

TOWN OF BETHANIA, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2020

TOWN OF BETHANIA, NORTH CAROLINA
JUNE 30, 2020

BOARD OF COMMISSIONERS

Brent Rockett, Mayor
Michelle Leonard, Mayor Pro-Tem
Tom Beroth, Finance Officer
Randy Rogers
John Rogers

ADMINISTRATIVE AND FINANCIAL STAFF

Karen Keller, Town Clerk
Rebecca Keith, Accountant

Town of Bethania, North Carolina
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June 30, 2020

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Financial Section



GIBSON & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Bethania, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Bethania, North Carolina as of June 30, 2020, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Bethania, 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves,

and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, and the procedures performed as described above, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Gibson + Company, P.A.

Winston-Salem, North Carolina
November 13, 2020

Management's Discussion and Analysis

Management's Discussion and Analysis

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

Financial Highlights

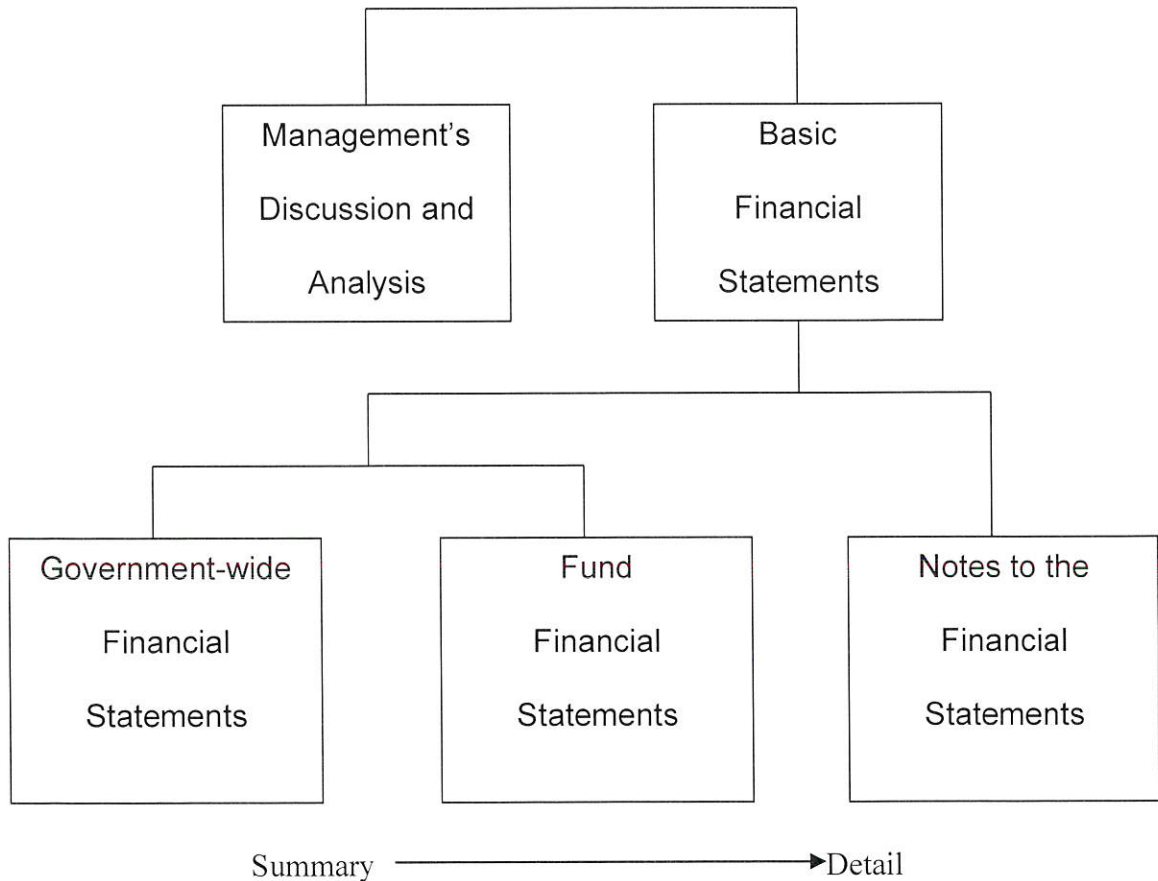
- The assets of the Town of Bethania exceeded its liabilities at the close of the fiscal year by \$800,412 (*net position*).
- The government's total net position decreased by \$13,053.
- As of the close of the current fiscal year, the Town of Bethania's governmental funds reported combined ending fund balances of \$463,867 with a net change of \$38,110 in fund balance. Approximately 28.51 percent of this total amount, or \$132,226, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$331,641 or 185.86 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Town of Bethania'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 Bethania.

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

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

Government-Wide Financial Statements

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

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

The government-wide statements are summarized into one category: 1) governmental activities. The governmental activities include most of the Town's basic services such as public works and general administration. Property taxes and State and federal grant funds finance most of these activities.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Bethania, 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 Bethania can be summarized into one category: governmental funds.

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

The Town of Bethania 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

Management's Discussion and Analysis
Town of Bethania

services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 19 of this report.

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

Government-Wide Financial Analysis

Town of Bethania's Net Position

Figure 2

	Governmental Activities		Total	
	2020	2019	2020	2019
Current and other assets	\$ 467,380	\$ 428,028	\$ 467,380	\$ 428,028
Capital assets	335,776	386,865	335,776	386,865
Total assets	803,156	814,893	803,156	814,893
Other liabilities	2,744	1,428	2,744	1,428
Total liabilities	2,744	1,428	2,744	1,428
Net position:				
Net investment in capital assets	335,776	386,865	335,776	386,865
Restricted	132,226	133,100	132,226	133,100
Unrestricted	332,410	293,500	332,410	293,500
Total net position	\$ 800,412	\$ 813,465	\$ 800,412	\$ 813,465

Management's Discussion and Analysis
Town of Bethania

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Bethania exceeded liabilities by \$800,412 as of June 30, 2020. The Town's net assets decreased by \$13,053 for the fiscal year ended June 30, 2020. However, the largest portion (41.95%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, historical treasures, and equipment). The Town of Bethania uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Bethania's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Bethania's net position, \$132,226 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$332,410 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.56 %, a slight increase of 0.01% over the previous year.
- The Town of Bethania Commissioners made a conscious effort to control spending.

Town of Bethania's Changes in Net Position

Figure 3

	Governmental Activities		Total	
	2020	2019	2020	2019
Revenues:				
Program revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Operating grants and contributions	6,910	7,000	6,910	7,000
Capital grants and contributions	-	-	-	-
General revenues:				
Property taxes	106,906	103,458	106,906	103,458
Other taxes	93,145	103,194	93,145	103,194
Other	9,511	15,910	9,511	15,910
Total revenues	216,472	229,562	216,472	229,562
Expenses:				
General government	168,560	172,599	168,560	172,599
Public works	42,791	32,773	42,791	32,773
Public safety	5,653	5,790	5,653	5,790
Economic development	12,521	19,670	12,521	19,670
Contingency	-	-	-	-
Total expenses	229,525	230,832	229,525	230,832
Increase (decrease) in net position before transfers	(13,053)	(1,270)	(13,053)	(1,270)
Transfers	-	-	-	-
Increase (decrease) in net position	(13,053)	(1,270)	(13,053)	(1,270)
Net position, July 1	813,465	814,735	813,465	814,735
Net position, June 30	\$ 800,412	\$ 813,465	\$ 800,412	\$ 813,465

Governmental activities. Governmental activities decreased the Town's net position by \$13,053, thereby accounting for 100% of the total decrease in the net position of the Town of Bethania. Key elements of this decrease are as follows:

- Depreciation expense of \$51,089.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Bethania. At the end of the current fiscal year, Town of Bethania's fund balance available in the General Fund was \$331,641 while total fund balance reached \$463,867. The Town currently has an available fund balance of 185.86 percent of general fund expenditures, while total fund balance represents 259.96 percent of the same amount.

At June 30, 2020, the governmental funds of the Town of Bethania reported a combined fund balance of \$463,867 with a net increase in fund balance of \$38,110. Included in this change in fund balance is an increase in the fund balance of the General Fund.

General Fund Budgetary Highlights. During the fiscal year, the Town did not revise the budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Expenditures were held in check to comply with its budgetary requirements.

Capital Asset Administration

Capital assets. The Town of Bethania's investment in capital assets for its governmental activities as of June 30, 2020, totals \$335,776 (net of accumulated depreciation). These assets include buildings, streets, land, and historical treasures.

The Town made no purchases of capital assets during the year.

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

	Governmental Activities		Total	
	2020	2019	2020	2019
Land	\$ 44,385	\$ 44,385	\$ 44,385	\$ 44,385
Buildings	273,985	323,607	273,985	323,607
Historical treasure	6,452	7,081	6,452	7,081
Infrastructure	10,954	11,792	10,954	11,792
Total	\$ 335,776	\$ 386,865	\$ 335,776	\$ 386,865

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

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Bethania is \$2,848,613.

Economic Factors and Next Year's Budgets and Rates

The Town of Bethania is mostly residential with no significant business activity; therefore, economic factors do not have a critical impact on the growth and prosperity of the Town.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities:

The Town maintained the same property tax rate of \$.30 per \$100 valuation.

Budgeted revenues for the 2020-2021 fiscal year decreased 8.47% from \$229,454 to \$210,025 compared to budgeted revenues for 2019-2020.

Budgeted expenditures for the 2020-2021 fiscal year also decreased by 8.47%.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk at 336-922-4744.

Basic Financial Statements

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

	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 334,385	\$ 334,385
Taxes receivables (net)	769	769
Due from other governments	14,013	14,013
Restricted cash and cash equivalents	118,213	118,213
Total current assets	<u>467,380</u>	<u>467,380</u>
Non-current assets:		
Capital assets:		
Land, non-depreciable improvements, and construction in progress	44,385	44,385
Other capital assets, net of depreciation	291,391	291,391
Total capital assets	<u>335,776</u>	<u>335,776</u>
Total assets	<u>803,156</u>	<u>803,156</u>
LIABILITIES		
Current liabilities:		
Accounts payable	<u>2,744</u>	<u>2,744</u>
Total liabilities	<u>2,744</u>	<u>2,744</u>
NET POSITION		
Net investment in capital assets	335,776	335,776
Restricted for:		
Stabilization by State Statute	14,013	14,013
Culture and recreation	47,282	47,282
Streets - Powell Bill	70,931	70,931
Unrestricted	332,410	332,410
Total net position	<u>\$ 800,412</u>	<u>\$ 800,412</u>

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

Exhibit 2

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary Government:						
Governmental Activities:						
General government	\$ 168,560	\$ -	\$ -	\$ -	\$ (168,560)	\$ (168,560)
Public works	42,791	-	6,910	-	(35,881)	(35,881)
Public safety	5,653	-	-	-	(5,653)	(5,653)
Economic development	12,521	-	-	-	(12,521)	(12,521)
Total governmental activities	229,525	-	6,910	-	(222,615)	(222,615)
Total primary government	\$ 229,525	\$ -	\$ 6,910	\$ -	\$ (222,615)	\$ (222,615)
General revenues:						
Taxes:						
Property taxes, levied for general purpose					106,906	106,906
Other taxes					93,145	93,145
Unrestricted investment earnings					6,016	6,016
Miscellaneous					3,495	3,495
Total general revenues not including transfers					209,562	209,562
Transfers					-	-
Total general revenues and transfers					209,562	209,562
Change in net position					(13,053)	(13,053)
Net position, beginning					813,465	813,465
Net position, ending					\$ 800,412	\$ 800,412

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

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

	Major Fund		Total Governmental Funds
	General		
ASSETS			
Cash and cash equivalents	\$ 334,385	\$	334,385
Restricted cash	118,213		118,213
Receivables, net:			
Taxes	769		769
Due from other governments	14,013		14,013
Total assets	<u>467,380</u>		<u>467,380</u>
LIABILITIES			
Accounts payable and accrued liabilities	2,744		2,744
Total liabilities	<u>2,744</u>		<u>2,744</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	769		769
Total deferred inflows of resources	<u>769</u>		<u>769</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	14,013		14,013
Culture and recreation	47,282		47,282
Streets	70,931		70,931
Unassigned	331,641		331,641
Total fund balances	<u>463,867</u>		<u>463,867</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 467,380</u>		

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at

historical cost \$ 1,071,396

Accumulated

depreciation (735,620) 335,776

Earned revenues considered deferred inflows of resources in fund statements.

Net position of governmental activities \$ 800,412

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

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

	Major Fund		Total Governmental Funds
	General Fund		
REVENUES			
Ad valorem taxes	\$ 106,980	\$	106,980
Unrestricted intergovernmental	56,826		56,826
Restricted intergovernmental	43,230		43,230
Investment earnings	6,016		6,016
Miscellaneous	3,495		3,495
Total revenues	<u>216,547</u>		<u>216,547</u>
EXPENDITURES			
Current:			
General government	118,939		118,939
Public works	41,953		41,953
Public safety	5,653		5,653
Economic development	11,892		11,892
Total expenditures	<u>178,437</u>		<u>178,437</u>
Excess (deficiency) of revenues over expenditures	<u>38,110</u>		<u>38,110</u>
Net change in fund balance	38,110		38,110
Fund balances, beginning	425,757		425,757
Fund balances, ending	<u>\$ 463,867</u>	\$	<u>463,867</u>

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

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

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

Net changes in fund balances - total governmental funds	\$	38,110
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense for governmental assets	<u>\$ (51,089)</u>	(51,089)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		(74)
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		<hr/>
Total changes in net position of governmental activities	<u>\$</u>	<u>(13,053)</u>

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

Exhibit 5

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 104,000	\$ 104,000	\$ 106,980	\$ 2,980
Unrestricted intergovernmental	51,825	51,825	56,826	5,001
Restricted intergovernmental	44,200	44,200	43,230	(970)
Investment earnings	5,200	5,200	6,016	816
Miscellaneous	5,600	5,600	3,495	(2,105)
Total revenues	210,825	210,825	216,547	5,722
Expenditures:				
Current:				
General government	137,534	137,534	118,939	18,595
Public works	44,500	44,500	41,953	2,547
Public safety	6,000	6,000	5,653	347
Economic development	41,420	41,420	11,892	29,528
Total expenditures	229,454	229,454	178,437	51,017
Revenues over (under) expenditures	(18,629)	(18,629)	38,110	56,739
Fund balance appropriated	18,629	18,629	-	(18,629)
Net change in fund balance	\$ -	\$ -	38,110	\$ 38,110
Fund balances, beginning			425,757	
Fund balances, ending			<u>\$ 463,867</u>	

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

Notes to the Financial Statements

Town of Bethania, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Bethania 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 Bethania is a municipal corporation that is governed by an elected mayor included in a five-member board of commissioners.

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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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. Statements for the governmental fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

D. Budgetary Data

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

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 non-guaranteed federal agencies, and certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

3. Restricted Assets

Occupancy taxes collected for the Town are classified as restricted cash because its use is restricted by revenue source for culture and recreation purposes. 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 Bethania Restricted Cash

Governmental Activities

General Fund

Culture and recreation	\$ 47,282
Streets	70,931
Total Governmental Activities	<u>118,213</u>
Total Restricted Cash	<u>\$ 118,213</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on 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, 2019.

5. Allowances for Doubtful Accounts

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

6. 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, buildings, improvements and infrastructure, \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	20
Historical treasures	15

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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. In addition to liabilities, the statement of net 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 only one item that meets the criterion for this category, property taxes receivable.

8. Compensated Absences

Employees of the Town accrue paid vacation on an annual basis after completing one year of service. Any vacation earned but not used by the employee within the same year is forfeited. For the Town's government-wide fund, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

9. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Culture and Recreation – portion of fund balance that is restricted by revenue source for use for culture and recreation purposes.

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.

Assigned fund balance – portion of fund balance that Town of Bethania 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 board approves the appropriation.

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

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

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit'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 their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. 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, 2020, the Town's deposits had a carrying amount of \$11,951 and a bank balance of \$29,546. All of the bank balance was covered by federal depository insurance.

2. Investments

At June 30, 2020, The Town's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2020	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$168,108	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	272,539	.15 years ^a	Unrated
Total:		\$440,647		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

^a *This is the duration of the Term Portfolio.*

Credit risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2020. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

3. Receivables - Allowances for Doubtful Accounts

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

General Fund:	
Taxes receivable	\$ 3,364
Total	<u>\$ 3,364</u>

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 44,385	\$ -	\$ -	\$ 44,385
Total capital assets not being depreciated	44,385	-	-	44,385
Capital assets being depreciated:				
Buildings	992,453	-	-	992,453
Historical treasure	9,440	-	-	9,440
Infrastructure	25,118	-	-	25,118
Total capital assets being depreciated	1,027,011	-	-	1,027,011
Less accumulated depreciation for:				
Buildings	668,846	49,623	-	718,469
Historical treasure	2,359	629	-	2,988
Infrastructure	13,326	837	-	14,163
Total accumulated depreciation	684,531	51,089	-	735,620
Total capital assets being depreciated, net	342,480			291,391
Governmental activity capital assets, net	\$ 386,865			\$ 335,776

Depreciation expense was charged to functions/programs as follows:

General government	\$ 49,623
Economic development	629
Public works	837
Total depreciation expense	<u>\$ 51,089</u>

B. Liabilities

1. Deferred Outflows and Inflows of Resources

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

	Unavailable Revenue
Property taxes receivable (General Fund)	<u>\$ 769</u>
	<u>\$ 769</u>

2. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of

Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town does not carry flood insurance as the expense is cost prohibitive.

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

3. Commitments

The Town has entered into an agreement with a solid waste collection company ending in June, 2021 for approximately \$30,000 per year.

C. Net Investment in Capital Assets

	<u>Governmental</u>
Capital assets	\$ 335,776
Less: long-term debt	-
Net investment in capital assets	<u>\$ 335,776</u>

D. Fund Balance

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

Total fund balance - General Fund	\$ 463,867
Less:	
Stabilization by State Statute	14,013
Culture and recreation	47,282
Streets - Powell Bill	70,931
Remaining Fund Balance	331,641

III. Jointly Governed Organization

The Town, in conjunction with twelve counties and sixty other municipalities, established the Piedmont Triad Regional Council. The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$550 to the Council during the fiscal year ended June 30, 2020.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Subsequent Events

Subsequent events have been evaluated through November 13, 2020, which is the date the financial statements were available to be issued.

Individual Fund Schedules

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 106,781	\$
Penalties and interest		199	
Total	104,000	106,980	2,980
Unrestricted intergovernmental:			
Local option sales taxes		35,981	
Telecommunications sales tax		854	
Utilities sales tax		16,444	
Piped natural gas sales tax		2	
Video franchise fee		2,149	
Beer and wine tax		1,396	
Total	51,825	56,826	5,001
Restricted intergovernmental:			
Powell Bill allocation		6,910	
Occupancy tax		36,074	
Solid waste disposal tax		246	
Total	44,200	43,230	(970)
Investment earnings	5,200	6,016	816
Miscellaneous	5,600	3,495	(2,105)
Total revenues	210,825	216,547	5,722
Expenditures:			
General government:			
Administration		89,666	
Accounting and legal		14,833	
Office supplies		2,572	
Insurance		4,333	
Dues		1,627	
Utilities		5,908	
Total	137,534	118,939	18,595
Public works:			
Waste collection		28,332	
Streets		8,399	
Street lighting		5,222	
Total	44,500	41,953	2,547

cont.

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

	Budget	Actual	Variance Positive (Negative)
Public safety:			
Sheriff		5,653	
Total	6,000	5,653	347
Economic development:			
Development		11,892	
Total	41,420	11,892	29,528
 Total expenditures	 229,454	 178,437	 51,017
Revenues over (under) expenditures	(18,629)	38,110	56,739
Fund balance appropriated	18,629	-	(18,629)
Net change in fund balance	\$ -	38,110	\$ 38,110
Fund balances, beginning		425,757	
Fund balances, ending		\$ 463,867	

Other Schedules

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

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 106,823	\$ 106,352	\$ 471
2018-2019	471	-	97	374
2017-2018	519	-	-	519
2016-2017	366	-	-	366
2015-2016	366	-	-	366
2014-2015	366	-	1	365
2013-2014	399	-	1	398
2012-2013	421	-	-	421
2011-2012	408	-	-	408
2010-2011	445	-	-	445
2009-2010	446	-	446	-
	<u>\$ 4,207</u>	<u>\$ 106,823</u>	<u>\$ 106,897</u>	<u>4,133</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>3,364</u>
Ad valorem taxes receivable - net				<u>\$ 769</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 106,980
Reconciling items:				
Interest collected				(199)
Adjustments				(330)
Taxes written off				446
Subtotal				<u>(83)</u>
Total collections and credits				<u>\$ 106,897</u>

Town of Bethania, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2020

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 35,607,667	0.30	\$ 106,823	\$ 94,434	\$ 12,389
Penalties	-		-	-	-
Total	<u>35,607,667</u>		<u>106,823</u>	<u>94,434</u>	<u>12,389</u>
Discoveries:					
Current and prior year taxes	-	0.30	-	-	-
Releases	-		-	-	-
Total property valuation	<u>\$ 35,607,667</u>				
Net levy			106,823	94,434	12,389
Unpaid (by taxpayer) taxes at June 30, 2020			<u>(471)</u>	<u>(471)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 106,352</u>	<u>\$ 93,963</u>	<u>\$ 12,389</u>
Current levy collection percentage			<u>99.56%</u>	<u>99.50%</u>	<u>100.00%</u>