in the TDA name. In accordance with GS18B-700(i) and GS 18B-803(b), each Board member and employees designated as general manager and finance officer are bonded in the amount of \$50,000.

5. Long-Term Obligations

a. Capital leases

The Town entered into a lease agreement with Enterprise Fleet Management on 6-19-20 for four police cars, initial payment of \$12,235 and 55 payments of \$2,987 including interest. The Town elected to make an initial payment of \$40,083 toward principal. This leaves a balance of 45 payments due, including interest of \$14,506.

Future maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 30,150	\$ 3,846	\$ 33,996
2022	32,000	3,846	35,846
2023	32,000	3,846	35,846
2024	25,765	2,968	28,733
	<u>\$ 119,915</u>	<u>\$ 14,506</u>	<u>\$ 134,421</u>

b. Long-term Debt

The Town had the following obligations outstanding at June 30, 2020:

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

Future maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 100,000	\$ -	\$ 100,000
2022	100,000	-	100,000
2023	100,000	-	100,000
2024	100,000	-	100,000
2025	100,000	-	100,000
thereafter	100,000	-	100,000
	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ 600,000</u>

Notes to the Financial Statements (continued)

b. Long-term Debt (continued)

BB&T, original amount of \$585,000 dated 8-28-17, annual payments of \$125,159 including interest at 2.29% of \$16,434 beginning 8-28-18.

Future maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 117,068	\$ 8,091	\$ 125,159
2022	119,618	5,541	125,159
2023	116,620	2,802	119,422
	<u>\$ 353,306</u>	<u>\$ 16,434</u>	<u>\$ 369,740</u>

At June 30, 2020, the Town had no bonds authorized but unissued and a legal debt margin of \$83,753,186.

c. Changes in Long-term Liabilities

	<u>Balance</u>			<u>Balance</u>	<u>Current Portion</u>
	<u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>	<u>of Balance</u>
Governmental activities:					
Separation allowance	\$ 211,377	\$ 145,330	\$ -	\$ 356,707	\$ -
OPEB obligation	545,234	-	490,676	54,558	-
USDA - EnergyUnited	700,000	-	100,000	600,000	100,000
BBT - Fire truck	471,744	-	118,438	353,306	117,068
Police vehicle lease	-	159,998	40,083	119,915	30,150
Pension liability	568,208	157,835	-	726,043	-
Accrued Vacation	131,338	10,474	-	141,812	-
	<u>2,627,901</u>	<u>473,637</u>	<u>749,197</u>	<u>2,352,341</u>	<u>247,218</u>
Business-type activities					
OPEB obligation	120,851	-	79,885	40,966	-
Pension liability	86,557	31,528	-	118,085	-
Accrued Vacation	28,615	-	2,859	25,756	-
	<u>\$ 236,023</u>	<u>\$ 31,528</u>	<u>\$ 82,744</u>	<u>\$ 184,807</u>	<u>\$ -</u>

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

C. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2020 is as follows:

Due to/from other funds:

To	General Fund	\$1,589,566
From	Water and Sewer Fund	1,589,566

Notes to the Financial Statements (continued)

C. Interfund Balances and Activity (continued)

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

There were no transfers during the current year.

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

For the fiscal year ended June 30, 2020, the Town of Mocksville has recognized on-behalf of payments for pension contributions made by the State as a revenue and expenditure of \$12,725 for thirty-five volunteer firemen who perform firefighting duties for the Town's fire department. The volunteers elected to be members of the Firemen and Rescue Worker's Pension fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$15 monthly contribution paid by the Town, investment income, and State appropriation.

E. Construction Commitments

The Town has active construction projects as of June 30, 2020. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to date</u>	<u>Remaining</u>
Dutchman's Creek WWTP renovations	\$2,328,960	\$1,671,040

F. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 6,370,587	\$ 16,219,259
less: long-term debt	473,220	1,809,236
add: unexpended debt proceeds	-	-
Net investment in capital assets	<u>\$ 5,897,367</u>	<u>\$ 14,410,023</u>

G. Fund Balance

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

<u>Total fund balance - General Fund</u>	<u>\$ 7,361,743</u>
Less:	
Stabilization by State Statute	1,901,986
Streets	790
USDA REDLG	600,000
Assigned for subsequent years expenditures	250,000
Remaining Fund Balance	<u>\$ 4,608,967</u>

Notes to the Financial Statements (continued)

G. Fund Balance (continued)

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

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

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Significant Effects of Subsequent Events

Subsequent events occurring after the statement of financial position date have been evaluated through January 25, 2021, which is the date the financial statements were available to be issued. There were no subsequent events that came to our attention after the audit that would have a significant effect on the Town.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern", which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. The outbreak presents uncertainty and risk with respect to the Town and its ability to carry out its activities which could impact its financial results.

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

Total OPEB liability	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 666,085	\$ 634,093	\$ 703,755	\$ 638,066
Service Cost	121,847	129,339	146,575	132,792
Interest on total pension liability	91,567	82,536	72,056	68,142
Differences between expected and actual experience in the measurement of the total pension liability	(738,301)	4,975	(4,872)	-
Changes of assumptions or other inputs	(15,128)	(147,323)	(257,611)	(135,245)
Benefit payments	(30,545)	(37,535)	(25,810)	-
Other changes	-	-	-	-
Ending balance of the total OPEB liability	<u>\$ 95,525</u>	<u>\$ 666,085</u>	<u>\$ 634,093</u>	<u>\$ 703,755</u>
Covered payroll	\$ 1,422,644	\$ 1,426,205	\$ 1,426,205	\$ 1,426,205
Total OPEB liability as a percentage of covered payroll	6.71%	46.70%	44.46%	44.46%

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2020	3.50%
2019	3.89%
2018	3.65%

Town of Mocksville, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2020

Schedule of Changes in Total Pension Liability

	2020	2019	2018	2017
Beginning balance	\$ 211,377	\$ 134,701	\$ 61,438	\$ 49,797
Service Cost	27,442	24,226	19,914	20,984
Interest on total pension liability	21,510	16,355	17,208	15,335
Differences between expected and actual experience in the measurement of the total pension liability	89,962	64,572	7,006	-
Changes of assumptions or other inputs	20,416	(21,096)	33,542	(11,054)
Benefit payments	(14,000)	(7,381)	(4,407)	(13,624)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 356,707</u>	<u>\$ 211,377</u>	<u>\$ 134,701</u>	<u>\$ 61,438</u>

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll

	2020	2019	2018	2017
Total pension liability	\$ 356,707	\$ 211,377	\$ 134,701	\$ 61,438
Covered payroll	1,167,282	979,236	959,561	943,400
Total pension liability as a percentage of covered payroll	30.56%	21.59%	14.04%	6.51%

Notes to the schedules:

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

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

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 185,542	\$ 163,625	\$ 157,114	\$ 120,005	\$ 125,197	\$ 119,877	\$ 116,914
Contributions in relation to the contractually required contribution	185,542	163,625	157,114	120,005	125,197	119,877	116,914
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mocksville's covered-employee payroll	\$ 1,986,752	\$ 2,001,178	\$ 1,977,555	\$ 1,558,023	\$ 1,818,863	\$ 1,710,303	\$ 1,667,644
Contributions as a percentage of covered-employee payroll	9.34%	8.18%	7.94%	7.70%	6.88%	7.01%	7.01%

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

	2020	2019	2018	2017	2016	2015	2014
Mocksville's proportion of the net pension liability (asset) (%)	0.03091%	0.02760%	0.02270%	0.02616%	0.02918%	0.02898%	0.02980%
Mocksville's proportion of the net pension liability (asset) (\$)	\$ 844,128	\$ 654,766	\$ 346,793	\$ 555,203	\$ 130,959	\$ (170,908)	\$ 350,204
Mocksville's covered-employee payroll*	\$2,001,178	\$1,977,555	\$1,558,023	\$1,818,863	\$1,710,303	\$1,667,644	\$1,729,656
Mocksville's proportionate share of the net pension liability (asset) as a percentage	42.18%	33.11%	22.26%	30.52%	7.66%	(10.25%)	20.25%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	91.68%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Town of Mocksville, North Carolina
General Fund
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2019</u>
Revenues:				
Ad valorem taxes (net of refunds):				
Taxes		\$ 3,019,714		\$ 2,740,814
Penalties and interest		8,752		17,323
	<u>\$ 2,750,500</u>	<u>3,028,466</u>	<u>\$ 277,966</u>	<u>2,758,137</u>
Other taxes and licenses:				
Vehicle fees		151,252		-
Local option sales tax		1,167,870		1,249,765
	<u>1,219,000</u>	<u>1,319,122</u>	<u>100,122</u>	<u>1,249,765</u>
Unrestricted intergovernmental revenues				
Utilities franchise tax		478,971		490,797
ABC distribution		25,000		2,000
Beer and wine tax		23,333		23,644
	<u>529,000</u>	<u>527,304</u>	<u>(1,696)</u>	<u>516,441</u>
Restricted intergovernmental revenues:				
Powell Bill allocation		156,795		158,769
Investment earnings - Powell Bill		195		138
On behalf payments - Fire		12,725		12,725
Restricted grants		13,038		182,459
Contributions from Davie County				
Rural fire protection		418,196		410,237
Fire and Police grant		4,108		4,887
CDC Davie County		11,035		-
	<u>563,860</u>	<u>616,092</u>	<u>52,232</u>	<u>769,215</u>
Permits and fees:				
Officer fees		1,446		1,587
Other fees		-		-
	<u>1,500</u>	<u>1,446</u>	<u>(54)</u>	<u>1,587</u>
Sales and services:				
Sale of fixed assets		-		20,000
Recreation fees		5,043		10,980
Cemetery fees		10,800		30,700
Landfill and other fees		168,748		137,862
	<u>183,500</u>	<u>184,591</u>	<u>1,091</u>	<u>199,542</u>

Town of Mocksville, North Carolina
General Fund (Continued)
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Budget	Actual	Variance Favorable (Unfavorable)	2019 Actual
Revenues(continued):				
Investment earnings	\$ 11,500	\$ 33,402	\$ 21,902	\$ 18,004
Other revenues:				
Insurance proceeds		-		-
Miscellaneous		52,804		18,162
	106,100	52,804	(53,296)	18,162
Total revenues	5,364,960	5,763,227	398,267	5,530,854
Expenditures				
General government:				
Governing body:				
Salaries and employee benefits		38,369		39,615
Capital outlay		-		7,835
Other operating expenses		8,172		2,690
	50,500	46,541	3,959	50,140
Administration:				
Salaries and employee benefits		369,248		373,270
Other operating expenses		166,837		169,528
Davie County - IT and telephones		36,050		23,822
Professional		14,899		23,184
Capital outlay		-		16,375
	706,100	587,034	119,066	606,178
Administration: - other				
Administrative fees to Enterprise Funds		20,000		85,000
Insurance		182,584		162,604
Legal fees		86,338		93,392
Technology contracts		43,968		42,564
Other		-		1,700
	335,000	332,890	2,110	385,260
Parks and maintenance:				
Salaries and employee benefits		290,605		267,913
Other operating expenses		174,027		139,332
Capital outlay		53,803		295,805
	562,495	518,435	44,060	703,050
Total general government	1,654,095	1,484,899	169,196	1,744,628

Town of Mocksville, North Carolina
General Fund (Continued)
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2019 Actual</u>
Expenditures (continued):				
Economic development:				
Incentives		\$ -		\$ 66,451
Special projects - capital outlay		-		-
Special projects		229,417		163,126
	<u>\$ 290,076</u>	<u>229,417</u>	<u>\$ 60,659</u>	<u>229,577</u>
Public safety:				
Police:				
Salaries and employee benefits		1,440,297		1,516,564
Vehicle maintenance and supplies		60,458		41,769
Communications		10,313		57,289
Other operating expenses		180,117		184,392
Capital outlay		159,998		62,209
	<u>1,923,700</u>	<u>1,851,183</u>	<u>72,517</u>	<u>1,862,223</u>
Fire:				
Salaries and employee benefits		223,427		194,472
On-behalf payments		12,725		12,725
Vehicle maintenance and supplies		25,866		26,619
Other operating expenses		188,668		125,835
Capital outlay		51,300		667,288
	<u>622,250</u>	<u>501,986</u>	<u>120,264</u>	<u>1,026,939</u>
Total public safety	<u>2,545,950</u>	<u>2,353,169</u>	<u>192,781</u>	<u>2,889,162</u>
Transportation:				
Streets and highways:				
Salaries and employee benefits		195,712		177,868
Other operating expenses		224,250		272,896
Street / sidewalk paving repairs		7,187		259,644
Powell Bill expenditures - repairs		157,100		158,760
- Capital outlay		-		-
Capital outlay:				
Equipment		66,299		29,510
Road improvements - Quality Drive		-		106,125
	<u>681,234</u>	<u>650,547</u>	<u>30,687</u>	<u>1,004,802</u>

Town of Mocksville, North Carolina
General Fund (Continued)
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2019 Actual</u>
Expenditures (continued):				
Environmental protection:				
Zoning and planning:				
Other operating expenses		\$ 4,826		\$ 8,368
Contracted services		51,280		43,650
	<u>\$ 62,605</u>	<u>56,106</u>	<u>\$ 6,499</u>	<u>52,018</u>
Sanitation:				
Landfill fees		60,579		59,030
Contracted services		166,444		172,768
	<u>237,000</u>	<u>227,024</u>	<u>9,977</u>	<u>231,798</u>
Total environmental protection	<u>299,605</u>	<u>283,129</u>	<u>16,476</u>	<u>283,816</u>
Cultural development:				
Salaries and employee benefits		91,691		75,420
Other operating expenses		56,044		63,141
Capital outlay		-		-
	<u>150,000</u>	<u>147,735</u>	<u>2,265</u>	<u>138,562</u>
Contributions:				
County library		33,500		43,500
County Arts Council		17,000		27,000
	<u>75,000</u>	<u>50,500</u>	<u>24,500</u>	<u>70,500</u>
Total cultural and recreational	<u>225,000</u>	<u>198,235</u>	<u>26,765</u>	<u>209,062</u>
Debt service:				
Principal retirement		251,680		213,256
Interest		14,144		17,491
	<u>270,000</u>	<u>265,825</u>	<u>4,175</u>	<u>230,747</u>
Total debt service				
Total expenditures	<u>5,965,960</u>	<u>5,465,222</u>	<u>500,738</u>	<u>6,591,794</u>
Revenues over (under) expenditures	<u>(601,000)</u>	<u>298,005</u>	<u>899,005</u>	<u>(1,060,940)</u>

Town of Mocksville, North Carolina
General Fund (Continued)
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Budget	Actual	Variance Favorable (Unfavorable)	2019 Actual
Other financing sources (uses):				
Fund balance appropriated	\$ 601,000	\$ -	\$ (601,000)	\$ -
Proceeds from loans	-	159,998	159,998	-
Operating transfers to (from)				
Capital projects fund - to	-	-	-	-
Water and sewer fund	-	-	-	-
Total other financing sources (uses)	601,000	159,998	(441,002)	-
Excess of revenues and other sources over (under) expenditures and other uses	\$ -	458,003	\$ 458,003	(1,060,940)
Fund balance:				
Beginning of year, July 1		6,903,740		7,964,680
End of year, June 30		\$ 7,361,743		\$ 6,903,740

Town of Mocksville, North Carolina
Water and Sewer Fund
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2019</u>
Revenues:				
Operating revenues:				
Water charges	\$ 1,503,400	\$ 1,337,710	\$ (165,690)	\$ 1,233,636
Sewer charges	1,553,500	1,377,477	(176,023)	1,347,158
Connection fees	45,000	181,491	136,491	95,416
	<u>3,101,900</u>	<u>2,896,678</u>	<u>(205,222)</u>	<u>2,676,211</u>
Other operating revenues	<u>75,500</u>	<u>14,424</u>	<u>(61,076)</u>	<u>233,152</u>
Total operating revenues	<u>3,177,400</u>	<u>2,911,102</u>	<u>(266,298)</u>	<u>2,909,363</u>
Nonoperating revenues:				
Interest on investments	3,000	7,546	4,546	4,395
Sale of assets	-	-	-	-
Rental income		6,000	6,000	4,000
Sales tax refunds	30,000	-	(30,000)	-
	<u>33,000</u>	<u>13,546</u>	<u>(19,454)</u>	<u>8,395</u>
Other sources:				
Other grants and reimbursements	-	-	-	401,725
Fund balance appropriated	189,000	-	(189,000)	-
	<u>189,000</u>	<u>-</u>	<u>(189,000)</u>	<u>401,725</u>
Total revenues and other sources	<u>3,399,400</u>	<u>2,924,648</u>	<u>(474,752)</u>	<u>3,319,482</u>

Town of Mocksville, North Carolina
Water and Sewer Fund (Continued)
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2019 Actual</u>
Expenditures:				
Water operations:				
Salaries and employee benefits		\$ 214,228		\$ 210,831
Education and training		1,824		663
Supplies		183,157		172,788
Utilities		66,526		66,744
System maintenance		55,830		137,219
Other operating expenses		530,898		536,089
	<u>1,349,400</u>	<u>1,052,464</u>	<u>\$ 296,936</u>	<u>1,124,335</u>
Sewer operations:				
Salaries and employee benefits		265,008		256,242
Education and training		570		-
Supplies		164,941		174,149
Utilities		96,383		88,380
System maintenance		31,062		17,822
Other operating expenses		932,802		750,656
	<u>1,500,000</u>	<u>1,490,765</u>	<u>9,235</u>	<u>1,287,249</u>
Budgetary appropriations:				
Transfer to capital projects		189,000		-
Capital outlay and construction		346,086		951,222
Payment on debt		-		-
	<u>550,000</u>	<u>535,086</u>	<u>14,914</u>	<u>951,222</u>
Total expenditures	<u>3,399,400</u>	<u>3,078,315</u>	<u>321,085</u>	<u>3,362,806</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (153,666)</u>	<u>\$ (153,666)</u>	<u>\$ (43,324)</u>

Town of Mocksville, North Carolina
Water and Sewer Fund (Continued)
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

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

	<u>2020</u>	<u>2019</u>
Revenues over expenditures	\$ (153,666)	\$ (43,324)
Reconciling items:		
Budgetary appropriations excluding transfers	346,086	951,222
Transfers to capital projects	189,000	-
(Increase) decrease in accrued vacation pay	2,859	(2,528)
Depreciation	(757,738)	(751,203)
Increase (decrease) in inventory - not capitalized	-	(1,005)
Pension (expense) credit	(29,926)	13,781
OPEB expense	<u>(2,119)</u>	<u>(20,703)</u>
Total reconciling items	<u>(251,838)</u>	<u>189,564</u>
Net change in net position	<u>\$ (405,505)</u>	<u>\$ 146,240</u>

Town of Mocksville, North Carolina
Water and Sewer Capital Projects Fund
Dutchman's Creek WWTP Renovations
Project CWSRF CS370606-02

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From inception and for the fiscal year ended June 30, 2020

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental SRF Loans	\$ 3,927,400	\$ -	\$ 1,809,236	\$ 1,809,236	\$ (2,118,164)
Other revenues:					
Other contributions	-	-	-	-	-
Total revenues	<u>3,927,400</u>	<u>-</u>	<u>1,809,236</u>	<u>1,809,236</u>	<u>(2,118,164)</u>
Expenditures:					
Construction	3,325,000	-	2,144,380	2,144,380	1,180,620
Planning and design	248,650	-	-	-	248,650
Engineering	150,000	76,571	108,009	184,580	(34,580)
Contingency	163,750	-	-	-	163,750
Legal fees	40,000	-	-	-	40,000
Closing costs	72,600	-	-	-	72,600
Total	<u>4,000,000</u>	<u>76,571</u>	<u>2,252,389</u>	<u>2,328,960</u>	<u>1,671,040</u>
Revenues over expenditures	<u>(72,600)</u>	<u>(76,571)</u>	<u>(443,153)</u>	<u>(519,724)</u>	<u>(447,124)</u>
Other financing sources:					
Operating fund - Sewer	72,600	-	189,000	189,000	116,400
Total other financing sources	<u>72,600</u>	<u>-</u>	<u>189,000</u>	<u>189,000</u>	<u>116,400</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (76,571)</u>	<u>\$ (254,153)</u>	<u>\$ (330,724)</u>	<u>\$ (330,724)</u>

Town of Mocksville, North Carolina
Schedule of Changes in Ad Valorem Taxes Receivable
For the Year Ended June 30, 2020

<u>Year of Levy</u>	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Balance June 30, 2020</u>
2020		\$ 3,136,005	\$ 3,107,372	\$ 28,633
2019	\$ 29,205		19,307	9,898
2018	10,417		3,805	6,612
2017	4,847		1,267	3,580
2016	4,244		542	3,702
2015	2,931		586	2,345
2014	2,823		284	2,539
2013	1,229		-	1,229
2012	3,253		(269)	3,522
2011	3,925		(1)	3,926
2010 and prior	1,338		1,338	-
	<u>\$ 64,212</u>	<u>\$ 3,136,005</u>	<u>\$ 3,134,231</u>	
Ad Valorem Taxes Receivable - Net				<u>\$ 65,986</u>
Reconcilement with Revenues:				
Tax - Ad Valorem				\$ 3,019,714
Other Adjustments				<u>114,517</u>
Total collections and credits				<u>\$ 3,134,231</u>

Town of Mocksville, North Carolina
Analysis of Current Tax Levy
For the Year Ended June 30, 2020

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax Levy - Town Wide	\$ 1,083,458,621	\$ 0.29	\$ 3,142,030	\$ 3,011,206	\$ 130,824
Discoveries	-		-	-	-
Abatements and Releases	<u>(36,543,793)</u>		<u>(105,977)</u>	<u>(105,977)</u>	<u>-</u>
Total for Year	<u>\$ 1,046,914,828</u>		3,036,053	2,905,229	130,824
Less, Uncollected Tax at June 30, 2020			<u>28,633</u>	<u>28,633</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 3,007,420</u>	<u>\$ 2,876,596</u>	<u>\$ 130,824</u>
Percent Current Year Collected			99.06%	99.01%	100.00%

Town of Mocksville, North Carolina
Ten Largest Taxpayers
For the Fiscal Year Ended June 30, 2020

<u>Name</u>	<u>Property Value</u>	<u>Tax Levy</u>	<u>Percentage of Total Assessed Valuation</u>
Gildan Yarns	\$ 118,237,281	\$ 342,888	13.37%
Avgoi	95,356,804	276,535	10.78%
Ingersol Rand	68,344,781	198,200	7.73%
Funder America	20,240,844	58,698	2.29%
VF Jeanswear	16,984,646	49,255	1.92%
Time Warner	9,203,354	26,690	1.04%
Walmart	9,202,317	26,687	1.04%
Duke Energy	8,946,304	25,944	1.01%
Lowes	7,347,966	21,309	0.83%
CPP Global	5,802,735	16,828	0.66%
	<u>\$ 359,667,032</u>	<u>\$ 1,043,034</u>	<u>40.66%</u>

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

Independent Auditor's Report

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Mocksville, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Mocksville's basic financial statements, and have issued my report thereon dated January 25, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Mocksville's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Eddie Carrick, CPA

A handwritten signature in black ink, appearing to read "Eddie Carrick, CPA".

Lexington, 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 and
Members of the Town Council
Town of Mocksville, North Carolina

Report on Compliance for Each Major Federal Program

I have audited the Town of Mocksville, North Carolina, 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 Mocksville's major federal programs for the year ended June 30, 2020. The Town of Mocksville'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

My responsibility is to express an opinion on compliance for each of the Town of Mocksville's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Mocksville's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my opinion, the Town of Mocksville 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 Mocksville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Town of Mocksville'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 my 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, I 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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my 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.

Eddie Carrick, CPA, PC

A handwritten signature in cursive script, appearing to read "E. Carrick", written in dark ink.

Lexington, North Carolina
January 25, 2021

Town of Mocksville, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

I. Summary of Auditor's Results**Financial statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

* Material weakness(es) identified? _____ yes X no

* Significant Deficiency(s) identified that
are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial
statements noted _____ yes X no

Federal and state awards

* Material weakness(es) identified? _____ yes X no

* Significant Deficiency(s) identified that
are not considered to be material weaknesses? _____ yes X none reported

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

Any audit findings disclosed that are required to be
accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

Program Name	CFDA #
US Environmental Protection Agency	
Capitalization for Drinking Water	
State Revolving Funds	66.458

Dollar threshold to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low risk auditee? _____ yes X no

Town of Mocksville, North Carolina
Financial Statement Findings
For the Year Ended June 30, 2020

II Financial Statement Findings

Material weakness

None reported

III Federal Award Findings and Questioned Costs

None reported

The Town of Mocksville
Schedule of Federal and State Financial Assistance
For the year ended June 30, 2020

GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE GRANTOR'S NUMBER	FEDERAL (DIRECT) PASS THROUGH EXPENDITURES	STATE (DIRECT) PASS THROUGH EXPENDITURES
Federal grants				
US ENVIRONMENTAL PROTECTION AGENCY				
Capitalization Grants for Drinking Water State Revolving Funds	66.458		\$ 2,063,389 **	
Through NC Department of Drinking Water Infrastructure				
State Grants				
OTHER FIRE AND POLICE GRANTS				4,108
NORTH CAROLINA DEPARTMENT OF TRANSPORTATION				
Powell Bill				157,100
			<u>\$ 2,063,389</u>	<u>\$ 161,208</u>

** Major programs

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

- A The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Mocksville, North Carolina, Inc. and is presented on the modified accrual basis of accounting. The information in this schedule 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 (Uniform Guidance)*, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
- B The Town of Mocksville had the following loan balances outstanding at June 30, 2020. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	AMOUNT OUTSTANDING
Capitalization Grants for Drinking Water			
State Revolving Funds	66.458		\$ 1,809,236