

TOWN OF FAIRVIEW, NORTH CAROLINA

FINANCIAL STATEMENTS

Year Ended June 30, 2020

JBW

J. B. WATSON & Co., P.L.L.C.
Certified Public Accountants

TOWN OF FAIRVIEW, NORTH CAROLINA
LOCAL GOVERNMENT OFFICIALS
June 30, 2020

Town Council

Phil Thomas, Mayor

Jerry Clontz, Mayor Pro Tem

John Biggers

Patricia Kindley

Gary Wilfong

Administrative and Financial Staff

Darrell Baucom, Finance Officer

Teresa Gregorius, Town Clerk

Ed Humphries, Deputy Clerk/Land Use Administrator

**TOWN OF FAIRVIEW, NORTH CAROLINA
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June 30, 2020**

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FINANCIAL SECTION

J. B. WATSON & CO., P.L.L.C.

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Fairview, 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.

Auditors' 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, 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 Town of Fairview, 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 Management's Discussion and Analysis (on pages i through ix) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Town of Fairview, North Carolina. The 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 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 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.



Wadesboro, North Carolina
November 4, 2020

Management's Discussion and Analysis Town of Fairview, North Carolina

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

Financial Highlights

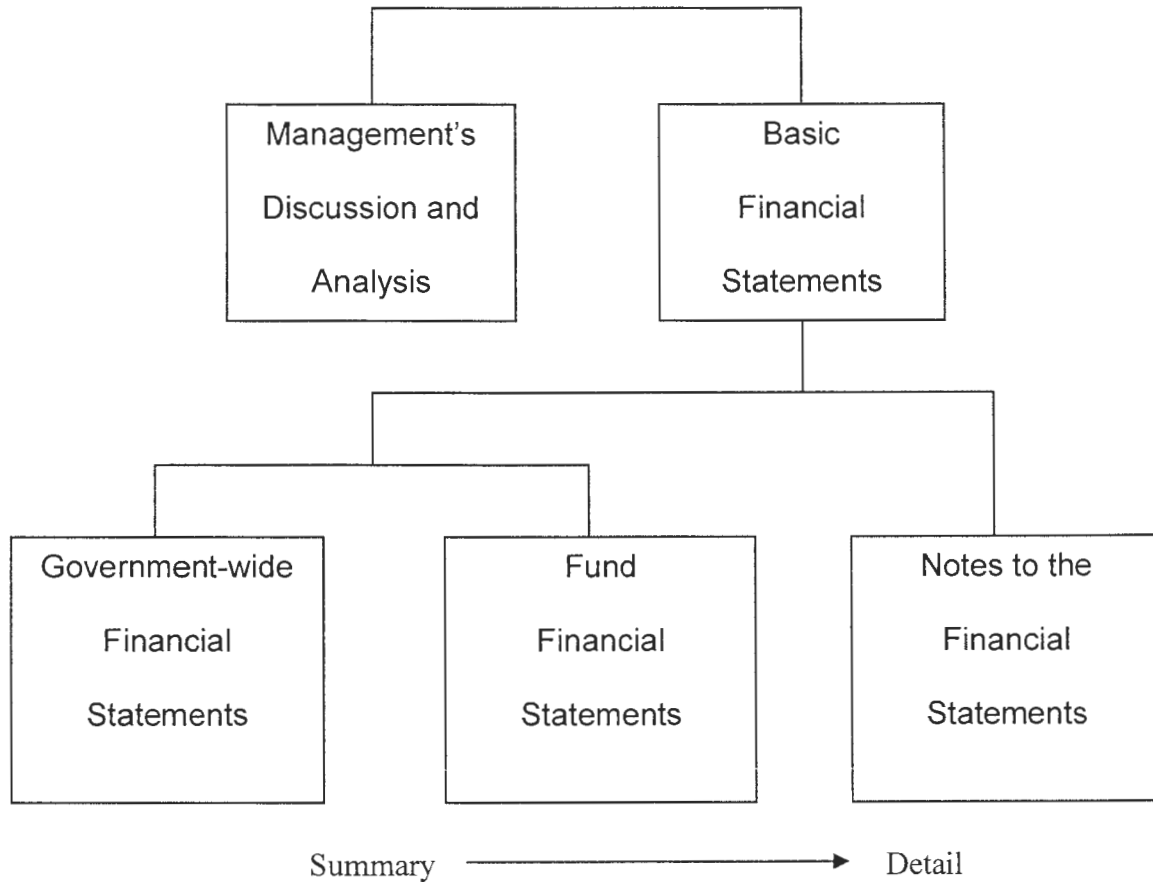
- The assets and deferred outflows of resources of Town of Fairview exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,781,972 (*net position*).
- The government's total net position decreased by \$103,865.
- As of the close of the current fiscal year, Town of Fairview's governmental fund reported an ending fund balance of \$401,742, a decrease of \$46,852 in comparison with the prior year mainly due to increased spending for the park and park related debt. Approximately 10 percent of this total amount, or \$36,841, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$327,586, or 93.2 percent, of total General Fund expenditures for the fiscal year.
- Town of Fairview incurred \$600,000 of long-term debt during the previous year for the purchase of land adjacent to the park. Annual debt service payments began on this debt in January 2020.

Overview of the Financial Statements

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

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 Town of Fairview's financial status.

The next statements (Exhibits 3-1 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 statement.

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.

Management's Discussion and Analysis

Town of Fairview, North Carolina

Government-wide Financial Statements

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

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

The government-wide statements are shown as one category: Governmental activities. The governmental activities include the Town's basic services of general administration, public safety, environmental protection, economic and physical development, and culture and recreation. Property taxes and State revenues finance most of these activities, while a government grant financed a large portion of the culture and recreation expenditures.

The government-wide financial statements are 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. Town of Fairview, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. The funds of Town of Fairview are shown in 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. All 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 governmental 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.

Town of Fairview 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 Council 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.

Management's Discussion and Analysis

Town of Fairview, North Carolina

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 are on pages 8-18 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.

**Management's Discussion and Analysis
Town of Fairview, North Carolina**

Government-Wide Financial Analysis

*TOWN OF FAIRVIEW
NET POSITION
FIGURE 2*

| | Governmental Activities | |
|--|----------------------------|---------------------|
| | 2020 | 2019 |
| Current and other assets | \$ 423,417 | \$ 468,883 |
| Capital assets, net | <u>1,948,749</u> | <u>2,046,728</u> |
| Total assets | <u>2,372,166</u> | <u>2,515,611</u> |
| Current and other liabilities | 30,187 | 29,760 |
| Long-term liabilities outstanding: | | |
| Due within one year | 40,000 | 40,000 |
| Due after one year | 520,000 | 560,000 |
| Deferred inflows of resources | <u>7</u> | <u>14</u> |
| Total liabilities and deferred inflows of resources | <u>590,194</u> | <u>629,774</u> |
| Net position: | | |
| Net investment in capital assets | 1,388,749 | 1,446,728 |
| Restricted | 35,679 | 39,154 |
| Unrestricted | <u>357,544</u> | <u>399,955</u> |
| Total net position | <u>\$ 1,781,972</u> | <u>\$ 1,885,837</u> |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Town of Fairview exceeded liabilities and deferred inflows of resources by \$1,781,972 as of June 30, 2020. The Town's net position decreased by \$103,865 for the fiscal year ended June 30, 2020. \$1,388,749 or 77.9% reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. Town of Fairview uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of Town of Fairview's net position \$35,679 or 2.0% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$357,944 is unrestricted.

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

- Expenditures were controlled with budget procedures.
- Donations of approximately \$3,000 were received for park festivals.

Management's Discussion and Analysis
Town of Fairview, North Carolina

TOWN OF FAIRVIEW
CHANGES IN NET POSITION
FIGURE 3

| | Governmental Activities | |
|---|----------------------------|---------------------|
| | 2020 | 2019 |
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$ 24,843 | \$ 21,880 |
| Operating grants and contributions | 3,195 | 5,124 |
| Capital grants and contributions | - | - |
| General revenues: | | |
| Property taxes | 90,184 | 87,177 |
| Other taxes and licenses | 184,149 | 187,386 |
| Grants and contributions not restricted | - | - |
| Investment earnings, unrestricted | 2,199 | 2,924 |
| Miscellaneous, unrestricted | 404 | - |
| Total revenues | <u>304,974</u> | <u>304,491</u> |
| Expenses | | |
| Program expenses: | | |
| General government | 128,806 | 118,471 |
| Public safety | 62,569 | 62,569 |
| Economic and physical development | 44,027 | 42,334 |
| Environmental protection | 8,000 | 8,000 |
| Culture and recreation | 142,811 | 134,100 |
| Interest on long-term debt | <u>22,626</u> | <u>11,604</u> |
| Total expenses | <u>408,839</u> | <u>377,078</u> |
| Change in net position | (103,865) | (72,587) |
| Net position, July 1 | <u>1,885,837</u> | <u>1,958,424</u> |
| Net position, June 30 | <u>\$ 1,781,972</u> | <u>\$ 1,885,837</u> |

Governmental activities: Governmental activities decreased the Town's net position by \$103,865. Key elements of this decrease are as follows:

- Park and festival expenses were more this year due to a full year of activities.
- Interest on long-term debt increased \$11,022.

Management's Discussion and Analysis

Town of Fairview, North Carolina

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of Town of Fairview. At the end of the current fiscal year, Town of Fairview's fund balance available in the General Fund was \$364,901 while total fund balance reached \$401,742. The Town currently has an available fund balance of 103.8% of General Fund expenditures, while total fund balance represents 114.3% of the same amount.

General Fund Budgetary Highlights: During the fiscal year, the Town revised 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. Town of Fairview did not make any major budget amendments.

Capital Assets and Debt Administration

Capital Assets: Town of Fairview's investment in capital assets for its governmental activities as of June 30, 2020, totals \$1,948,749 (net of accumulated depreciation). These assets include buildings, land, improvements, office equipment, and park equipment.

Major capital asset transactions during the year include the following:

- Depreciation of capital assets for governmental activities in the amount of \$97,979

Management's Discussion and Analysis
Town of Fairview, North Carolina

TOWN OF FAIRVIEW
CAPITAL ASSETS (net of depreciation)
FIGURE 4

| | Governmental Activities | |
|--------------------------------|----------------------------|--------------|
| | 2020 | 2019 |
| Land | \$ 744,435 | \$ 744,435 |
| Land improvements | 6,735 | 7,228 |
| Buildings and improvements | 1,077,033 | 1,153,906 |
| Leasehold improvements | 19,905 | 25,069 |
| Office furniture and equipment | 397 | 767 |
| Park equipment | 100,244 | 115,323 |
| | \$ 1,948,749 | \$ 2,046,728 |

Additional information on the Town's capital assets can be found in Note 2 of the Basic Financial Statements.

Long-term Debt: Town of Fairview had no bonded debt as of June 30, 2020.

TOWN OF FAIRVIEW
Outstanding Debt
FIGURE 5

| | Governmental Activities | |
|---------------------------------------|-------------------------|------------|
| | 2020 | 2019 |
| Direct borrowing installment purchase | \$ 560,000 | \$ 600,000 |

Town of Fairview's Outstanding Debt

Town of Fairview's total debt decreased by \$40,000 during the past fiscal year due to scheduled annual debt service payments.

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 the government's boundaries. The legal debt margin for Town of Fairview is \$35,666,730. The Town has no bonds authorized but un-issued at June 30, 2020.

Additional information regarding Town of Fairview's long-term debt can be found in Note 2 of the Basic Financial Statements.

Management's Discussion and Analysis Town of Fairview, North Carolina

Economic Factors and Next Year's Budgets and Rates

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

The Town expects slow revenue growth in the future due to the following economic indicators.

- Revenues and expenditures are expected to decline slightly due to the impact of COVID-19 on State revenues that are shared with the Towns. The shortfall in revenues will be made up through higher fund balance appropriation.
- Property tax rate for 2020-2021 will remain at \$.02/\$100 of valuation.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The Town has no major changes in the budget for June 30, 2021, compared to the June 30, 2020, budget. Revenues and expenditures are expected to decline slightly as noted above.

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 Town Budget and Finance Officer, Darrell Baucom, 7516 Concord Hwy, Monroe, North Carolina, 28110. One can also call (704)-753-1981, visit our website www.fairviewnc.gov, or send an email to tgregorius@fairviewnc.gov.

BASIC FINANCIAL STATEMENTS

TOWN OF FAIRVIEW, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2020

Exhibit 1

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 384,265 |
| Taxes receivable | 1,923 |
| Accrued interest receivable on taxes | 388 |
| Due from other governments | 35,679 |
| Prepaid expenditures | <u>1,162</u> |
| TOTAL CURRENT ASSETS | <u>423,417</u> |
| CAPITAL ASSETS | |
| Land | 744,435 |
| Other capital assets, net of depreciation | <u>1,204,314</u> |
| TOTAL CAPITAL ASSETS | <u>1,948,749</u> |
| TOTAL ASSETS | <u>2,372,166</u> |
| LIABILITIES | |
| Accounts payable and accrued liabilities | 9,749 |
| Accrued interest payable | 10,830 |
| Due to other governments | 9,608 |
| Long-term liabilities: | |
| Due within one year | 40,000 |
| Due in more than one year | <u>520,000</u> |
| TOTAL LIABILITIES | <u>590,187</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Prepaid taxes | <u>7</u> |
| NET POSITION | |
| Net investment in capital assets | 1,388,749 |
| Restricted for: | |
| Stabilization by State statute | 35,679 |
| Unrestricted | <u>357,544</u> |
| TOTAL NET POSITION | <u>\$ 1,781,972</u> |

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

TOWN OF FAIRVIEW, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Exhibit 2

| | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense)</u> |
|--|-----------------|-------------------------|----------------------|----------------------|-------------------------------|
| | | <u>Charges for</u> | <u>Operating</u> | <u>Capital</u> | <u>Revenue and</u> |
| <u>Functions/Programs</u> | | <u>Services</u> | <u>Grants and</u> | <u>Grants and</u> | <u>Changes in</u> |
| | | | <u>Contributions</u> | <u>Contributions</u> | <u>Net Position</u> |
| | | | | | <u>Governmental</u> |
| | | | | | <u>Activities</u> |
| Governmental activities: | | | | | |
| General government | \$ 128,806 | \$ 10,087 | \$ - | \$ - | \$ (118,719) |
| Public safety | 62,569 | - | - | - | (62,569) |
| Economic and physical development | 44,027 | 12,585 | - | - | (31,442) |
| Environmental protection | 8,000 | - | - | - | (8,000) |
| Culture and recreation | 142,811 | 2,171 | 3,195 | - | (137,445) |
| Interest on long-term debt | 22,626 | - | - | - | (22,626) |
| Total governmental activities | <u>408,839</u> | <u>24,843</u> | <u>3,195</u> | <u>-</u> | <u>(380,801)</u> |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes, levied for general purposes | | | | | 90,184 |
| Other taxes and licenses | | | | | 184,149 |
| Grants and contributions not restricted to specific programs | | | | | - |
| Investment earnings, unrestricted | | | | | 2,199 |
| Miscellaneous | | | | | 404 |
| | | | | | <u>276,936</u> |
| | | | | | Change in net position |
| | | | | | (103,865) |
| Net position, beginning | | | | | <u>1,885,837</u> |
| | | | | | Net position, ending |
| | | | | | <u>\$ 1,781,972</u> |

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

TOWN OF FAIRVIEW, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

Exhibit 3-1

| | <u>General Fund</u> |
|--|--------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 384,265 |
| Taxes receivable | 1,923 |
| Prepaid expenditures | 1,162 |
| Due from other governments | <u>35,679</u> |
| TOTAL ASSETS | <u><u>\$ 423,029</u></u> |
| LIABILITIES | |
| Accounts payable and accrued liabilities | \$ 9,749 |
| Due to other governments | <u>9,608</u> |
| TOTAL LIABILITIES | <u>19,357</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Property taxes receivable | 1,923 |
| Prepaid taxes | <u>7</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>1,930</u> |
| FUND BALANCES | |
| Nonspendable: | |
| Prepaid expenditures | 1,162 |
| Restricted: | |
| Stabilization by State statute | 35,679 |
| Assigned: | |
| Subsequent year's expenditures | 37,315 |
| Unassigned | <u>327,586</u> |
| TOTAL FUND BALANCES | <u>401,742</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u><u>\$ 423,029</u></u> |

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

TOWN OF FAIRVIEW, NORTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
June 30, 2020

Exhibit 3-2

Fund balances - Total governmental funds (Exhibit 3-1) \$ 401,742

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.

| | |
|--------------------------------|-----------|
| Capital assets | 2,261,671 |
| Less: Accumulated depreciation | (312,922) |

Other long-term assets are not available to pay for current-period
expenditures and therefore are inflows of resources in the funds.

| | |
|--------------------------------------|-----|
| Accrued interest receivable on taxes | 388 |
|--------------------------------------|-----|

Earned revenues considered deferred inflows of resources
in fund statements.

| |
|-------|
| 1,923 |
|-------|

Some liabilities used in governmental activities are not financial uses
and, therefore, are not reported in the funds.

| | |
|-------------------------------|-----------------|
| Installment purchases payable | (560,000) |
| Accrued interest payable | <u>(10,830)</u> |

Net position of governmental activities (Exhibit 1) \$ 1,781,972

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

TOWN OF FAIRVIEW, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

Exhibit 4-1

| | <u>General Fund</u> |
|-----------------------------------|--------------------------|
| REVENUES | |
| Ad valorem taxes | \$ 89,992 |
| Unrestricted intergovernmental | 184,149 |
| Permits and fees | 12,585 |
| Sales and services | 12,258 |
| Investment earnings | 2,199 |
| Miscellaneous | <u>3,599</u> |
| TOTAL REVENUES | <u>304,782</u> |
| EXPENDITURES | |
| Current: | |
| General government | 118,483 |
| Public safety | 62,569 |
| Economic and physical development | 44,027 |
| Environmental protection | 8,000 |
| Culture and recreation | 55,155 |
| Debt service: | |
| Principal retirement | 40,000 |
| Interest and other charges | <u>23,400</u> |
| TOTAL EXPENDITURES | <u>351,634</u> |
| NET CHANGE IN FUND BALANCE | (46,852) |
| FUND BALANCE, beginning | <u>448,594</u> |
| FUND BALANCE, ending | <u><u>\$ 401,742</u></u> |

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

TOWN OF FAIRVIEW, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Exhibit 4-2

Net change in fund balances - total governmental funds (Exhibit 4-1) \$ (46,852)

Amounts reported for governmental activities in the statement of activities
(Exhibit 2) are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | |
|--|----------|
| Capital outlay expenditures | - |
| Depreciation expense for governmental assets | (97,979) |

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

| | |
|--|-------|
| Decrease in accrued interest on property taxes | (208) |
| Change in unavailable revenue for tax revenues | 400 |

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

| | |
|-------------------------------------|--------|
| Principal payment on long-term debt | 40,000 |
|-------------------------------------|--------|

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.

| | |
|------------------------------------|------------|
| Change in accrued interest payable | <u>774</u> |
|------------------------------------|------------|

Total change in net position of governmental activities (Exhibit 2) \$ (103,865)

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

TOWN OF FAIRVIEW, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

Exhibit 5

| | Original Budget | Final Budget | Actual | Variance with Final Positive (Negative) |
|------------------------------------|--------------------|-----------------|-------------------|--|
| REVENUES | | | | |
| Ad valorem taxes | \$ 85,600 | \$ 85,600 | \$ 89,992 | \$ 4,392 |
| Unrestricted intergovernmental | 184,000 | 173,000 | 184,149 | 11,149 |
| Permits and fees | 15,000 | 12,000 | 12,585 | 585 |
| Sales and services | 12,200 | 12,221 | 12,258 | 37 |
| Investment earnings | 2,400 | 2,100 | 2,199 | 99 |
| Miscellaneous | - | 3,095 | 3,599 | 504 |
| | <u>299,200</u> | <u>288,016</u> | <u>304,782</u> | <u>16,766</u> |
| TOTAL REVENUES | | | | |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 181,694 | 133,560 | 118,483 | 15,077 |
| Public safety | 62,568 | 62,573 | 62,569 | 4 |
| Economic and physical development | - | 44,030 | 44,027 | 3 |
| Environmental protection | 8,000 | 8,000 | 8,000 | - |
| Culture and recreation | 37,600 | 60,600 | 55,155 | 5,445 |
| Debt service: | | | | |
| Principal retirement | 40,000 | 40,000 | 40,000 | - |
| Interest and other charges | 23,400 | 23,400 | 23,400 | - |
| | <u>353,262</u> | <u>372,163</u> | <u>351,634</u> | <u>20,529</u> |
| TOTAL EXPENDITURES | | | | |
| REVENUES UNDER EXPENDITURES | (54,062) | (84,147) | (46,852) | 37,295 |
| APPROPRIATED FUND BALANCE | <u>54,062</u> | <u>84,147</u> | <u>-</u> | <u>(84,147)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | (46,852) | <u>\$ (46,852)</u> |
| FUND BALANCE, beginning | | | <u>448,594</u> | |
| FUND BALANCE, ending | | | <u>\$ 401,742</u> | |

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

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Town of Fairview conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. REPORTING ENTITY

Town of Fairview is a municipal corporation which is governed by an elected mayor and a four-member council.

B. BASIS OF PRESENTATION

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component units, if any. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements would distinguish between the *governmental* and *business-type activities* of the Town; however, Town of Fairview does not have any business-type activities. 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 Town's only fund category – *governmental* – 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, when applicable.

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, other taxes and licenses, permits and fees, and investment income. The primary expenditures are for general government, public safety, culture and recreation, and debt service.

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 (if any) 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 FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

Sales taxes and certain intergovernmental revenues, such as the utilities sales 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 Town of Fairview because the tax is levied by Union 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. Expenditure-driven grants (if any) are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. BUDGETARY DATA

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted as needed. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the object level for all annually budgeted funds and for any multi-year funds. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. 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

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, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The NCCMT Government Portfolio, a SEC-registered (2a-7) money market fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

**TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

CASH AND CASH EQUIVALENTS

All cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

AD VALOREM TAXES RECEIVABLE

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019.

ALLOWANCES FOR DOUBTFUL ACCOUNTS

Allowances for doubtful accounts are not maintained by the Town due to expected collectability of all accounts receivable.

PREPAID EXPENDITURES

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

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 \$1,000; buildings and improvements \$1,000; equipment and furniture \$1,000; computer software and equipment \$1,000. Donated capital assets received prior to June 16, 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 costs 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 of the Town are depreciated on a straight-line basis over the following estimated useful lives:

| | |
|----------------------------|------------|
| Leasehold improvements | 5-15 years |
| Equipment and furniture | 5-15 years |
| Buildings and improvements | 7-30 years |
| Land improvements | 15 years |

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. The Town has no items that meet this criterion. 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 two items that meet the criterion for this category – property taxes receivable and prepaid taxes.

**TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities. In the fund financial statements for government fund types, the face amount of debt issued is reported as an other financing source.

COMPENSATED ABSENCES

The Town has only part-time employees and does not provide vacation or sick pay; therefore, no provision for compensated absences has been made.

NET POSITION/FUND BALANCES

NET POSITION:

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

FUND BALANCES:

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

The governmental fund types classify fund balances as follows:

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

Prepaid expenditures - portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses, which are not spendable resources.

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 legislature in the 1930's 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 year.* 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. RSS is included as a component of restricted fund balance on the Balance Sheet and restricted net position on the Statement of Net Position.

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Fairview'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. The Town does not have any committed fund balance this fiscal year.

Assigned Fund Balance - portion of fund balance that the Town 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 - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other 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 Town has not adopted a minimum fund balance policy, but follows the State Treasurer's guidance.

DEFINED BENEFIT COST-SHARING PLANS

The Town's employees do not participate in the State retirement plan.

NOTE 2 – DETAIL NOTES ON ALL FUNDS

A. ASSETS

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 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 agents in the Town's 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.

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

At June 30, 2020, the Town's deposits had a carrying amount of \$383,203 and a bank balance of \$383,585. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2020, the Town's bank balances exceeded federally insured limits by \$133,585.

INVESTMENTS

At June 30, 2020, the Town's investments consisted of \$1,062 in the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no formal policy regarding credit risk of its investments.

RECEIVABLES

Virtually all ad valorem taxes and accounts receivable are collected, and accordingly, allowances for doubtful accounts are not considered material or necessary.

(Left blank intentionally)

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

CAPITAL ASSETS

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

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| <i>Governmental activities:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 744,435 | \$ - | \$ - | \$ 744,435 |
| Capital assets being depreciated: | | | | |
| Land improvements | 7,400 | - | - | 7,400 |
| Buildings and improvements | 1,319,080 | - | - | 1,319,080 |
| Leasehold improvements | 27,486 | - | - | 27,486 |
| Office furniture and equipment | 14,342 | - | - | 14,342 |
| Park equipment | 148,928 | - | - | 148,928 |
| | <u>1,517,236</u> | <u>-</u> | <u>-</u> | <u>1,517,236</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 172 | 493 | - | 665 |
| Buildings and improvements | 165,174 | 76,873 | - | 242,047 |
| Leasehold improvements | 2,417 | 5,164 | - | 7,581 |
| Office furniture and equipment | 13,575 | 370 | - | 13,945 |
| Park equipment | 33,605 | 15,079 | - | 48,684 |
| | <u>214,943</u> | <u>97,979</u> | <u>-</u> | <u>312,922</u> |
| | <u>1,302,293</u> | | | <u>1,204,314</u> |
| Governmental activities capital assets, net | <u>\$ 2,046,728</u> | | | <u>\$ 1,948,749</u> |

Depreciation expense was charged to governmental departments as follows:

| | |
|------------------------|------------------|
| General government | \$ 10,323 |
| Culture and recreation | <u>87,656</u> |
| | <u>\$ 97,979</u> |

B. LIABILITIES

DEFERRED OUTFLOW AND INFLOWS OF RESOURCES

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

| | |
|------------------|-----------------|
| Taxes receivable | \$ 1,923 |
| Prepaid taxes | <u>7</u> |
| | <u>\$ 1,930</u> |

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 an insurance pool administered by the Interlocal Risk Financing Fund of North Carolina. Through this pool, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, and property coverage up to the total insurance values of the property policy.

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

The Town participates in the National Flood Insurance Program (NFIP). NFIP is managed by the Federal Emergency Management Agency (FEMA) and enables homeowners and businesses in participating communities to purchase federally backed flood insurance.

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 and the tax collector/land use administrator are bonded for \$50,000 and \$10,000, respectively. The Town also has a blanket bond for \$20,000.

COMMITMENTS

Town of Fairview entered into an interlocal agreement dated February 20, 2011. Under this agreement, the Town, Union County, and one other municipality are obligated to equally pay for any operating deficit incurred by Piedmont Collection Site. The municipalities are only liable for up to \$8,000 each per fiscal year. The municipalities agreed to pay for the operating deficit in order to keep the landfill open. This agreement automatically renews for successive annual terms.

In December, 2015, Town of Fairview agreed to make quarterly payments of \$13,142 to the Fairview Fire and Rescue Association to assist the Association with debt payments on a new fire truck. The agreement is for a five year period scheduled to end in 2020-2021.

CLAIMS AND JUDGMENTS

The Town is and may be subject to various lawsuits. In the opinion of the Town's management and the Town's attorney, the ultimate impact of any of these legal matters will not materially affect the Town's financial position.

LONG-TERM OBLIGATIONS

Installment purchase

In November, 2018, the Town entered into a direct borrowing installment purchase contract with two individuals to finance the purchase of real estate. The financing contract requires 15 annual payments of \$40,000 plus interest at 3.9%. The loan is secured by a deed of trust. In the event of default all remaining principal and interest accrued thereon will be due and payable.

\$ 560,000

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Annual debt service payments of the installment purchase as of June 30, 2020, including \$163,800 of interest, are as follows:

| Year Ending June 30, | Governmental Activities | |
|-------------------------|-------------------------|-------------------|
| | Principal | Interest |
| 2021 | \$ 40,000 | \$ 21,840 |
| 2022 | 40,000 | 20,280 |
| 2023 | 40,000 | 18,720 |
| 2024 | 40,000 | 17,160 |
| 2025 | 40,000 | 15,600 |
| 2026-2030 | 200,000 | 54,600 |
| 2031-2034 | 160,000 | 15,600 |
| | <u>\$ 560,000</u> | <u>\$ 163,800</u> |

CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in the Town's long-term obligations for the year ended June 30, 2020:

| | Balance July 1, 2019 | Increases | Decreases | Balance June 30, 2020 | Due Within One Year |
|---------------------------------------|-------------------------|-------------|------------------|--------------------------|---------------------------|
| Governmental activities: | | | | | |
| Direct borrowing installment purchase | <u>\$ 600,000</u> | <u>\$ -</u> | <u>\$ 40,000</u> | <u>\$ 560,000</u> | <u>\$ 40,000</u> |

At June 30, 2020, Town of Fairview had a legal debt margin of \$35,106,730.

C. OPERATING LEASES

On December 28, 2014, the Town entered into a five-year agreement with Fairview Fire and Rescue Association to lease office space at the Fairview Fire Department. The lease automatically renewed on a yearly basis after the initial term. This lease was cancelled September 30, 2018. On July 26, 2018, the Town entered into a five-year lease agreement with Union County Board of Education for office space. The lease has an automatic monthly renewal after the the initial five-year period. The Town also leases a copier under a four year lease. This lease can automatically renew for one additional year at the end of the lease term.

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

The annual minimum lease payments as of June 30, 2020, (including the lease entered into after year-end) are as follows:

| Year Ending <u>June 30,</u> | |
|--------------------------------|------------------|
| 2021 | \$ 13,546 |
| 2022 | 13,546 |
| 2023 | 13,546 |
| 2024 | <u>1,773</u> |
| | <u>\$ 42,411</u> |

Rent expense for the year ended June 30, 2020, was \$13,207.

NOTE 3 – JOINT VENTURES

Charlotte Regional Transportation Planning Organization

The Town participates in a joint venture, Charlotte Regional Transportation Planning Organization (CRTPO), with 29 other jurisdictions in Iredell, Mecklenburg, and Union counties to work cooperatively with each other and the North Carolina Department of Transportation to enhance transportation planning opportunities for the region. CRTPO is one of the four MPO's and one RPO that make up the Charlotte Regional Alliance for Transportation. The Charlotte-Mecklenburg Planning Department is the lead planning agency for CRTPO. None of the participating governments have any equity interest in CRTPO, so no equity interest has been reflected in the financial statements at June 30, 2020. In accordance with the agreement between the participating governments and CRTPO, the Town paid \$1,156 to the CRTPO during the fiscal year ended June 30, 2020, for membership dues. Complete financial statements for CRTPO may be obtained from CRTPO's office at 600 E. Fourth Street, 8th Floor, Charlotte, North Carolina 28202-2853.

NOTE 4 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

STATE ASSISTED PROGRAMS

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

NOTE 5 – SUBSEQUENT EVENT

In March 2020, the World Health Organization (WHO) classified the COVID-19 outbreak as a pandemic. As of the date of this report, the full impact of the COVID-19 pandemic continues to evolve. Management is monitoring the situation on an on-going basis. An estimate of the future financial impact, if any, is not practicable at this time.

**INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

TOWN OF FAIRVIEW, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

Exhibit A-1
Page 1 of 3

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-----------------|----------------|------------------------------------|
| REVENUES | | | |
| Ad valorem taxes: | | | |
| Taxes | \$ 85,600 | \$ 89,609 | \$ 4,009 |
| Penalties and interest | - | 383 | 383 |
| Total | <u>85,600</u> | <u>89,992</u> | <u>4,392</u> |
| Unrestricted intergovernmental: | | | |
| Local option sales taxes | 28,000 | 29,722 | 1,722 |
| Beer and wine tax | 15,000 | 16,184 | 1,184 |
| Utilities sales tax | 130,000 | 108,520 | (21,480) |
| Telecommunications sales tax | - | 21,802 | 21,802 |
| Piped natural gas sales tax | - | 502 | 502 |
| Video franchise fee | - | 7,419 | 7,419 |
| Total | <u>173,000</u> | <u>184,149</u> | <u>11,149</u> |
| Permits and fees: | | | |
| Zoning fees and permits | <u>12,000</u> | <u>12,585</u> | <u>585</u> |
| Sales and services: | | | |
| Rental house income | 10,000 | 10,087 | 87 |
| Park rental income | <u>2,221</u> | <u>2,171</u> | <u>(50)</u> |
| Total | <u>12,221</u> | <u>12,258</u> | <u>37</u> |
| Investment earnings | <u>2,100</u> | <u>2,199</u> | <u>99</u> |
| Miscellaneous | <u>3,095</u> | <u>3,599</u> | <u>504</u> |
| TOTAL REVENUES | <u>288,016</u> | <u>304,782</u> | <u>16,766</u> |
| EXPENDITURES | | | |
| General government: | | | |
| Advertising | 500 | 388 | 112 |
| Audit fees | 8,050 | 8,050 | - |
| Bank service charges | 800 | 691 | 109 |
| Collection fees - ad valorem | 1,640 | 1,510 | 130 |
| Computer and internet | 10,400 | 9,721 | 679 |
| Dues and subscriptions | 6,000 | 5,757 | 243 |
| Elections expense | 3,300 | 3,095 | 205 |
| Grants | 3,500 | 3,250 | 250 |
| Insurance | 5,000 | 4,739 | 261 |

TOWN OF FAIRVIEW, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

Exhibit A-1
Page 2 of 3

| | Final Budget | Actual | Variance Positive (Negative) |
|---|-----------------|----------------|------------------------------------|
| Legal fees | 10,000 | 8,177 | 1,823 |
| Miscellaneous | 1,000 | 707 | 293 |
| Office supplies | 10,000 | 9,013 | 987 |
| Office utilities | 4,800 | 3,472 | 1,328 |
| Payroll expense | 37,039 | 35,529 | 1,510 |
| Payroll taxes | 7,481 | 7,075 | 406 |
| Professional fees | 8,900 | 3,263 | 5,637 |
| Rent | 12,000 | 12,000 | - |
| Repairs and maintenance | 1,000 | 549 | 451 |
| Telephone | 1,150 | 1,115 | 35 |
| Training | 500 | - | 500 |
| Travel | 500 | 382 | 118 |
| | <u>133,560</u> | <u>118,483</u> | <u>15,077</u> |
| Total general government | | | |
| Public safety: | | | |
| Fire: | | | |
| Operating expenditures | 62,573 | 62,569 | 4 |
| Economic and physical development: | | | |
| Payroll expense | 44,030 | 44,027 | 3 |
| Environmental protection: | | | |
| Sanitation contracted services | 8,000 | 8,000 | - |
| Culture and recreation: | | | |
| Festival expense | 20,000 | 16,843 | 3,157 |
| Park maintenance | 26,000 | 24,511 | 1,489 |
| Park utilities | 2,600 | 2,051 | 549 |
| Payroll expense | 12,000 | 11,750 | 250 |
| | <u>60,600</u> | <u>55,155</u> | <u>5,445</u> |
| Debt service: | | | |
| Principal retirement | 40,000 | 40,000 | - |
| Interest and other charges | 23,400 | 23,400 | - |
| | <u>63,400</u> | <u>63,400</u> | <u>-</u> |
| | <u>372,163</u> | <u>351,634</u> | <u>20,529</u> |
| TOTAL EXPENDITURES | | | |

TOWN OF FAIRVIEW, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

Exhibit A-1
Page 3 of 3

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|------------------------------------|-------------------------|-------------------|---|
| REVENUES UNDER EXPENDITURES | (84,147) | (46,852) | 37,295 |
| APPROPRIATED FUND BALANCE | <u>84,147</u> | <u>-</u> | <u>(84,147)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | (46,852) | <u>\$ (46,852)</u> |
| FUND BALANCE, beginning | | <u>448,594</u> | |
| FUND BALANCE, ending | | <u>\$ 401,742</u> | |

OTHER SCHEDULES

TOWN OF FAIRVIEW, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2020

Exhibit B-1

| <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 | \$ - | \$ 89,469 | \$ 88,372 | \$ 1,097 |
| 2018-2019 | 601 | 127 | 367 | 361 |
| 2017-2018 | 116 | 127 | 183 | 60 |
| 2016-2017 | 92 | 79 | 107 | 64 |
| 2015-2016 | 57 | 47 | 60 | 44 |
| 2014-2015 | 43 | - | - | 43 |
| 2013-2014 | 47 | - | 4 | 43 |
| 2012-2013 | 41 | - | - | 41 |
| 2011-2012 | 51 | - | - | 51 |
| 2010-2011 | 119 | - | - | 119 |
| 2009-2010 | 356 | - | 356 | - |
| | <u>\$ 1,523</u> | <u>\$ 89,849</u> | <u>\$ 89,449</u> | <u>\$ 1,923</u> |

Reconcilement with revenues:

| | |
|--|------------------|
| Ad Valorem Taxes - General Fund | \$ 89,992 |
| Reconciling items: | |
| Interest collected | (383) |
| Collection of taxes previously written off | (162) |
| Refunds | - |
| Taxes written off | <u>2</u> |
| Total collections and credits | <u>\$ 89,449</u> |

TOWN OF FAIRVIEW, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY
For the Year Ended June 30, 2020

Exhibit B-2

| | Town-wide | | | Total Levy | |
|---|-----------------------|------|-------------------|--|---------------------------------|
| | Property Valuation | Rate | Amount of Levy | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy: | | | | | |
| Property taxed at current rate | \$ 447,776,377 | 0.02 | \$ 89,556 | \$ 79,387 | \$ 10,169 |
| Penalties and adjustments | <u>-</u> | | <u>251</u> | <u>251</u> | <u>-</u> |
| Total | <u>447,776,377</u> | | <u>89,807</u> | <u>79,638</u> | <u>10,169</u> |
| Discoveries: | | | | | |
| Current year taxes | 1,543,550 | 0.02 | 308 | 308 | - |
| Penalties and adjustments | <u>-</u> | | <u>51</u> | <u>51</u> | <u>-</u> |
| | <u>1,543,550</u> | | <u>359</u> | <u>359</u> | <u>-</u> |
| Releases | <u>(3,485,800)</u> | | <u>(697)</u> | <u>(697)</u> | <u>-</u> |
| Total property valuation | <u>\$ 445,834,127</u> | | | | |
| Net levy | | | 89,469 | 79,300 | 10,169 |
| Unpaid (by taxpayer) taxes at June 30, 2020 | | | <u>(1,097)</u> | <u>(1,097)</u> | <u>-</u> |
| Current year's taxes collected | | | <u>\$ 88,372</u> | <u>\$ 78,203</u> | <u>\$ 10,169</u> |
| Current levy collection percentage | | | <u>98.77%</u> | <u>98.62%</u> | <u>100.00%</u> |