

**Financial Statements for the
Town of Faith in
North Carolina**

**For the Fiscal Year Ended
June 30, 2019**

Town Board Members:

Charles L. Moody, Jr., Mayor
Dr. Matthew S. Lyerly, Mayor Pro Tem
Brian G. Campbell, Alderman
D. Randall Barger, Alderman

Administrative and Financial Staff:

Karen C. Fink, Town Clerk/Finance Officer

SHERRILL & SMITH

Certified Public Accountants
A Professional Association
Salisbury, North Carolina

TOWN OF FAITH
NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2019

<u>Exhibit</u>		<u>Page</u>
	FINANCIAL SECTION:	
	Independent Auditor's Report	1-2
	Management's Discussion and Analysis	3 - 13
	Basis Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	14
2	Statement of Activities	15
	Fund Financial Statements:	
3	Balance Sheet-Governmental Fund	16 - 17
4	Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds	18 – 19
5	Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General Fund	20
6	Statement of Fund Net Position – Proprietary Funds	21
7	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	22
8	Statement of Cash Flows – Proprietary Funds	23

<u>Exhibit</u>	<u>Page</u>
Notes to the Financial Statements	24 – 41
Required Supplemental Financial Data:	
Schedule of the Proportionate Share of the Net Pension Asset-Local Government Employees' Retirement System	42
Schedule of Contributions-Local Government Employees' Retirement System	43
Individual Fund Statements and Schedules:	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	44 - 47
Statement of Revenues and Expenditures, and Changes in Fund Balances - Budget and Actual:	
Water Fund	48 - 49
Sewer Fund	50 - 51
 Other Schedules:	
Schedule of Ad Valorem Taxes Receivable	52
Analysis of Current Tax Levy – City-Wide Levy	53
 Compliance Section:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Governmental Auditing Standards	54 - 55

SHERRILL & SMITH, CPAs, PA

524 West Innes Street
P. O. Box 1327
Salisbury, NC 28145-1327
Voice (704) 636-5211 Fax (704) 636-5245

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Board of Aldermen
Town of Faith, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) on page 42 and Contributions on page 43, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2019 on our consideration of the Town of Faith's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Faith's internal control over financial reporting and compliance.

Sherrill and Smith, CPAs, PA

Salisbury, North Carolina
November 4, 2019

Management's Discussion and Analysis

As management of the Town of Faith, we offer readers of the Town of Faith's financial statements this narrative overview and analysis of the financial activities of the Town of Faith for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

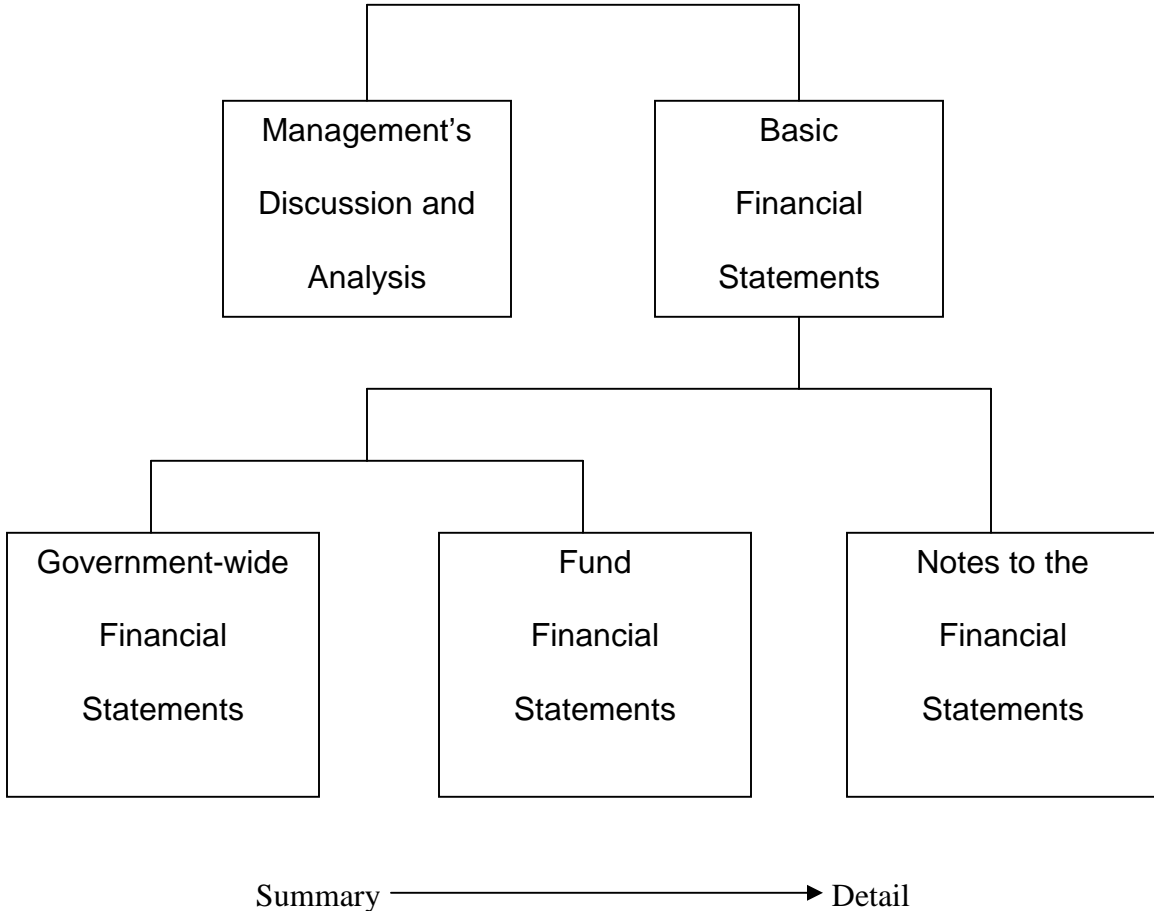
- The assets and deferred outflows of resources of the Town of Faith exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,237,336 (net position).
- The government's total net position decreased by \$58,786 primarily due to decreases in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Faith's governmental funds reported combined ending fund balances of \$732,873 with a net change of \$64,736 in fund balance. Approximately 36.72 percent of this total amount, or \$269,128 is non-spendable, restricted and assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$463,745 or 74.79 percent of total general fund expenditures for the fiscal year.
- The Town of Faith's total debt decreased by \$63,827 during the current fiscal year. There was an increase in the net pension liability for the Local Government Employees Retirement System (LGERS) of \$12,846 and an increase in debt by the town of capitalized leases of \$5,004 during the year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

Management Discussion and Analysis

Town of Faith

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Faith.

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

Fund Financial Statements

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

Management Discussion and Analysis

Town of Faith

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* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town’s programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 24-41 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Faith’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 42 of this report.

Management Discussion and Analysis
Town of Faith

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.

Government-Wide Financial Analysis

The Town of Faith's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 864,107	\$ 803,724	\$ 478,671	\$ 466,776	\$ 1,342,778	\$ 1,270,500
Noncurrent assets	(110,968)	(110,905)	110,968	110,905	-	-
Capital assets	479,343	468,324	4,977,474	5,177,994	5,456,817	5,646,318
Deferred outflows of resources	26,752	17,625	4,416	2,791	31,168	20,416
Total assets and deferred outflows of resources	1,259,234	1,178,768	5,571,529	5,758,466	6,830,763	6,937,234
Long-term liabilities outstanding	113,532	133,788	1,299,782	1,328,822	1,413,314	1,462,610
Other liabilities	55,400	55,835	121,074	117,661	176,474	173,496
Deferred inflows of resources	3,123	4,323	516	683	3,639	5,006
Total liabilities and deferred inflows of resources	172,055	193,946	1,421,372	1,447,166	1,593,427	1,641,112
Net position:						
Net investment in capital assets	364,766	324,924	3,652,474	3,822,994	4,017,240	4,147,918
Restricted	245,712	248,717	267	267	245,979	248,984
Unrestricted	476,701	411,181	497,416	488,039	974,117	899,220
Total net position	\$ 1,087,179	\$ 984,822	\$ 4,150,157	\$ 4,311,300	\$ 5,237,336	\$ 5,296,122

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Faith exceeded liabilities and deferred inflows by \$5,237,336 as of June 30, 2019. The Town's net position decreased by \$58,786 for the fiscal year ended June 30, 2019. However, the largest portion (76.70%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Faith uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Faith's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Faith's net position \$245,979 (4.70%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$974,117 (18.60%) is unrestricted.

Management Discussion and Analysis
Town of Faith

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

- Continued diligence in the collection of property taxes by maintaining an annual tax collection percentage which is equal to or greater than the statewide average.

Town of Faith's Changes in Net Position
Figure 3

	Governmental Activities 2019	Governmental Activities 2018	Business Type Activities 2019	Business Type Activities 2018	Total 2019	Total 2018
Revenues:						
Program revenues:						
Charges for services	\$ 19,759	\$ 19,020	\$ 328,760	\$ 336,425	\$ 348,519	\$ 355,445
Operating grants and contributions	92,924	50,617	8,464	8,590	101,388	59,207
Capital grants and contributions	7,716	-	-	-	7,716	-
General revenues:						
Property taxes	267,928	263,576	-	-	267,928	263,576
Grants and contributions not restricted to specific programs	253,003	240,759	-	-	253,003	240,759
Other	48,209	44,464	711	574	48,920	45,038
Total revenues	689,539	618,436	337,935	345,589	1,027,474	964,025
Expenses:						
General government	195,002	199,734	-	-	195,002	199,734
Public safety	283,702	281,383	-	-	283,702	281,383
Transportation	55,287	18,497	-	-	55,287	18,497
Environmental protection	43,269	42,025	-	-	43,269	42,025
Culture and recreation	5,486	5,190	-	-	5,486	5,190
Interest on long-term debt	4,436	5,801	-	-	4,436	5,801
Water and sewer	-	-	499,078	447,184	499,078	447,184
Total expenses	587,182	552,630	499,078	447,184	1,086,260	999,814
Increase in net position before transfers	102,357	65,806	(161,143)	(101,595)	(58,786)	(35,789)
Transfers	-	-	-	-	-	-
Increase in net position	102,357	65,806	(161,143)	(101,595)	(58,786)	(35,789)
Net position, beginning	984,822	919,016	4,311,300	4,412,895	5,296,122	5,331,911
Net position, June 30	\$ 1,087,179	\$ 984,822	\$ 4,150,157	\$ 4,311,300	\$ 5,237,336	\$ 5,296,122

Management Discussion and Analysis

Town of Faith

Governmental activities: Governmental activities increased the Town's net position by \$102,357. The Town will continue to monitor these activities.

Business-type activities: Business-type activities decreased the Town of Faith's net position by \$161,143. Due to an unexpected increase in the related sewer charges from Salisbury Rowan Utilities, there was an increase of \$59,548 in related expenses for the year. The Town has taken preventative measures such as inspecting the system for broken/missing sewer clean-out caps, cracked or broken sewer service lines, and other means of possible inflow and infiltration. The Town will continue to monitor these activities.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Faith. At the end of the current fiscal year, Town of Faith's fund balance available in the General Funds was \$463,745 while total fund balance reached \$732,873. The Town currently has an available fund balance of 74.79 percent of total general fund expenditures.

At June 30, 2019, the governmental funds of Town of Faith reported a combined fund balance of \$732,873 a roughly 8.83 percent increase over last year.

Management Discussion and Analysis

Town of Faith

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

Some revenues exceeded the budgeted amounts primarily because these revenues were up from the Town's estimates. Some expenditures were below what the Town had estimated as well.

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 of the Water and Sewer Fund at the end of the fiscal year amounted to \$497,416. The total decrease in net assets was \$161,143.

Capital Assets and Debt Administration

Capital Assets: The Town of Faith's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$5,456,817 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

- Addition of a stage and lease of a copier of the general governmental activities.
- Air mask testing unit in the fire department of the general governmental activities.
- Donation of land and brick for the stage in the general governmental activities

Management Discussion and Analysis
Town of Faith

Town of Faith's Capital Assets
Figure 4

(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 61,289	\$ 59,073	\$ 7,337	\$ 7,337	\$ 68,626	\$ 66,410
Buildings and systems	93,466	42,943	4,970,137	5,170,657	5,063,603	5,213,600
Machinery and equipment	-	-	-	-	-	-
Vehicles and motorized equipment	324,588	366,308	-	-	324,588	366,308
Total	\$ 479,343	\$ 468,324	\$ 4,977,474	\$ 5,177,994	\$ 5,456,817	\$ 5,646,318

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

Long-term Debt: As of June 30, 2019, the Town of Faith had general obligation sanitary sewer bonds payable outstanding of \$1,325,000 in the business-type activities and a promissory note payable of \$109,652 in the general government activities as well as a capitalized lease of \$4,925. Of this, \$1,439,577 is debt backed by the full faith and credit of the Town.

Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Promissory note payable	\$ 109,652	\$ 143,400	\$ -	\$ -	\$ 109,652	\$ 143,400
Capitalized leases	4,925	-	-	-	4,925	-
General Obligation Sanitary Sewer Bonds	-	-	1,325,000	1,355,000	1,325,000	1,355,000
Pension related debt	35,022	24,136	5,782	3,822	40,804	27,958
Total	\$ 149,599	\$ 167,536	\$ 1,330,782	\$ 1,358,822	\$ 1,480,381	\$ 1,526,358

Town of Faith’s Outstanding Debt

The Town of Faith’s total debt decreased by \$63,827 during the past fiscal year, primarily due to the \$30,000 general obligation sanitary sewer bonds payment made in the proprietary fund and \$33,827 in the general fund.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for Town of Faith is \$3,797,500.

Additional information regarding the Town of Faith’s long-term debt can be found in note III. B.5c. 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:

- Being that the Town of Faith is uniquely located between the large cities of Charlotte and Greensboro as well as being conveniently located near the I-85 corridor; a very desirable residential location is created. Work and progress continues between the Town of Faith and the Town of Granite Quarry regarding the development of the Village of Granite which will provide up to 300 residential housing units. At this time seven residential structures have been erected and are nearing completion.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Property tax revenue will remain basically unchanged (along with vehicular tax and utilities tax revenues) in budgeted revenues.

Management Discussion and Analysis

Town of Faith

Budgeted expenditures in the General Fund are expected to remain basically the same as in the current fiscal year due to very limited growth allowance in a town the size of Faith.

Business – type Activities: The Town will have very little growth in the water fund; however, as development continues to progress within the new residential development, the Village at Granite, growth in the sewer fund will develop.

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 following:

Town Clerk
Town of Faith
P.O. Box 37
Faith, NC 28041

TOWN OF FAITH, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2019

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current assets:			
Cash and cash equivalents	\$ 612,745	\$ 358,526	\$ 971,271
Receivables (net)			
Property taxes	4,306	-	4,306
Accounts	14,182	48,835	63,017
Sales	3,662	858	4,520
Local option sales tax	51,360	-	51,360
Accrued interest receivable on taxes	1,345	-	1,345
Due from other governments	7,641	-	7,641
Prepaid items	3,866	-	3,866
Restricted cash and cash equivalents	165,000	70,452	235,452
Total current assets	864,107	478,671	1,342,778
Non-current assets:			
Internal balances	(110,968)	110,968	-
Capital assets			
Land	61,289	7,337	68,626
Other capital assets net of depreciation	418,054	4,970,137	5,388,191
Total capital assets	479,343	4,977,474	5,456,817
Total assets	1,232,482	5,567,113	6,799,595
Deferred Outflows of Resources			
Pension deferrals	26,752	4,416	31,168
Total deferred outflows of resources	26,752	4,416	31,168
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	14,897	14,644	29,541
Accrued interest payable	4,436	5,245	9,681
Customer deposits	-	70,185	70,185
Current portion of long-term debt	36,067	31,000	67,067
Total current liabilities	55,400	121,074	176,474
Long-term liabilities:			
Due in more than one year	78,510	1,294,000	1,372,510
Net pension liability	35,022	5,782	40,804
Total liabilities	168,932	1,420,856	1,589,788
Deferred Inflows of Resources			
Pension deferrals	3,123	516	3,639
Total deferred inflows of resources	3,123	516	3,639
Net position			
Net investment in capital assets	364,766	3,652,474	4,017,240
Restricted for:			
Stabilization by State Statute	80,712	-	80,712
Streets	165,000	-	165,000
Sewer taps	-	267	267
Unrestricted	476,701	497,416	974,117
Total net position	\$ 1,087,179	\$ 4,150,157	\$ 5,237,336

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

TOWN OF FAITH, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 195,002	\$ -	\$ 49,500	\$ 7,716	\$ (137,786)	\$ -	\$ (137,786)
Public safety	283,702	-	16,906	-	(266,796)	-	(266,796)
Transportation	55,287	-	25,903	-	(29,384)	-	(29,384)
Environmental protection	43,269	19,759	615	-	(22,895)	-	(22,895)
Cultural and recreational	5,486	-	-	-	(5,486)	-	(5,486)
Interest on long-term debt	4,436	-	-	-	(4,436)	-	(4,436)
Total governmental activities (See Note 1)	587,182	19,759	92,924	7,716	(466,783)	-	(466,783)
Business-type activities:							
Water	72,671	97,578	7,505	-	-	32,412	32,412
Sewer	426,407	231,182	959	-	-	(194,266)	(194,266)
Total business-type activities	499,078	328,760	8,464	-	-	(161,854)	(161,854)
Total primary government	\$ 1,086,260	\$ 348,519	\$ 101,388	\$ 7,716	(466,783)	(161,854)	(628,637)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					267,928	-	267,928
Grants and contributions not restricted to specific programs					253,003	-	253,003
Unrestricted investment earnings					4,567	711	5,278
Miscellaneous					43,642	-	43,642
Transfers					-	-	-
Total general revenues and transfers					569,140	711	569,851
Change in net position					102,357	(161,143)	(58,786)
Net position, beginning					984,822	4,311,300	5,296,122
Net position, ending					\$ 1,087,179	\$ 4,150,157	\$ 5,237,336

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

TOWN OF FAITH, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

Exhibit 3

	General	Total Governmental Funds
Assets		
Cash and cash equivalents	\$ 612,745	\$ 612,745
Restricted cash	165,000	165,000
Receivables, net:		
Taxes	4,306	4,306
Accounts	14,182	14,182
Sales tax	3,662	3,662
Local option sales tax	51,360	51,360
Due from other governments	7,641	7,641
Prepaid items	3,866	3,866
	862,762	862,762
Total assets	862,762	862,762
Liabilities		
Accounts payable and accrued liabilities	14,897	14,897
Due to other funds	110,687	110,687
	125,584	125,584
Total liabilities	125,584	125,584
Deferred Inflows of Resources		
Property taxes receivable	4,305	4,305
	4,305	4,305
Total deferred inflows of resources	4,305	4,305
Fund Balances		
Non Spendable		
Prepaid Items	3,866	3,866
Restricted		
Stabilization by State Statute	80,712	80,712
Streets	165,000	165,000
Assigned		
Subsequent year's expenditures	19,550	19,550
Unassigned	463,745	463,745
	732,873	732,873
Total fund balances	732,873	732,873
Total liabilities, deferred inflows of resources and fund balances	\$ 862,762	\$ 862,762

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

TOWN OF FAITH, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2019

Exhibit 3

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$	732,873
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Gross capital assets at historical cost	\$ 1,425,392	
Accumulated depreciation	<u>(946,049)</u>	479,343
Deferred outflows of resources related to pensions are not reported in funds		
		26,752
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and, therefore, are deferred.		
		1,345
Earned revenues considered deferred inflows of resources in fund statements.		
		4,305
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year		(114,577)
Net pension liability		(35,022)
Deferred inflows of resources related to pensions are not reported in the funds		
		(3,404)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		
		<u>(4,436)</u>
Net position of governmental activities	\$	<u><u>1,087,179</u></u>

TOWN OF FAITH, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2019

Exhibit 4

Revenues	General Fund	Total Governmental Fund
Ad valorem taxes	\$ 270,883	\$ 270,883
Unrestricted intergovernmental	253,003	253,003
Restricted intergovernmental	92,924	92,924
Sales and services	19,759	19,759
Investment earnings	4,567	4,567
Miscellaneous	43,642	43,642
	<hr/>	<hr/>
Total revenues	684,778	684,778
	<hr/>	<hr/>
Expenditures		
Current:		
General government	241,674	241,674
Public safety	235,454	235,454
Transportation	54,530	54,530
Environmental protection	43,269	43,269
Cultural and recreational	5,486	5,486
Debt service:		
Principal	33,828	33,828
Interest	5,801	5,801
	<hr/>	<hr/>
Total expenditures	620,042	620,042
	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	64,736	64,736
	<hr/>	<hr/>
Net change in fund balance	64,736	64,736
	<hr/>	<hr/>
Fund balances, beginning	668,137	668,137
	<hr/>	<hr/>
Fund balances, end of year	\$ 732,873	\$ 732,873
	<hr/> <hr/>	<hr/> <hr/>

TOWN OF FAITH, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2019

Exhibit 4

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

Net changes in fund balances - total governmental funds	\$	64,736
---	----	--------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 57,370		
Depreciation expense for governmental assets	<u>(59,071)</u>		(1,701)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities			7,247
--	--	--	-------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.

Amount of donated assets	7,716		
Change in unavailable revenue for tax revenues	<u>(2,955)</u>		4,761

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long term debt	33,828		
Decrease in accrued interest payable	<u>1,365</u>		35,193

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

Pension expense			<u>(7,879)</u>
-----------------	--	--	----------------

Total changes in net position of governmental activities	\$	<u>102,357</u>
--	----	----------------

TOWN OF FAITH, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
For the Year Ended June 30, 2019

Exhibit 5

	General Fund			Variance with Final Budget- Positive (Negative)
	Budget		Actual Amount	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 278,296	\$ 278,296	\$ 270,883	\$ (7,413)
Unrestricted intergovernmental	212,250	213,000	253,003	40,003
Restricted intergovernmental	56,310	105,424	92,924	(12,500)
Sales and services	19,100	18,500	19,759	1,259
Investment earnings	1,900	1,960	4,567	2,607
Miscellaneous	39,168	39,018	43,642	4,624
	607,024	656,198	684,778	28,580
Expenditures:				
Current:				
General government	208,918	258,338	241,674	16,664
Public safety	264,906	264,715	235,454	29,261
Transportation	61,550	61,415	54,530	6,885
Environmental protection	43,300	43,300	43,269	31
Cultural and recreational	7,800	7,800	5,486	2,314
Debt service:				
Principal retirement	32,436	32,516	33,828	(1,312)
Interest	7,114	7,114	5,801	1,313
	626,024	675,198	620,042	55,156
Revenues over (under) expenditures	(19,000)	(19,000)	64,736	83,736
Fund balance appropriated	19,000	19,000	-	(19,000)
Net change in fund balance	\$ -	\$ -	64,736	\$ 64,736
Fund balance, beginning			668,137	
Fund balance, ending			\$ 732,873	

TOWN OF FAITH, NORTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2019

Exhibit 6

Assets	Major Enterprise Funds		Total Proprietary Funds
	Water Fund	Sewer Fund	
Current Assets:			
Cash and cash equivalents	297,754	60,772	\$ 358,526
Accounts receivable (net)	13,388	35,447	48,835
Sales tax receivable	530	328	858
Restricted cash and cash equivalents	<u>32,120</u>	<u>38,332</u>	<u>70,452</u>
Total current assets	<u>343,792</u>	<u>134,879</u>	<u>478,671</u>
Non-current Assets:			
Due from other funds	<u>61,177</u>	<u>49,791</u>	<u>110,968</u>
Capital assets:			
Land and non-depreciable improvements	7,337	-	7,337
Capital assets, net of depreciation	<u>305,542</u>	<u>4,664,595</u>	<u>4,970,137</u>
Total capital assets	<u>312,879</u>	<u>4,664,595</u>	<u>4,977,474</u>
Total noncurrent assets	<u>374,056</u>	<u>4,714,386</u>	<u>5,088,442</u>
Total Assets	<u>717,848</u>	<u>4,849,265</u>	<u>5,567,113</u>
Deferred Outflows of Resources			
Pension deferrals	<u>4,416</u>	<u>-</u>	<u>4,416</u>
Total deferred outflows of resources	<u>4,416</u>	<u>-</u>	<u>4,416</u>
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	1,646	12,998	14,644
Accrued interest payable	-	5,245	5,245
General Obligation Sanitary Sewer bonds-current	-	31,000	31,000
Liabilities payable from restricted assets:			
Customer deposits	<u>32,120</u>	<u>38,065</u>	<u>70,185</u>
Total current liabilities	<u>33,766</u>	<u>87,308</u>	<u>121,074</u>
Noncurrent Liabilities:			
General Obligation Sanitary Sewer bonds-noncurrent	-	1,294,000	1,294,000
Net pension liability	<u>5,782</u>	<u>-</u>	<u>5,782</u>
Total noncurrent liabilities	<u>5,782</u>	<u>1,294,000</u>	<u>1,299,782</u>
Total liabilities	<u>39,548</u>	<u>1,381,308</u>	<u>1,420,856</u>
Deferred Inflows of Resources			
Pension deferrals	<u>516</u>	<u>-</u>	<u>516</u>
Net Position			
Net investment in capital assets	312,879	3,339,595	3,652,474
Restricted-sewer taps	-	267	267
Unrestricted	<u>369,321</u>	<u>128,095</u>	<u>497,416</u>
Total net position	<u>\$ 682,200</u>	<u>\$ 3,467,957</u>	<u>\$ 4,150,157</u>

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

TOWN OF FAITH, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

Exhibit 7

	Major Enterprise Funds		Total Proprietary Funds
	Water Fund	Sewer Fund	
Operating revenues:			
Charges for services	\$ 96,278	\$ 231,182	\$ 327,460
Water taps	1,300	-	1,300
Other operating revenues	7,505	959	8,464
Total operating revenues	105,083	232,141	337,224
Operating expenses:			
Water treatment and distribution	53,153	-	53,153
Sewer treatment and distribution	-	181,161	181,161
Depreciation	19,518	181,002	200,520
Total operating expenses	72,671	362,163	434,834
Operating income (loss)	32,412	(130,022)	(97,610)
Nonoperating revenues (expenses):			
Investment earnings	592	119	711
Interest and other charges	-	(64,244)	(64,244)
Total nonoperating revenues (expenses)	592	(64,125)	(63,533)
Income (loss) before contributions and transfers	33,004	(194,147)	(161,143)
Transfer from other funds	-	47,750	47,750
Transfer to other funds	(47,750)	-	(47,750)
Change in net position	(14,746)	(146,397)	(161,143)
Total net position, previously reported	696,946	3,614,354	4,311,300
Total net position, ending	\$ 682,200	\$ 3,467,957	\$ 4,150,157

TOWN OF FAITH, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

Exhibit 8

	Major Enterprise Funds		Total
	Water Fund	Sewer Fund	
Cash flows from operating activities:			
Cash received from customers and users	\$ 97,546	\$ 231,384	\$ 328,930
Cash paid for goods and services	(39,546)	(178,998)	(218,544)
Cash paid to employees for services	(16,571)	-	(16,571)
Customer deposits-net	1,940	1,560	3,500
Other operating revenue	7,505	959	8,464
Net cash provided by (used in) operating activities	<u>50,874</u>	<u>54,905</u>	<u>105,779</u>
Cash flows from noncapital financing activities			
Increase in due from other funds	(63)	-	(63)
Transfer from other funds	-	47,750	47,750
Transfer to other funds	<u>(47,750)</u>	<u>-</u>	<u>(47,750)</u>
Total cash flows from noncapital financing activities	<u>(47,813)</u>	<u>47,750</u>	<u>(63)</u>
Cash flows from capital and related financing activities:			
Principal paid on bond	-	(30,000)	(30,000)
Interest paid on bond	<u>-</u>	<u>(64,363)</u>	<u>(64,363)</u>
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(94,363)</u>	<u>(94,363)</u>
Cash flows from investing activities:			
Interest on investments	<u>592</u>	<u>119</u>	<u>711</u>
Net increase (decrease) in cash and cash equivalents	3,653	8,411	12,064
Balances, beginning	<u>326,221</u>	<u>90,693</u>	<u>416,914</u>
Balances, ending	<u><u>329,874</u></u>	<u><u>99,104</u></u>	<u><u>428,978</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	<u>32,412</u>	<u>(130,022)</u>	<u>(97,610)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	19,518	181,002	200,520
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	(32)	202	170
(Increase) decrease in deferred outflows of resources-pensions	(1,626)	-	(1,626)
Increase (decrease) in net pension liability	1,960	-	1,960
Increase (decrease) in deferred inflows of resources-pensions	(167)	-	(167)
Increase (decrease) in accounts payable and accrued liabilities	(3,131)	2,163	(968)
Increase (decrease) in customer deposits	<u>1,940</u>	<u>1,560</u>	<u>3,500</u>
Total adjustments	<u>18,462</u>	<u>184,927</u>	<u>203,389</u>
Net cash provided by (used in) operating activities	<u><u>\$ 50,874</u></u>	<u><u>\$ 54,905</u></u>	<u><u>\$ 105,779</u></u>

TOWN OF FAITH, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Faith 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 Faith is a municipal corporation, which is governed by an elected mayor and a four-member Board of Aldermen. As required by generally accepted accounting principles, these financial statements present financial information of the Town.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town.

Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

Water Fund- This fund is used to account for the Town's water operation.

Sewer Fund- This fund is used to account for the Town's sewer operation.

TOWN OF FAITH, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

TOWN OF FAITH, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Faith because the tax is levied by Rowan 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 and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for Special Revenue Funds and Capital Projects Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value. At June 30, 2019, the Town owned none of these investments.

2. Cash and Cash Equivalents

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

TOWN OF FAITH, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2019

3. Restricted Assets

The unexpended sewer taps in the Sewer Fund are classified as restricted assets for the enterprise fund because their use is completely restricted to the purpose of sewer taps. 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 outlined in G.S. 136-41.1 through 136-41.4.

Town of Faith Restricted Cash

Government Activities		
General Fund		
	Streets	\$165,000
Total governmental activities		165,000
Business-type Activities		
Water Fund		
	Customer Deposits	32,120
Sewer Fund		
	Customer Deposits	38,065
	Sewer Taps	267
Total business-type activities		70,452
Total Restricted Cash		\$235,452

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2015. 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 amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Prepaid Items

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

TOWN OF FAITH, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2019

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of the donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	40
Buildings	40
Improvements	40
Vehicles	5-20
Furniture and equipment	5-10
Computer equipment	5

8. Deferred Outflows/Inflows of Resources

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

9. Long-Term Obligations

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

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

TOWN OF FAITH, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of earned vacation leave. The current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported in the government-wide financial statements.

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classification 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.

The Town of Faith has some prepaid items that are classified as Non Spendable.

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 is G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

TOWN OF FAITH, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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 Faith's governing body (highest level of decision making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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

The Town has not yet adopted a revenue spending policy nor have they adopted a minimum fund balance policy as yet.

12. Defined Benefit Cost-Sharing Plans

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes: None.

2. Contractual Violations: None.

B. Deficit Fund Balance or Net Position of Individual Funds: None.

C. Excess of Expenditures Over Appropriations: None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name.

TOWN OF FAITH, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$1,206,723 and a bank balance of \$1,233,620. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$200.

2. Investments

None

3. Receivables-Allowance for Doubtful Accounts

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

General Fund:	
Property Taxes	\$ 908
Enterprise Fund:	
Accounts Receivable	<u>18,142</u>
Total	<u>\$19,050</u>

TOWN OF FAITH, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

4. Capital Assets
Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 59,073	\$ 2,216	\$ -	\$ 61,289
Total capital assets not being depreciated	59,073	2,216	-	61,289
Capital assets being depreciated:				
Buildings	179,097	55,000	-	234,097
Vehicles and motorized equipment	1,117,133	12,874	-	1,130,007
Total capital assets being depreciated	1,296,230	67,874	-	1,364,104
Less accumulated depreciation for:				
Buildings	136,154	4,477	-	140,631
Vehicles and motorized equipment	750,825	54,594	-	805,419
Total accumulated depreciation	886,979	\$ 59,071	\$ -	946,050
Total capital assets being depreciated, net	409,251			418,054
Governmental activity capital assets, net	<u>\$ 468,324</u>			<u>\$ 479,343</u>

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

General government	\$ 2,269
Public safety	56,045
Transportation	757
Total depreciation expense	<u>\$59,071</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water Fund				
Capital assets not being depreciated:				
Land	\$ 7,337	\$ -	\$ -	\$ 7,337
Total capital assets not being depreciated	7,337	-	-	7,337
Capital assets being depreciated:				
Equipment	40,422	-	-	40,422
Water system	838,989	-	-	838,989
Sewer system	7,240,077	-	-	7,240,077
Total capital assets being depreciated	8,119,488	-	-	8,119,488
Less accumulated depreciation for:				
Equipment	28,321	4,243	-	32,564
Water system	526,029	15,275	-	541,304
Sewer system	2,394,481	181,002	-	2,575,483
Total accumulated depreciation	2,948,831	\$ 200,520	\$ -	3,149,351
Total capital assets being depreciated, net	5,170,657			4,970,137
Business-type activities capital assets, net	<u>\$5,177,994</u>			<u>\$4,977,474</u>

TOWN OF FAITH, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description- The Town of Faith is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members-nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve 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 Road, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Faith employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Faith's contractually required contribution rate for the year ended June 30, 2019, was 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Faith were \$8,444 for the year ended June 30, 2019.

TOWN OF FAITH, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2019

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

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

At June 30, 2019, the Town reported a liability of \$40,804 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.00183%, which was a decrease of 0.00011% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$9,178. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,295	\$ 211
Changes of assumptions	10,828	-
Net difference between projected and actual earnings on pension plan investments	5,601	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	3,428
Town contributions subsequent to the measurement date	8,444	-
Total	\$ 31,168	\$ 3,639

\$8,444 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 9,389
2020	6,060
2021	662
2022	2,975
2023	-
Thereafter	-

TOWN OF FAITH, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 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	<u>100%</u>	

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

TOWN OF FAITH, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 98,015	\$ 40,804	\$ (7,002)

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.

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

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

	LGERS	Total
Pension Expense	\$ 9,178	\$ 9,178
Pension Liability	40,804	40,804
Proportionate share of the net pension liability	.00183%	
Deferred of Outflows of Resources		
Differences between expected and actual experience	6,295	6,295
Changes in assumptions	10,828	10,828
Net difference between projected and actual earnings on plan investments	5,601	5,601
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	8,444	8,444
Deferred of Inflows of Resources		
Differences between expected and actual experience	211	211
Changes in assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	3,428	3,428

TOWN OF FAITH, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2019

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 8,444
Differences between expected and actual experience	6,295
Changes of assumptions	10,828
Net difference between projected and actual	<u>5,601</u>
Total	<u>\$ 31,168</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	\$ -	\$ -
Property taxes receivable (General Fund)	-	4,305
Differences between expected and actual experience	211	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>3,428</u>	<u>-</u>
Total	<u>\$ 3,639</u>	<u>\$ 4,305</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy and workers' compensation coverage up to the statutory limits.

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

The Town carried no flood insurance for the year.

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 bonded for \$100,000. The Town does not have a bond on the tax collector in that they have outsourced tax collection to Rowan County. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

TOWN OF FAITH, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

4. Reconciliation of Powell Bill Expenditures

The following is a reconciliation of Powell Bill expenditures:

Per financial statements	\$ 41,377
Sales tax receivable -current	26
Amount paid out of general fund monies for street maintenance not Powell related expenditures	-
Per Powell Bill report	\$ 41,403

5. Long-Term Obligations

a. General Obligation Sanitary Sewer Bonds Indebtedness

General Obligation Sanitary Sewer Bonds

The Town's general obligation sanitary sewer bonds were issued to finance the construction of a sewer line. The bonds are to be repaid from the operations of the Town's proprietary sewer fund and are reported as long-term debt in the Sewer Fund. All general obligation sanitary sewer bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2019 are comprised of the following individual issues:

General Obligation Sanitary Sewer Bonds

\$1,223,000 Series 2004A General Obligation Sanitary Sewer Bonds, due in annual installments of interest only June 1, 2005 and June 1, 2006, and annual installments of principal and interest from June 1, 2007 through June 1, 2044; interest is at 4.75%

\$400,000 Series 2004B General Obligation Sanitary Sewer Bonds, due in annual installments of interest only June 1, 2005 and June 1, 2006, and annual installments of principal and interest from June 1, 2007 through June 1, 2044; interest is at 4.75%

Year Ending June 30	Business-Type Activities					
	Series 2004-A		Series 2004-B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 23,000	\$ 47,547	\$ 8,000	\$ 15,390	\$ 31,000	\$ 62,937
2021	24,000	46,455	8,000	15,010	32,000	61,465
2022	26,000	45,315	9,000	14,630	35,000	59,945
2023	27,000	44,080	9,000	14,202	36,000	58,282
2024	28,000	42,798	10,000	13,775	38,000	56,573
2025-2029	161,000	192,755	54,000	61,608	215,000	254,363
2030-2034	205,000	150,575	67,000	47,452	272,000	198,027
2035-2039	251,000	97,185	79,000	30,353	330,000	127,538
2040-2044	256,000	36,100	80,000	11,400	336,000	47,500
Total	\$ 1,001,000	\$702,810	\$ 324,000	\$223,820	\$1,325,000	\$926,630

TOWN OF FAITH, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2019

b. Promissory Note Payable

On July 1, 2011, the Town entered into a promissory note payable of \$320,000 to finance the purchase of a 2012 KME pumper fire truck. The financing requires principal payments beginning in the fiscal year 2013 with an interest rate of 3.99% per year.

Annual debt service payments of the note as of June 30, 2019, including \$8,996 of interest are as follows:

Year Ending June 30	Government Activities		
	Principal	Interest	Total
2020	\$ 35,114	\$ 4,436	\$ 39,550
2021	36,526	3,024	39,550
2022	38,012	1,536	39,548
Total	\$109,652	\$ 8,996	\$118,648

c. Capital Leases

The Town entered into an agreement to lease a copier. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

During the fiscal year ended June 30, 2019, the Town leased a copier for the administrative department use. The lease requires 63 minimum monthly payments of \$79.44 beginning June 2019. The copier agreement allows for the purchase of the copier at the end of the lease for fair market value.

The following is an analysis of the asset recorded under capital leases at June 30, 2019:

Classes of Property	Cost	Accumulated depreciation	Net book value
Equipment	\$5,004	\$ 79	\$4,925
Total	\$5,004	\$ 79	\$4,925

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 are as follows:

Year Ending June 30	
2020	\$ 953
2021	953
2022	953
2023	953
2024	953
Thereafter	160
Total minimum lease payments	\$4,925
Less amount representing interest	-
Present value of the minimum lease payments	\$4,925

TOWN OF FAITH, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

d. Changes in Long-Term Liabilities

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 143,400	\$ -	\$ 33,748	\$ 109,652	\$ 35,114
Capitalized leases		5,004	79	4,925	953
Net pension liability	24,136	10,886	-	35,022	-
Governmental activities long-term liabilities	167,536	15,890	33,827	149,599	36,067
Business-type activities:					
General Obligation Sanitary Sewer Bonds	1,355,000	-	30,000	1,325,000	31,000
Net pension liability	3,822	1,960	-	5,782	-
Business-type activity long-term liabilities	\$1,358,822	\$ 1,960	\$ 30,000	\$1,330,782	\$ 31,000

At June 30, 2019, the Town of Faith, North Carolina had a legal debt margin of \$3,797,500.

C. Interfund Balances and Activity

Balances Due to/from Other Funds

Balances Due to/from other funds at June 30, 2019, consists of the following:

Amount due from General Fund to:	
Water Fund	\$ 61,177
Sewer Fund	49,791
Total	<u>\$110,968</u>

Interfund loans- The balance of \$110,968 due is the result of prior year amounts received by the General Fund that were actually due to the Water and Sewer Funds. Currently the Town has no plan to repay the loans. An additional amount of \$281 added this year was due to pension calculations and currently the Town has no plan to repay this amount as well.

Transfers to/from Other Funds

The Town made a transfer of \$47,750 from the water fund to the sewer fund to help cover expenses of the sewer fund.

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

D. Fund Balance

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

Total fund balance-General Fund	\$ 732,873
Less:	
Prepaid items	3,866
Stabilization of State Statute	80,712
Streets-Powell Bill	165,000
Appropriated Fund Balance	<u>19,550</u>
Remaining Fund Balance	<u>\$ 463,745</u>

TOWN OF FAITH, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

IV. Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2019, the Town did not report any revenues and expenditures for these payments because no benefit payments were made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2019. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from 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 agreement. 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.

VI. Subsequent Events

Management has evaluated the subsequent events through November 4, 2019, the date the financial statements were available to be issued.

TOWN OF FAITH, NORTH CAROLINA
TOWN OF FAITH'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
Last Six Fiscal Years

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Faith's proportion of the net pension liability (asset) (%)	0.00172%	0.00183%	0.00194%	0.00210%	0.00219%	0.00230%
Faith's proportion of the net pension liability (asset) (\$)	\$ 40,804	\$ 27,958	\$ 41,173	\$ 9,425	\$ (12,916)	\$ 27,724
Faith's covered-employee payroll	\$ 106,990	\$ 104,369	\$ 102,074	\$ 100,380	\$ 98,654	\$ 96,573
Faith's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	38.14%	26.79%	40.34%	9.39%	(13.09%)	28.71%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

TOWN OF FAITH, NORTH CAROLINA
TOWN OF FAITH'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
Last Six Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 8,444	\$ 8,024	\$ 7,567	\$ 6,808	\$ 7,097	\$ 6,975
Contributions in relation to the contractually required contribution	<u>8,444</u>	<u>8,024</u>	<u>7,567</u>	<u>6,808</u>	<u>7,097</u>	<u>6,975</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Faith's covered-employee payroll	\$ 108,949	\$ 106,990	\$ 104,369	\$ 102,074	\$ 100,380	\$ 98,654
Contributions as a percentage of covered-employee payroll	7.75%	7.50%	7.25%	6.67%	7.07%	7.07%

TOWN OF FAITH, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

Revenues	Budget	Actual	Variance Positive (Negative)
Ad valorem taxes			
Taxes	\$ 277,696	\$ 269,426	\$ (8,270)
Penalties and interest	600	1,457	857
Total	<u>278,296</u>	<u>270,883</u>	<u>(7,413)</u>
Unrestricted intergovernmental			
Local option sales tax	153,515	194,923	41,408
Telecommunications sales tax	9,000	6,428	(2,572)
Utility sales tax	35,500	37,233	1,733
Piped natural gas sales tax	800	762	(38)
Video franchise fee	7,700	7,123	(577)
Beer and wine tax	6,135	6,133	(2)
Tax refund-gas	350	401	51
Total	<u>213,000</u>	<u>253,003</u>	<u>40,003</u>
Restricted intergovernmental			
Powell Bill allocation	25,905	25,903	(2)
On-behalf of payments - Fire	10,000	-	(10,000)
Fire grant	19,519	16,906	(2,613)
Stage grant	49,500	49,500	-
Solid waste disposal tax	500	615	115
Total	<u>105,424</u>	<u>92,924</u>	<u>(12,500)</u>
Sales and services			
Trash collection fees	18,500	19,759	1,259
Investment earnings	1,960	4,567	2,607
Miscellaneous			
Contributions-fire department	2,700	6,178	3,478
Fire department revenue	800	165	(635)
Vision cable	2,000	2,126	126
Fire fees	20	40	20
First responders	1,320	1,320	-
Zoning fees	1,750	1,800	50
Other	500	1,488	988
Sprint lease	27,628	28,096	468
Contributions-street dance	2,300	2,429	129
Total	<u>39,018</u>	<u>43,642</u>	<u>4,624</u>
Total revenues	<u>\$ 656,198</u>	<u>\$ 684,778</u>	<u>\$ 28,580</u>

TOWN OF FAITH, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

Expenditures	Budget	Actual	Variance Positive (Negative)
General government			
Governing body			
Salary-Mayor	\$ 1,800	\$ 1,650	\$ 150
Salary-Aldermen	4,800	4,650	150
Membership dues	3,645	3,159	486
Professional services	16,000	16,086	(86)
	<u>26,245</u>	<u>25,545</u>	<u>700</u>
Administration			
Salaries and wages	45,657	45,657	-
Extra meetings - clerk	500	300	200
Salary - Administrative Assistant	20,910	20,910	-
Employee insurance	25,500	23,191	2,309
Christmas bonus	921	921	-
Social security	7,355	6,835	520
Employees retirement	6,433	6,416	17
Training and education	688	687	1
Office expense	2,920	2,462	458
Utilities	5,500	4,572	928
Advertising	826	825	1
Insurance and bonding	21,000	16,391	4,609
Miscellaneous	1,000	306	694
Tax collection fee	5,069	6,174	(1,105)
Building maintenance	6,000	40	5,960
Christmas lights and decorations	750	677	73
Economic Development Commission	1,278	1,278	-
Public works	15,005	15,005	-
Public works supplies	1,300	1,213	87
Zoning enforcement officer	8,331	7,855	476
Vehicle expenses	4,550	4,370	180
Travel	300	182	118
Lawn care	800	362	438
Stage construction	49,500	49,500	-
	<u>232,093</u>	<u>216,129</u>	<u>15,964</u>
Total general government	<u>\$ 258,338</u>	<u>\$ 241,674</u>	<u>\$ 16,664</u>

TOWN OF FAITH, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

Expenditures	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Public safety			
Police department			
Contracted services	\$ 140,793	\$ 140,434	\$ 359
Total police department	<u>140,793</u>	<u>140,434</u>	<u>359</u>
Fire department			
Vehicle expenses	14,000	6,517	7,483
Utilities	10,000	9,331	669
Firemen's pension	3,600	2,580	1,020
Miscellaneous	2,650	2,328	322
First responders expenses	1,320	51	1,269
On behalf of benefits	10,000	-	10,000
Firefighter's administration/grant work expenses	28,000	26,497	1,503
Social security	2,142	2,027	115
Retirement	831	831	-
Training	50	-	50
Office supplies	400	24	376
Software	2,922	2,922	-
Fire grant expenses	39,229	39,229	-
Mobile dispatch	1,800	1,423	377
Building renovations	2,500	1,260	1,240
Capital outlay-Resurface parking lot	4,078	-	4,078
Pagers and radios	400	-	400
Total fire department	<u>123,922</u>	<u>95,020</u>	<u>28,902</u>
Total public safety	<u>264,715</u>	<u>235,454</u>	<u>29,261</u>
Transportation			
Streets and highways			
Street lights	15,250	13,111	2,139
Street maintenance and improvements	45,165	41,377	3,788
Street signs	1,000	42	958
Total transportation	<u>\$ 61,415</u>	<u>\$ 54,530</u>	<u>\$ 6,885</u>

TOWN OF FAITH, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

Expenditures	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Environmental protection			
Contract trash hauling	\$ 43,300	\$ 43,269	\$ 31
Total environmental protection	<u>43,300</u>	<u>43,269</u>	<u>31</u>
Cultural and recreational			
Beautification	500	96	404
Legion Park maintenance	5,000	3,567	1,433
Street dance expenses	2,300	1,823	477
Total cultural and recreational	<u>7,800</u>	<u>5,486</u>	<u>2,314</u>
Debt service			
Principal retirement	32,516	33,828	(1,312)
Interest paid	7,114	5,801	1,313
Total debt service	<u>39,630</u>	<u>39,629</u>	<u>1</u>
Total expenditures	<u>675,198</u>	<u>620,042</u>	<u>55,156</u>
Revenues over (under) expenditures	<u>(19,000)</u>	<u>64,736</u>	<u>83,736</u>
Fund balance appropriated	<u>19,000</u>	<u>-</u>	<u>(19,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>64,736</u>	<u>\$ 64,736</u>
Fund balance, beginning		<u>668,137</u>	
Fund balance, ending		<u>\$ 732,873</u>	

TOWN OF FAITH, NORTH CAROLINA
WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services			
Water charges	\$ 94,000	\$ 96,278	\$ 2,278
Water taps	1,300	1,300	-
Other operating revenues	6,000	7,505	1,505
	<u>101,300</u>	<u>105,083</u>	<u>3,783</u>
Nonoperating revenues			
Investment earnings	200	592	392
	<u>200</u>	<u>592</u>	<u>392</u>
Total revenues	<u>101,500</u>	<u>105,675</u>	<u>4,175</u>
Expenditures			
Water distribution and treatment and waste collection			
Salaries	15,441	15,438	3
Supplies and repairs	15,788	10,423	5,365
Office expense	4,000	3,456	544
Water testing	6,000	2,302	3,698
Water quality control	1,200	840	360
Training and education	1,476	669	807
Utilities	15,000	13,491	1,509
Software maintenance	3,766	3,766	-
Lawn care	1,000	35	965
Advertising	200	-	200
Dues and subscriptions	500	380	120
Bad debt expense	-	44	(44)
Miscellaneous	3,379	2,205	1,174
	<u>67,750</u>	<u>53,049</u>	<u>14,701</u>
Total water distribution and treatment and waste collection	<u>\$ 67,750</u>	<u>\$ 53,049</u>	<u>\$ 14,701</u>

TOWN OF FAITH, NORTH CAROLINA
WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Expenditures-continued			
Capital outlay			
Water system improvements	\$ -	\$ -	\$ -
Building improvements	-	-	-
Equipment	-	-	-
	-	-	-
Total capital outlay	-	-	-
Total expenditures	67,750	53,049	14,701
Revenues over (under) expenditures	33,750	52,626	18,876
Other financing sources (uses)			
Transfer to sewer fund	(47,750)	(47,750)	-
Fund balance appropriated	14,000	-	(14,000)
	(33,750)	(47,750)	(14,000)
Total other financing sources (uses)	(33,750)	(47,750)	(14,000)
Revenues and other sources (under) expenditures and other uses	\$ -	4,876	\$ 4,876
Reconciliation from budgetary basis (modified accrual) to full accrual			
Reconciling items			
Depreciation		(19,518)	
Increase in due to other funds-pensions		63	
Increase in deferred outflows of resources-pensions		1,626	
Increase in net pension liability		(1,960)	
Decrease in deferred inflows of resources-pensions		167	
		(19,622)	
Total reconciling items		(19,622)	
Change in net position		\$ (14,746)	

TOWN OF FAITH, NORTH CAROLINA
SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services			
Sewer charges	\$ 231,000	\$ 231,182	\$ 182
Miscellaneous	1,035	959	(76)
	<u>232,035</u>	<u>232,141</u>	<u>106</u>
Nonoperating revenues			
Investment earnings	115	119	4
	<u>115</u>	<u>119</u>	<u>4</u>
Total revenues	<u>232,150</u>	<u>232,260</u>	<u>110</u>
Expenditures			
Sewer distribution and treatment and waste collection			
System maintenance	10,050	10,044	6
Metered flow charges	168,037	163,207	4,830
Utilities	6,050	6,004	46
Engineering	1,028	1,692	(664)
Bad debt expense	-	(74)	74
Miscellaneous	372	288	84
	<u>185,537</u>	<u>181,161</u>	<u>4,376</u>
Debt service			
Interest	64,363	64,363	-
Principal	30,000	30,000	-
	<u>94,363</u>	<u>94,363</u>	<u>-</u>
Total expenditures	<u>279,900</u>	<u>275,524</u>	<u>4,376</u>
Revenues over (under) expenditures	<u>\$ (47,750)</u>	<u>\$ (43,264)</u>	<u>\$ 4,486</u>

TOWN OF FAITH, NORTH CAROLINA
SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses)			
Transfer from water fund	\$ 47,750	\$ 47,750	\$ -
Total other financing sources and (uses)	47,750	47,750	-
Revenues and other sources over expenditures and other uses	-	4,486	4,486
Reconciliation from budgetary basis (modified accrual) to full accrual			
Reconciling items:			
Principal retirement		30,000	
Decrease in bond interest accrued		119	
Depreciation		(181,002)	
Total reconciling items		(150,883)	
Change in net position		\$ (146,397)	

TOWN OF FAITH, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019		\$ 268,075	\$ 266,082	\$ 1,993
2017-2018	\$ 4,917	-	3,932	985
2016-2017	2,004	-	1,553	451
2015-2016	339	-	-	339
2014-2015	388	-	-	388
2013-2014	354	-	55	299
2012-2013	175	-	-	175
2011-2012	171	-	-	171
2010-2011	299	-	-	299
2009-2010	113	-	-	113
2008-2009	93	-	93	-
	<u>\$ 8,853</u>	<u>\$ 268,075</u>	<u>\$ 271,715</u>	5,213

Less allowance for uncollectible accounts:

General Fund 908

Ad valorem taxes receivable-net 4,305

Reconciliation with revenues:

Ad valorem taxes - General Fund 270,883

Reconciling items

Interest collected (1,457)

Discounts allowed 2,194

Taxes written off 95

Total collections and credits \$ 271,715

TOWN OF FAITH, NORTH CAROLINA
 ANALYSIS OF CURRENT TAX LEVY
 TOWN-WIDE LEVY
 For the Fiscal Year Ended June 30, 2019

	Town-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current year's rate	\$65,391,137	\$0.41	\$ 267,955	\$ 237,278	\$ 30,677
Penalties	-		102	102	-
Total	<u>65,391,137</u>		<u>268,057</u>	<u>237,380</u>	<u>30,677</u>
Discoveries					
Current year taxes	13,660	\$0.41	56	56	-
Prior year tax rate	-		-	-	-
Penalties	-		-	-	-
Total	<u>13,660</u>		<u>56</u>	<u>56</u>	<u>-</u>
Abatements	<u>(9,268)</u>		<u>(38)</u>	<u>-</u>	<u>(38)</u>
Total property valuation	<u>\$65,395,529</u>				
Net levy			268,075	237,436	30,639
Uncollected taxes at June 30, 2019			<u>(1,993)</u>	<u>(1,964)</u>	<u>(29)</u>
Current year's taxes collected			<u>\$ 266,082</u>	<u>\$ 235,472</u>	<u>\$ 30,610</u>
Current levy collection percentage			<u>99.26%</u>	<u>99.17%</u>	<u>99.91%</u>

SHERILL & SMITH, CPAs, PA

524 West Innes Street
P. O. Box 1327
Salisbury, NC 28145-1327
Voice (704) 636-5211 Fax (704) 636-5245

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
Board of Aldermen
Town of Faith, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Faith, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprises the Town of Faith's basic financial statements, and have issued our report thereon dated November 4, 2019.

Internal Control Over Financial Reporting

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

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

Monitoring Service Provider

The Town has chosen Rowan County to provide significant services in preparing the tax scroll, creating the tax levy and tax bills, collection of taxes, and preparation of the detailed underlying accounting for this process. Monitoring is a process that assesses whether the controls used by the service provider are operating as intended, modification of controls at the Town as appropriate for changed conditions, reviewing monthly reports received, and reconcile and record information in the Town's accounting system to reflect the activity that transpires. Because limited monitoring activities now occur, the Town should develop a monitoring plan to accomplish the above objective. The Town agrees with this finding.

Provide Oversight of the Preparation of Financial Statements

Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP). The Town does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with GAAP. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of these services is not unusual in municipalities of your size and is a result of management's cost benefit decision to rely on our accounting expertise rather than incurring this internal resource cost. The Town agrees with this finding.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Faith's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly we do not express such an opinion. The result of our test disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Sherrill and Smith, CPAs, PA

Salisbury, North Carolina
November 4, 2019