

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

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

## **Governance**

### **Town Board Members**

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

### **Administrative and Financial Staff:**

Karen C. Fink, Town Clerk/Finance Officer

**Town of Faith**  
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**June 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, LGERS – Schedule of Contributions and Proportionate Share of Net Pension Liability (Asset), LEO Separation Allowance – Schedule of Changes in Pension Liability and Pension Liability as a Percentage of Covered Payroll on pages 3-11 and 43-44, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Supplemental and Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Faith, North Carolina's basic financial statements. 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 my opinion, based on my audit, 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.

### **Emphasis of Matter**

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



Eddie Carrick, CPA  
Lexington, North Carolina  
October 26, 2020

## Management's Discussion and Analysis

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

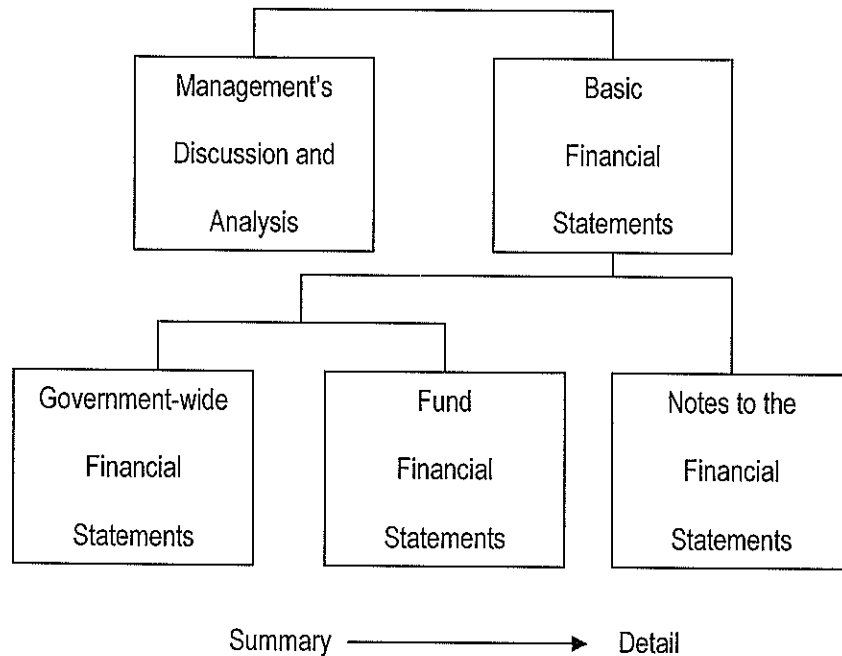
### Financial highlights

- The assets and deferred outflows of resources of the Town of Faith exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,275,288 (*net position*).
- The government's total net position increased by \$37,952 primarily due to decreases in the business-type activities net position and increases in the governmental type activities.
- As of the close of the current fiscal year, the Town of Faith's governmental fund reported combined ending fund balance of \$835,510 with a net change of \$102,637 in fund balance. Approximately 29 percent of this total amount, or \$246,028 is non-spendable, restricted and assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$589,482, or 106 percent of total General Fund expenditures for the fiscal year.
- The Town's total debt decreased by \$63,739 during the current fiscal year. There was an increase in the net pension liability for the Local Government Employees Retirement System (LGERS) of \$2,375 and a decrease in debt by the Town of capitalized leases and installment purchases of \$66,114 during the year.

### Overview of the Financial Statements

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

**Required Components of Annual Financial Report**  
**Figure 1**



**Basic Financial Statements**

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

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

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



### **Government-Wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

The Town of Faith adopts an annual budget for the General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance the current period activities.

Management Discussion and Analysis  
Town of Faith

The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented in the same format, language and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the differences or variance between the final budget and actual resources and charges.

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

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

**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 Discussion and Analysis  
Town of Faith

Town of Faith's Net Position (Figure 2)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Current and other assets	\$ 979,659	\$ 864,107	\$ 613,744	\$ 478,671	\$ 1,593,403	\$ 1,342,778
Noncurrent assets	(110,687)	(110,968)	110,687	110,968	-	-
Deferred outflows	22,305	26,752	3,102	4,416	25,407	31,168
Capital assets	432,107	479,343	4,779,769	4,977,474	5,211,876	5,456,817
Total assets	<u>1,323,384</u>	<u>1,259,234</u>	<u>5,507,302</u>	<u>5,571,529</u>	<u>6,830,686</u>	<u>6,830,763</u>
Other liabilities	61,835	55,400	145,774	121,074	207,609	176,474
Deferred inflows	2,692	3,123	374	516	3,066	3,639
Long-term Liabilities	77,452	113,532	1,267,272	1,299,782	1,344,724	1,413,314
Total liabilities	<u>141,979</u>	<u>172,055</u>	<u>1,413,420</u>	<u>1,421,372</u>	<u>1,555,399</u>	<u>1,593,427</u>
Net position:						
Net investment in						
capital assets	352,644	364,766	3,485,769	3,652,474	3,838,413	4,017,240
Restricted	222,447	245,712		267	222,447	245,979
Unrestricted	606,314	476,701	608,114	497,416	1,214,428	974,117
Total net position	<u>\$ 1,181,405</u>	<u>\$ 1,087,179</u>	<u>\$ 4,093,883</u>	<u>\$ 4,150,157</u>	<u>\$ 5,275,288</u>	<u>\$ 5,237,335</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 the Town of Faith exceeded liabilities and deferred inflows by \$5,275,288 as of June 30, 2020. The Town's net position increased by \$37,952 for the fiscal year ended June 30, 2020. However, the largest portion (73%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Faith uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Faith's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Faith's net position \$222,447 (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,214,428 (23%) is unrestricted.

Management Discussion and Analysis  
City of High Shoals

City of High Shoals' Changes in Net Position (Figure 3)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 40,998	\$ 37,886	\$ 199,605	\$ 169,035	\$ 240,603	\$ 206,921
Grants and contributions	442,588	44,101	-	-	442,588	44,101
Capital grants and contributions	-	-	1,532,086	136,170	1,532,086	136,170
General revenues:						
Property taxes	152,456	121,073	-	-	152,456	121,073
Unrestricted intergovernmental revenues	114,396	118,797	-	-	114,396	118,797
Other	8,444	2,332	-	-	8,444	2,332
Total revenues	758,882	324,189	1,731,691	305,205	2,490,573	629,394
Expenses:						
General government	568,897	136,697	-	-	568,897	136,697
Public safety	-	-	-	-	-	-
Transportation	59,979	59,108	-	-	59,979	59,108
Environmental protection	47,134	56,777	-	-	47,134	56,777
Cultural and recreational	10,496	14,163	-	-	10,496	14,163
Water and sewer	-	-	240,319	265,234	240,319	265,234
Total expenses	686,506	266,745	240,319	265,234	926,825	531,979
Increase in net assets before transfers and contributions	72,376	57,444	1,491,372	39,971	1,563,748	97,415
Transfers	12,500	12,500	(12,500)	(12,500)	-	-
Increase in net position	84,876	69,944	1,478,872	27,471	1,563,748	97,415
Net position, July 1	1,072,198	1,002,253	4,181,237	4,153,766	5,253,435	5,156,019
Net position, June 30	\$ 1,157,073	\$ 1,072,198	\$ 5,660,109	\$ 4,181,237	\$ 6,817,182	\$ 5,253,433

**Governmental activities.** Governmental activities increased the City's net position by \$84,876, thereby accounting for 5% of the total increase in net position of the City. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Management believes healthy investment in the City will result in additional revenues, and in that vein added to the City's net position by investing in capital assets. Increased efforts to maximize tax collections also contributed to the favorable net position. Tax revenue did not appreciably decline in the current year. City management acknowledges that 2020 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Key elements of this increase are as follows:

- Reducing expenditures in the street maintenance departments.
- Additional principal paid on City Hall loan

Management Discussion and Analysis  
Town of Faith

**Business-type activities** – Business-type activities decreased the Town's net position by \$56,274. Due to an unexpected increase in the related sewer charges from Salisbury Rowan Utilities in the prior year, the Town increased charges in the current year. The Town's business activities are producing a positive cash flow but are not yet to a position of covering depreciation expense on the system. The Town will continue to monitor these activities.

### **Financial Analysis of the Town's Funds**

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Faith's fund balance available in the General Fund was \$589,482, while total fund balance reached \$835,510. The Town currently has an available fund balance of 106% of total general fund expenditures.

At June 30, 2020, the governmental funds of the Town of Faith reported a combined fund balance of \$835,510, a roughly 14 percent increase from last year.

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

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

**Proprietary Funds.** The Town of Faith's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$608,114. The total decrease in net position was \$56,274.

### **Capital Asset and Debt Administration**

**Capital Assets.** The Town's investment in capital assets for its governmental activities and business-type activities as of June 30, 2020, totals \$5,211,876 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

- Purchase of a Kaufman trailer

Management Discussion and Analysis  
Town of Faith

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2020	2019	2020	2019	2020	2019
Land	\$ 61,289	\$ 61,289	\$ 7,337	\$ 7,337	\$ 68,626	\$ 68,626
Buildings and system	88,493	93,466	4,772,432	4,970,137	4,860,925	5,063,603
Machinery and equipment	-	-	-	-	-	-
Vehicles and motorized equipment	282,325	324,588	-	-	282,325	324,588
	<u>\$ 432,107</u>	<u>\$ 479,343</u>	<u>\$ 4,779,769</u>	<u>\$ 4,977,474</u>	<u>\$ 5,211,876</u>	<u>\$ 5,456,817</u>

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

### Long-term Debt

As of June 30, 2020, the Town of Faith had general obligation sanitary sewer bonds payable outstanding of \$1,294,000 in the business-type activities and a promissory note payable of \$75,491 in the general government activities as well as a capitalized lease of \$3,977. Of this, \$1,377,440 is debt backed by the full faith and credit of the Town.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2020	2019	2020	2019	2020	2019
Promissory note payable	\$ 75,491	\$ 109,652	\$ -	\$ -	\$ 75,491	\$ 109,652
Capitalized leases	3,972	4,925			3,972	4,925
General Obligation Sanitary Sewer Bonds	-	-	1,294,000	1,325,000	1,294,000	1,325,000
Pension related debt	37,907	35,022	5,272	5,782	43,179	40,804
Total	<u>\$ 117,370</u>	<u>\$ 149,599</u>	<u>\$ 1,299,272</u>	<u>\$ 1,330,782</u>	<u>\$ 1,416,642</u>	<u>\$ 1,480,381</u>

### Town of Faith's Outstanding Debt

The Town's total debt decreased by \$63,739 during the current fiscal year. There was an increase in the net pension liability for the Local Government Employees Retirement System (LGERS) of \$2,375 and a decrease in debt by the town of capitalized leases and installment purchases of \$66,114 during the year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Faith is \$5,883,454.

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

Management Discussion and Analysis  
Town of Faith

**Economic Factors and Next Year's Budgets and Rates**

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

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

**Budget Highlights for the Fiscal Year Ending June 30, 2021**

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

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

The Town has chosen to appropriate fund balance for the 2020-2021 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. As the Town considers future revenue sources, it has determined that a \$0.01 increase in the property tax rate will result in additional revenues of approximately \$7,097 at current values and collection rate. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

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

**Requests for Information**

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

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

**Town of Faith, North Carolina**  
**Statement of Net Position**  
June 30, 2020

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash & cash equivalents - unrestricted	\$ 738,562	\$ 496,536	\$ 1,235,099
Receivables (net):			
Property tax	14,619	-	14,619
Accounts	11,789	34,610	46,399
Sales	990	788	1,779
Local option sales tax	53,226	-	53,226
Accrued interest receivable on taxes	-	-	-
Due from other governments	4,652	-	4,652
Prepaid expenses	4,031	-	4,031
Restricted cash & cash equivalents	151,789	81,810	233,599
	<u>979,659</u>	<u>613,744</u>	<u>1,593,403</u>
Non-Current assets:			
Internal balances	(110,687)	110,687	-
Capital assets:			
Land	61,289	7,337	68,626
Other capital assets, net of depreciation	370,818	4,772,432	5,143,250
	<u>432,107</u>	<u>4,779,769</u>	<u>5,211,876</u>
Total assets	<u>1,301,079</u>	<u>5,504,200</u>	<u>6,805,279</u>
Deferred Outflows of Resources			
Pension deferrals	22,305	3,102	25,407
	<u>22,305</u>	<u>3,102</u>	<u>25,407</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	18,843	26,841	45,684
Accrued Interest payable	3,074	5,123	8,197
Current portion of long-term liabilities	39,918	32,000	71,918
Customer deposits	-	81,810	81,810
	<u>61,835</u>	<u>145,774</u>	<u>207,608</u>
Long-term liabilities:			
Due in more than one year	39,545	1,262,000	1,301,545
Net pension liability	37,907	5,272	43,179
Total liabilities	<u>139,287</u>	<u>1,413,046</u>	<u>1,552,332</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension referrals	2,692	374	3,066
Total deferred inflows of resources	<u>2,692</u>	<u>374</u>	<u>3,066</u>
<b>NET POSITION</b>			
Net investment in capital assets	352,644	3,485,769	3,838,413
Restricted for:			
Stabilization by State Statute	70,658	-	70,658
Streets	151,789	-	151,789
Unrestricted net position	606,314	608,114	1,214,428
Total net position	<u>\$ 1,181,405</u>	<u>\$ 4,093,883</u>	<u>\$ 5,275,288</u>

The accompanying notes are an integral part of the financial statements



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

					Net (Expense) Revenue and Changes in Net Position		
		Program Revenues					
Programs Activities	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 208,832	\$ -	\$ -	\$ -	\$ (208,832)	\$ -	\$ (208,832)
Public Safety	255,625	-	-	-	(255,625)	-	(255,625)
Transportation	54,978	-	36,622	-	(18,356)	-	(18,356)
Environmental protection	44,559	17,986	-	-	(26,573)	-	(26,573)
Cultural and recreational	5,251	-	-	-	(5,251)	-	(5,251)
Interest on long-term debt	4,089	-	-	-	(4,089)	-	(4,089)
Total governmental activities	573,334	17,986	36,622	-	(518,726)	-	(518,726)
<b>Business-type activities:</b>							
Water	83,704	102,728	-	-	-	19,024	19,024
Sewer	377,909	301,683	-	-	-	(76,226)	(76,226)
Total business-type activities	461,613	404,412	-	-	-	(57,202)	(57,202)
<b>Total Government</b>	<b>\$ 1,034,947</b>	<b>\$ 422,398</b>	<b>\$ 36,622</b>	<b>\$ -</b>	<b>(518,726)</b>	<b>(57,202)</b>	<b>(575,928)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes, levied for general purpose					299,634	-	299,634
Grants and contributions not restricted to specific programs					260,841	-	260,841
Investment earnings					6,345	928	7,273
Miscellaneous					46,133	-	46,133
Transfers					-	-	-
Total general revenues and transfers					612,952	928	613,880
Change in net position					94,226	(56,274)	37,952
Net position beginning					1,087,179	4,150,157	5,237,336
Net position ending					\$ 1,181,405	\$ 4,093,883	\$ 5,275,288

The accompanying notes are an integral part of the financial statements

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

	<u>Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
		<u>Fund</u>
<b>Assets</b>		
Cash & investments - unrestricted	\$ 738,562	\$ 738,562
Restricted cash	151,789	151,789
Receivables, net:		
Taxes receivable	14,619	14,619
Accounts receivables	11,789	11,789
Sales tax receivable	990	990
Local option sales tax receivables	53,226	53,226
Due from other governments	4,652	4,652
Prepays	4,031	4,031
Total assets	<u>\$ 979,659</u>	<u>\$ 979,659</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 18,843	\$ 18,843
Due to other funds	110,687	110,687
Total liabilities	<u>129,530</u>	<u>129,530</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes receivable	14,619	14,619
Total deferred inflows of resources	<u>14,619</u>	<u>14,619</u>
Fund balance:		
Non Spendable:		
Prepaid expenses	4,031	4,031
Restricted:		
Stabilization by State Statute	70,658	70,658
Streets	151,789	151,789
Assigned:		
Subsequent year's expenditures	19,550	19,550
Unassigned	589,482	589,482
Total fund balance	<u>835,510</u>	<u>835,510</u>
Total liabilities and fund balance	<u>\$ 979,659</u>	

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

Amounts reported for governmental activities in the statement of net position  
(Exhibit 1) are different because:

Total Fund Balance, Governmental Funds		\$ 835,510
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets	\$ 1,425,392	
(Less) accumulated depreciation	<u>(993,285)</u>	432,107
Deferred outflows of resources related to pensions are not reported in the funds.		22,305
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and, therefore, are deferred.		-
Earned revenues considered deferred inflows of resources in fund statements.		14,619
Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds:		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year).		(79,463)
Net pension liability		(37,907)
Deferred inflows of resources related to pensions are not reported in the funds.		(2,692)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		<u>(3,074)</u>
Net position of governmental activities		<u>\$ 1,181,405</u>

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

	<u>Major Fund</u>	<u>Total Governmental Funds</u>
	<u>General</u>	
<b>Revenues:</b>		
Ad valorem taxes	\$ 290,133	\$ 290,133
Unrestricted intergovernmental revenues	260,841	260,841
Restricted intergovernmental revenues	36,622	36,622
Sales and services	17,986	17,986
Investment earnings	6,345	6,345
Miscellaneous	46,133	46,133
Total revenues	<u>658,059</u>	<u>658,059</u>
<b>Expenditures:</b>		
General government	199,614	199,614
Public safety	212,057	212,057
Transportation	53,326	53,326
Environmental protection	44,559	44,559
Cultural and recreational	5,251	5,251
Debt service:		
Principal	34,814	34,814
Interest	5,801	5,801
Total expenditures	<u>555,422</u>	<u>555,422</u>
Excess of revenues over (under) expenditures	102,637	102,637
<b>Other sources (uses):</b>		
None	-	-
Total other sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balance	102,637	102,637
Fund balance - beginning of year	<u>732,873</u>	<u>732,873</u>
Fund balance - end of year	<u>\$ 835,510</u>	<u>\$ 835,510</u>

The accompanying notes are an integral part of the financial statements

**Town of Faith, 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 statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	102,637
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Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay	\$	-	
Depreciation		<u>(47,236)</u>	(47,236)

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

Amount of donated assets	-		
Change in unavailable revenue for tax revenues		<u>9,501</u>	9,501

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

Principal payments on long term debt	35,114		
Decrease in accrued interest payable		<u>1,412</u>	36,526

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

Pension expense			
Changes in deferred outflow	(4,447)		
Changes in deferred inflows		130	
Changes in pension liability		<u>(2,885)</u>	<u>(7,202)</u>

Total changes in net position of governmental activities	\$	<u>94,226</u>
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*Town of Faith, North Carolina*  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2020**

	Original	Final	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 278,265	\$ 276,781	\$ 290,133	13,352
Unrestricted intergovernmental revenues	211,350	224,050	260,841	33,791
Restricted intergovernmental revenues	25,700	34,475	36,622	2,147
Sales and services	19,000	19,000	17,986	(1,014)
Investment earnings	2,050	2,000	6,345	4,345
Miscellaneous	58,970	54,373	46,133	(8,240)
Total revenues	<u>595,335</u>	<u>610,679</u>	<u>658,059</u>	<u>47,380</u>
<b>Expenditures:</b>				
General government	221,820	223,119	199,614	23,505
Public safety	238,915	250,585	212,057	33,528
Transportation and utilities	62,000	62,000	53,326	8,674
Environmental protection	44,600	45,900	44,559	1,341
Cultural and recreational	8,000	8,000	5,251	2,749
Debt Service:				-
Principal	39,550	34,824	34,814	10
Interest	-	5,801	5,801	-
Total expenditures	<u>614,885</u>	<u>630,229</u>	<u>555,422</u>	<u>74,807</u>
Revenues over (under) expenditures	<u>(19,550)</u>	<u>(19,550)</u>	<u>102,637</u>	<u>122,187</u>
<b>Other sources (uses):</b>				
Fund balance appropriated	<u>19,550</u>	<u>19,550</u>	-	(19,550)
	<u>19,550</u>	<u>19,550</u>	-	(19,550)
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>102,637</u>	<u>\$ 102,637</u>
Fund balance, beginning of year			<u>732,873</u>	
Fund balance, end of year			<u>\$ 835,510</u>	

The accompanying notes are an integral part of the financial statements

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

	<b>Major Enterprise Funds</b>		<b>Total Proprietary Funds</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>ASSETS</b>			
Current assets:			
Cash & cash equivalents - unrestricted	\$ 340,575	\$ 155,962	\$ 496,536
Accounts receivable (net)	7,857	26,752	34,610
Sales tax receivable	401	388	788
Restricted cash & cash equivalents	31,370	50,440	81,810
	<u>380,202</u>	<u>233,542</u>	<u>613,744</u>
Non-current Assets:			
Due from other funds	60,896	49,791	110,687
Capital assets:			
Land and improvements	7,337	-	7,337
Capital assets, net of depreciation	288,839	4,483,593	4,772,432
Net capital assets	<u>296,176</u>	<u>4,483,593</u>	<u>4,779,769</u>
Total noncurrent assets	<u>357,072</u>	<u>4,533,385</u>	<u>4,890,456</u>
Total assets	<u>737,274</u>	<u>4,766,927</u>	<u>5,504,200</u>
Deferred Outflows of Resources			
Pension deferrals	3,102	-	3,102
Total deferred outflows of resources	<u>3,102</u>	<u>-</u>	<u>3,102</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable & accrued expenses	1,385	25,455	26,841
Accrued interest payable	-	5,123	5,123
General Obligation Sanitary Sewer bonds- current	-	32,000	32,000
Liabilities payable from restricted assets:			
Customer deposits	31,370	50,440	81,810
	<u>32,755</u>	<u>113,018</u>	<u>145,774</u>
Long-term liabilities:			
General Obligation Sanitary Sewer bonds-noncurrent	-	1,262,000	1,262,000
Net pension liability	5,272	-	5,272
Total long-term liabilities	<u>5,272</u>	<u>1,262,000</u>	<u>1,267,272</u>
Total liabilities	<u>38,027</u>	<u>1,375,018</u>	<u>1,413,046</u>
Deferred Inflows of Resources			
Pension deferrals	374	-	374
<b>NET POSITION</b>			
Net investment in capital assets	312,879	3,189,593	3,502,472
Unrestricted	389,096	202,315	591,411
Total net position	<u>\$ 701,975</u>	<u>\$ 3,391,908</u>	<u>\$ 4,093,883</u>

The accompanying notes are an integral part of the financial statements

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

	Major Enterprise Funds		Total Proprietary Funds
	Water Fund	Sewer Fund	
<b>Operating revenues:</b>			
Charges for services	\$ 91,919	\$ 221,092	\$ 313,010
Water Taps	3,900	76,000	79,900
Other operating charges	6,910	4,591	11,501
Total operating revenue	<u>102,728</u>	<u>301,683</u>	<u>404,412</u>
<b>Operating expenses:</b>			
Water treatment and distribution	63,751	-	63,751
Sewer treatment and distribution	-	134,091	134,091
Depreciation	19,953	181,002	200,955
Total operating expenses	<u>83,704</u>	<u>315,093</u>	<u>398,798</u>
Operating income (loss)	<u>19,024</u>	<u>(13,410)</u>	<u>5,614</u>
<b>Nonoperating revenues(expenses):</b>			
Investment earnings	751	176	928
Interest expense	-	(62,816)	(62,816)
Total nonoperating revenues (expenses)	<u>751</u>	<u>(62,639)</u>	<u>(61,888)</u>
Income (loss) before other sources (uses)	19,775	(76,049)	(56,274)
Transfer from other funds	-	-	-
Transfer to other funds	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other sources (uses):</b>			
None	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	19,775	(76,049)	(56,274)
Net position beginning of year	<u>682,200</u>	<u>3,467,957</u>	<u>4,150,157</u>
Net position end of year	<u>\$ 701,975</u>	<u>\$ 3,391,908</u>	<u>\$ 4,093,883</u>

The accompanying notes are an integral part of the financial statements



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

	Water Fund	Sewer Fund	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 107,509	\$ 322,693	\$ 430,202
Cash paid for goods and services	(47,618)	(121,632)	(169,250)
Cash paid for salaries and benefits	(15,603)	-	(15,603)
<b>Net Cash Used By Operating Activities</b>	<u>44,288</u>	<u>201,061</u>	<u>245,349</u>
<b>Cash flows from non-capital financing activities:</b>			
Increase in due from other funds	282	-	282
<b>Net Cash Provided By Non-Capital and Related Financing Activities</b>	<u>282</u>	<u>-</u>	<u>282</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of assets	(3,250)	-	(3,250)
Interest paid on bond	-	(62,939)	(62,939)
Principal paid on bond	-	(31,000)	(31,000)
<b>Net Cash Used By Capital and Related Financing Activities</b>	<u>(3,250)</u>	<u>(93,939)</u>	<u>(97,189)</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	751	176	927
<b>Net Cash Provided by Investing Activities</b>	<u>751</u>	<u>176</u>	<u>927</u>
<b>Net Increase (Decrease) In Cash</b>	42,071	107,298	149,369
<b>Cash - Beginning of Year, July 1</b>	329,874	99,104	428,978
<b>Cash - End of Year, June 30</b>	<u>\$ 371,945</u>	<u>\$ 206,402</u>	<u>\$ 578,347</u>
<b>Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:</b>			
Net Operating Income (Loss)	\$ 19,024	\$ (13,410)	\$ 5,614
<b>Adjustments to reconcile net operating income to net cash used by operating activities:</b>			
Depreciation & amortization	19,953	181,002	200,955
<b>Changes in Current Assets and Liabilities:</b>			
(Increase) decrease in accounts receivable	5,660	8,635	14,295
(Increase) decrease in deferred outflows of resources- pensions	1,314	-	1,314
Increase (decrease) in net pension liability	(510)	-	(510)
Increase (decrease) in deferred inflows of resources- pensions	(142)	-	(142)
Increase (Decrease) in accounts payable and accrued liabilities	(261)	12,459	12,198
Increase (Decrease) in customer deposits	(750)	12,375	11,625
<b>Total adjustments</b>	<u>25,264</u>	<u>214,471</u>	<u>239,735</u>
<b>Net Cash Used By Operating Activities</b>	<u>\$ 44,288</u>	<u>\$ 201,061</u>	<u>\$ 245,349</u>
<b>Interest paid</b>	<u>\$ -</u>	<u>\$ 62,939</u>	<u>\$ -</u>

## ***Town of Faith, North Carolina***

### **NOTES TO FINANCIAL STATEMENTS As of or for the Year Ended June 30, 2020**

#### ***I. Summary of Significant Accounting Policies***

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

##### ***A. Reporting entity***

The Town of Faith is a municipal corporation governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. For the year ended June 30, 2020, the Town had no component unit.

##### ***B. Basis of presentation***

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

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

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

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

## ***Notes to the Financial Statements (continued)***

### ***B. Basis of presentation (continued)***

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

**Water Fund** – this fund is used to account for the Town's water operation.

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

### ***C. Measurement Focus and Basis of Accounting***

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

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

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

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

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

## ***Notes to the Financial Statements (continued)***

### ***C. Measurement Focus and Basis of Accounting (continued)***

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

### ***D. Budgetary data***

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for Special Revenue Funds and Capital Projects Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that altered total expenditures of any fund or that change functional appropriations by more than \$1,000. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

#### ***1. Deposits and Investments***

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

## ***Notes to the Financial Statements (continued)***

### ***1. Deposits and Investments (continued)***

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months. At June 30, 2020, the Town owned none of these investments.

### ***2. Cash and Cash Equivalents***

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

### ***3. Restricted Assets***

The unexpended sewer taps in the Sewer fund are classified as restricted assets for the enterprise fund because their use is completely restricted to the purpose of sewer taps. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

#### Town of Faith Restricted Cash

<b>Governmental Activities</b>		
General Fund	Streets	\$151,789
Total governmental activities		<u>151,789</u>
 <b>Business-type Activities</b>		
Water Fund	Customer deposits	31,370
Sewer Fund	Customer deposits	50,440
Total Business-type Activities		<u>81,810</u>
Total Restricted Cash		<u><u>\$233,599</u></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; however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

## **Notes to the Financial Statements (continued)**

### **5. Allowances for Doubtful Accounts**

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

### **6. Prepaid Items**

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

### **7. Capital Assets**

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

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

<u>Asset Class</u>	<u>Estimated Useful Life - Years</u>
Infrastructure	40
Buildings	40
Improvements	40
Vehicles	5-20
Furniture and Equipment	5-10
Computer equipment	5

### **8. Deferred Outflows/Inflows of Resources**

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

### **9. Long-Term Obligations**

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

## ***Notes to the Financial Statements (continued)***

### ***9. Long-Term Obligations (continued)***

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

### ***10. Compensated Absences***

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

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

### ***11. Net Position/ Fund Balances***

#### Net Position

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

#### Fund Balances

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

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

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

*Restricted for Stabilization by State statute* - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation.

## ***Notes to the Financial Statements (continued)***

### **11. Net Position/ Fund Balances (continued)**

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 prepaid as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

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

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

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

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

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

### **12. Defined Benefit Cost-Sharing Plans**

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



## ***Notes to the Financial Statements (continued)***

### ***II. Stewardship, Compliance, and Accountability:***

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

***1. Noncompliance with North Carolina General Statutes: None***

***2. Contractual Violations: None***

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

#### ***C. Excess of Expenditures Over Appropriations: None***

### ***III. Detail Notes on All Funds:***

#### ***A. Assets:***

##### ***1. Deposits***

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

At June 30, 2020, the Town's deposits had a carrying amount of \$1,468,498 and a bank balance of \$1,476,997. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$200.

##### ***2. Investments***

At June 30, 2020, the Town held no investments.

*Notes to the Financial Statements (continued)*

**3. Receivable - Allowances for Doubtful Accounts**

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

<u>Fund</u>	<u>Amount</u>
General Fund:	
Property Taxes	\$ 0
Enterprise Fund:	
Accounts Receivable	<u>12,051</u>
Total	<u>\$ 12,051</u>

**4. Capital assets**

**Primary Government**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 61,289	\$ -	\$ -	\$ 61,289
Total capital assets not being depreciated:	<u>61,289</u>	<u>-</u>	<u>-</u>	<u>61,289</u>
<b>Capital assets being depreciated:</b>				
Buildings	234,097	-	-	234,097
Vehicles and motorized equipment	1,130,007	-	-	1,130,007
Total capital assets being depreciated:	<u>1,364,104</u>	<u>-</u>	<u>-</u>	<u>1,364,104</u>
<b>Less, accumulated depreciation for:</b>				
Buildings	140,631	4,973	-	145,604
Vehicles and motorized equipment	805,419	42,263	-	847,682
Total accumulated depreciation	<u>946,050</u>	<u>47,236</u>	<u>-</u>	<u>993,286</u>
Total capital assets being depreciated, net	<u>418,054</u>			<u>370,818</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 479,343</u>			<u>\$ 432,107</u>

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

General government	\$ 4,518
Public Safety	41,961
Transportation	<u>757</u>
	\$ 47,236

**Notes to the Financial Statements (continued)**

**4. Capital assets (continued)**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 7,337	\$ -	\$ -	\$ 7,337
Total capital assets not being depreciated	\$ 7,337			\$ 7,337
<b>Capital assets being depreciated:</b>				
Equipment	40,422	3,250	-	43,672
Water system	838,989			838,989
Sewer system	7,240,077	-	-	7,240,077
Total capital assets being depreciated:	8,119,488	3,250	-	8,122,738
<b>Less, accumulated depreciation for:</b>				
Equipment	32,564	4,893	-	37,457
Water system	541,304	15,060	-	556,364
Sewer system	2,575,483	181,002		2,756,485
Total accumulated depreciation	3,149,351	\$ 200,955	\$ -	3,350,306
Total capital assets being depreciated, net	4,970,137			4,772,432
<b>Business-type activity capital assets, net</b>	<b>\$ 4,977,474</b>			<b>\$ 4,779,769</b>

**B. Liabilities:**

**1. Pension Plan Obligations:**

**a. Local Governmental Employees' Retirement System**

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

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service.

## ***Notes to the Financial Statements (continued)***

### ***1. Pension Plan Obligations (continued):***

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Faith employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Faith's contractually required contribution rate for the year ended June 30, 2020, was 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Faith were \$9,934 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$43,179 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions.

## Notes to the Financial Statements (continued)

### 1. Pension Plan Obligations (continued):

The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was 0.00158%, which was a decrease of 0.00014% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$17,466. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,388	\$ -
Changes of assumptions	7,033	-
Net difference between projected and actual earnings on pension plan investments	1,052	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	3,066
Town contributions subsequent to the measurement date	9,934	-
Total	\$ 25,407	\$ 3,066

\$9,934 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year ended June 30:

2020	\$ 6,397
2021	1,471
2022	3,625
2023	915
2024	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

## **Notes to the Financial Statements (continued)**

### **1. Pension Plan Obligations (continued):**

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

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

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

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

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined.

## *Notes to the Financial Statements (continued)*

### **1. Pension Plan Obligations (continued):**

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 98,689	\$ 43,179	\$ (3,017)

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

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

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

**Notes to the Financial Statements (continued)**

**1. Pension Plan Obligations (continued):**

	LGERS	Total
Pension Expense	\$ 17,466	\$ 17,466
Pension Liability	43,179	43,179
Proportionate share of the net pension liability	0.00158%	0.00158%

Deferred of Outflows of Resources

Differences between expected and actual experience	7,388	7,388
Changes in assumption	7,033	7,033
Net difference between projected and actual earnings on plan investments	1,052	1,052

Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Benefit payments and administrative cost paid subsequent to the measurement date	9,934	9,934

Deferred of Inflows of Resources

Differences between expected and actual experience	-	-
Changes in assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	-

Changes in proportion and differences between contributions and proportionate share of contributions	3,066	3,066
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**2. Deferred Outflows and Inflows of Resources**

Deferred outflows of resources are comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 9,934
Differences between expected and actual experience	7,388
Changes of assumptions	7,033
Net difference between projected and actual	1,052
Total	<u>\$ 25,407</u>



## *Notes to the Financial Statements (continued)*

### **2. Deferred Outflows and Inflows of Resources (continued)**

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Property taxes receivable (General Fund)	-	14,619
Differences between expected and actual experience	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,066	-
Total	<u>\$ 3,066</u>	<u>\$ 14,619</u>

### **3. Risk Management**

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

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

The Town carried no flood insurance for the year.

In accordance with GS 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$100,000. The Town does not have a bond on the tax collector in that they have outsourced tax collection to Rowan County. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

**Notes to the Financial Statements (continued)**

**4. Reconciliation of Powell Bill Expenditures**

The following is a reconciliation of Powell Bill expenditures:

Per financial statements	\$ 40,591
Per Powell Bill report	<u>\$ 40,591</u>

**5. Long-Term Obligations:**

**a. General obligation Sanitary Sewer Bonds Indebtedness**

General Obligation Sanitary Sewer Bonds

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

Bonds payable at June 30, 2020 are comprised of the following individual issues:

General Obligation Sanitary Sewer Bonds

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

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

Year Ending June 30	Series 2004-A		Series 2004-B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 24,000	\$ 46,455	\$ 8,000	\$ 15,010	\$ 32,000	\$ 61,465
2022	26,000	45,315	9,000	14,630	35,000	59,945
2023	27,000	44,080	9,000	14,202	36,000	58,282
2024	28,000	42,798	10,000	13,775	38,000	56,573
2025	29,000	41,611	10,000	\$ 13,371	39,000	54,982
2026-2030	161,000	192,755	54,000	61,608	215,000	254,363
2031-2035	205,000	150,575	67,000	47,452	272,000	198,027
2036-2040	251,000	97,185	79,000	30,353	330,000	127,538
2041-2044	227,000	34,913	70,000	10,996	297,000	45,909
	<u>\$ 978,000</u>	<u>\$ 695,687</u>	<u>\$ 316,000</u>	<u>\$ 221,397</u>	<u>\$ 1,294,000</u>	<u>\$ 917,084</u>

**Notes to the Financial Statements (continued)**

**b. Promissory Note Payable**

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

Annual debt service payments of the note as of June 30, 2020, including \$4,560 of interest are as follows:

Year Ending June 30	Government Activities		
	Principal	Interest	Total
2021	\$ 38,965	\$ 3,024	\$ 41,989
2022	36,526	1,536	\$ 38,062
	<u>\$ 75,491</u>	<u>\$ 4,560</u>	<u>\$ 80,051</u>

**c. Capital Leases**

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

During the fiscal year ended June 30, 2020, the Town leased a copier for the administrative department use. The lease requires 63 minimum monthly payments of \$79.44 beginning June 2020. The copier agreement allows for the purchase of the copier at the end of the lease for fair market value.

The following is an analysis of the asset recorded under capital leases at June 30, 2020:

Classes of Property	Cost	Accumulated depreciation	Net book value
Equipment	\$ 5,004	\$ 1,027	\$ 3,977
Total	<u>\$ 5,004</u>	<u>\$ 1,027</u>	<u>\$ 3,977</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 are as follows:

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

**Notes to the Financial Statements (continued)**

**d. Changes in Long- Term Liabilities**

	Balance June 30, 2019	Increases	(Decreases)	Balance June 30, 2020	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 109,652	\$ -	\$ 34,161	\$ 75,491	\$ 38,965
Capitalized leases	4,925	-	953	3,972	953
Net pension liability	35,022	2,885	-	37,907	-
Governmental activities long-term liabilities	149,599	2,885	35,114	117,370	39,918
Business-type activities:					
General Obligation Sanitary Sewer Bonds	1,325,000	-	31,000	1,294,000	32,000
Net pension liability	5,782	-	510	5,272	-
Business-type activity long-term liabilities	\$ 1,330,782	\$ -	\$ 31,510	\$ 1,299,272	\$ 32,000

At June 30, 2020, the Town of Faith, North Carolina had a legal debt margin of \$5,883,454.

**C. Interfund balances and activity**

Balances Due to/from Other Funds

Balances Due to/from other funds at June 30, 2020, consists of the following:

Amount due from General Fund to:	
Water Fund	\$ 60,896
Sewer Fund	<u>49,791</u>
Total	\$110,687

Interfund loans-

The balance of \$110,687 due is the result of prior year amounts received by the General Fund that were actually due to the Water and Sewer Funds. Currently the Town has no plan to repay the loans.

Transfers to/from Other Funds –

The Town made no transfers during the current year.

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

## ***Notes to the Financial Statements (continued)***

### ***D. Fund Balance***

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

<b><i>Total fund balance - General Fund</i></b>	<b><i>\$ 835,510</i></b>
Less:	
Prepaid items	4,031
Stabilization of State Statute	70,658
Streets - Powell Bill	151,789
Appropriated Fund Balance - 20/21	19,550
Remaining Fund Balance	<b><i>\$ 589,482</i></b>

### ***IV. Jointly Governed Organization***

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2020, the Town did not report any revenues and expenditures for these payments because no benefit payments were made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2020. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

### ***V. Summary Disclosure of Significant Contingencies***

#### ***Federal and State Assisted Programs***

The Town has received proceeds from Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant 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.

## ***Notes to the Financial Statements (continued)***

### ***VI. Subsequent Events***

Management has evaluated the subsequent events through October 26, 2020, the date the financial statements were available to be issued.

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

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

**Local Government Employees' Retirement System**

	2020	2019	2018	2017	2016	2015	2014
Faith's proportion of the net pension liability (asset) (%)	0.00158%	0.00172%	0.00183%	0.00194%	0.00210%	0.00219%	0.00230%
Faith's proportion of the net pension liability (asset) (\$)	\$ 43,179	\$ 40,804	\$ 27,958	\$ 41,173	\$ 9,425	\$ (12,916)	\$ 27,724
Faith's covered-employee payroll	\$ 108,949	\$ 106,990	\$ 104,369	\$ 102,074	\$ 100,380	\$ 98,654	\$ 96,573
Faith's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.63%	38.14%	26.79%	40.34%	9.39%	( 13.09%)	28.71%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	91.68%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**Town of Faith North Carolina**  
**Town of Faith's Contributions**  
**Required Supplementary Information**  
**Last Seven Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 9,934	\$ 8,444	\$ 8,024	\$ 7,567	\$ 6,803	\$ 7,097	\$ 6,975
Contributions in relation to the contractually required contribution	9,934	8,444	8,024	7,567	6,803	7,097	6,975
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Faith's covered-employee payroll	\$ 111,005	\$ 108,949	\$ 106,990	\$ 104,369	\$ 102,074	\$ 100,380	\$ 98,654
Contributions as a percentage of covered-employee payroll	8.95%	7.75%	7.50%	7.25%	6.67%	7.07%	7.07%



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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2019</u>
<b>REVENUES:</b>				
Ad valorem taxes				
Taxes		\$ 289,635		\$ 269,426
Penalties and interest		498		1,457
	<u>\$ 276,781</u>	<u>290,133</u>	<u>\$ 13,352</u>	<u>270,883</u>
Unrestricted intergovernmental				
Local option sales tax		205,295		194,923
Utility franchise tax		48,974		51,546
Beer and wine tax		6,362		6,133
Tax refund-gas		210		401
	<u>224,050</u>	<u>260,841</u>	<u>36,791</u>	<u>253,003</u>
Restricted intergovernmental				
Powell Bill allocation		25,734		25,903
On-behalf of payments - Fire		10,260		-
Fire grant		-		16,906
State grant		-		49,500
Solid waste disposal tax		628		615
	<u>34,475</u>	<u>36,622</u>	<u>2,147</u>	<u>92,924</u>
Sales and services				
Trash collection fees		17,986		19,759
	<u>19,000</u>	<u>17,986</u>	<u>(1,014)</u>	<u>19,759</u>
Investment earnings	<u>2,000</u>	<u>6,345</u>	<u>4,345</u>	<u>4,567</u>
Miscellaneous				
Contributions		2,700		6,178
Fire department revenue		164		165
Vision cable		1,340		2,126
Fire fees		40		40
First responders		1,320		1,320
Zoning fees		1,375		1,800
Other		7,769		1,488
Sprint lease		29,974		28,096
Contributions- street dance		1,450		2,429
	<u>54,373</u>	<u>46,133</u>	<u>(8,240)</u>	<u>43,642</u>
Total revenues	<u>610,679</u>	<u>658,059</u>	<u>47,380</u>	<u>684,778</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2019</u>
<b>EXPENDITURES:</b>				
General government				
Governing body				
Salary- Mayor		\$ 1,800		\$ 1,650
Salary- Aldermen		4,200		4,650
Membership dues		3,267		3,159
Professional services		19,280		16,086
	<u>\$ 28,600</u>	<u>28,547</u>	<u>\$ 53</u>	<u>25,545</u>
Administration				
Salaries and wages		46,570		45,657
Extra meetings - clerk		250		300
Salary - Administrative Assistant		21,264		20,910
Employee insurance		24,386		23,910
Christmas bonus		933		921
Social security		6,895		6,835
Employees retirement		7,556		6,416
Training and education		-		687
Office expense		1,403		2,462
Utilities		4,647		4,572
Advertising		290		825
Insurance and bonding		21,476		16,391
Miscellaneous		94		306
Tax collection fee		6,031		6,174
Building maintenance		2,736		40
Christmas lights and decorations		654		677
Economic Development Commission		1,315		1,278
Public works		15,005		15,005
Public works supplies		1,614		1,213
Zoning enforcement officer		3,504		7,855
Vehicle expenses		3,967		4,370
Travel		54		182
Lawn Care		423		362
Stage construction		-		49,500
	<u>194,519</u>	<u>171,067</u>	<u>23,452</u>	<u>216,129</u>
Total general government	<u>\$ 223,119</u>	<u>\$ 199,614</u>	<u>\$ 23,505</u>	<u>\$ 241,674</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2019</u>
Public safety				
Police department				
Contracted services		\$ 146,000		\$ 140,434
Total police department	<u>\$ 146,000</u>	<u>146,000</u>	<u>\$ -</u>	<u>140,434</u>
Fire department				
Vehicle expenses		6,931		6,517
Utilities		8,116		9,331
Firemen's pension		2,460		2,580
Miscellaneous		2,387		2,328
First responders expenses		379		51
On behalf of benefits		10,260		-
Firefighter's administration/grant work expenses		26,974		26,497
Social security		2,056		2,027
Retirement		949		831
Office supplies		166		24
Software		3,068		2,992
Fire grant expenses		-		39,229
Mobile dispatch		1,441		1,423
Building renovations		870		1,260
Total fire department	<u>104,585</u>	<u>66,057</u>	<u>38,528</u>	<u>95,020</u>
Total public safety	<u>250,585</u>	<u>212,057</u>	<u>38,528</u>	<u>235,454</u>
Transportation and Utilities				
Streets and highways :				
Street lights		12,783		13,111
Street maintenance and improvements		40,543		41,377
Street signs		-		42
Total transportation	<u>\$ 62,000</u>	<u>\$ 53,326</u>	<u>\$ 8,674</u>	<u>\$ 54,530</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2019</u>
Environmental Protection				
Contract trash hauling		\$ 44,559		\$ 43,269
Total environmental protection	<u>\$ 45,900</u>	<u>44,559</u>	<u>\$ 1,341</u>	<u>43,269</u>
Cultural and recreational				
Beautification		252		96
Legion Park maintenance		4,999		3,567
Street dance expenses		-		1,823
Total cultural and recreational	<u>8,000</u>	<u>5,251</u>	<u>2,749</u>	<u>5,486</u>
Debt service				
Principal retirement		34,814		33,828
Interest paid		5,801		5,801
Total debt service	<u>40,625</u>	<u>40,615</u>	<u>10</u>	<u>39,629</u>
Total expenditures	<u>630,229</u>	<u>555,422</u>	<u>74,807</u>	<u>620,042</u>
Revenues over (under) expenditures	<u>(19,550)</u>	<u>102,637</u>	<u>122,187</u>	<u>64,736</u>
Fund balance appropriated	<u>19,550</u>	<u>-</u>	<u>(19,550)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>102,637</u>	<u>\$ 102,637</u>	<u>64,736</u>
Fund balances - beginning of year		<u>732,873</u>		<u>668,137</u>
Fund balances - end of year		<u>\$ 835,510</u>		<u>\$ 732,873</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2019</u>
<b>Revenues:</b>				
Charges for service				
Water charges		\$ 91,919		\$ 96,278
Water taps		3,900		1,300
Other operating revenues		6,910		7,505
	<u>\$ 103,470</u>	<u>102,728</u>	<u>\$ (742)</u>	<u>105,083</u>
<b>Non-operating Revenues:</b>				
Investment earnings		751		592
	<u>200</u>	<u>751</u>	<u>551</u>	<u>592</u>
<b>Total revenues</b>	<u>103,670</u>	<u>103,480</u>	<u>(190)</u>	<u>105,675</u>
<b>Expenditures:</b>				
Water distribution and treatment and waste collection				
Salaries		16,265		15,438
Supplies and repairs		13,726		10,423
Office expense		3,821		3,456
Water testing		7,670		2,302
Water quality control		840		840
Training and education		-		669
Utilities		13,587		13,490
Software maintenance		3,841		3,766
Lawn care		58		35
Dues and subscriptions		435		380
Bad debt expense		-		44
Miscellaneous		2,848		2,205
<b>Total water distribution and treatment and waste collection</b>	<u>65,670</u>	<u>63,089</u>	<u>2,581</u>	<u>53,049</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2019</u>
Expenditures-continued				
Capital outlay				
Equipment		3,250		-
Total capital outlay	38,000	3,250	34,750	-
Total expenditures	103,670	66,339	37,331	53,049
Revenues over(under) expenditures	-	37,140	(37,140)	52,626
Other financing sources (uses)				
Transfer to sewer fund	-	-	-	(47,750)
Fund balance appropriated	-	-	-	-
Total other financing sources (uses)	-	-	-	(47,750)
Revenues and other sources (under) expenditures and other uses	<u>\$ -</u>	<u>37,140</u>	<u>\$ (37,140)</u>	<u>4,876</u>

<u>2020</u>	<u>2019</u>
-------------	-------------

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

Reconciling items		
Depreciation	\$ (19,953)	\$ (19,518)
Purchase of capital outlay	3,250	-
Increase in due to other funds-pensions	-	63
Increase in deferred outflows of resources-pensions	(1,314)	1,626
Increase in net pension liability	510	(1,960)
Decrease in deferred inflows of resources-pensions	142	167
Total reconciling items	<u>(17,365)</u>	<u>(19,622)</u>
Change in net position	<u>\$ 19,775</u>	<u>\$ (14,746)</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2019</u>
<b>Revenues:</b>				
Charges for services				
Sewer charges - other		\$ 221,092		\$ 231,182
Tap fees		76,000		10,044
Miscellaneous		4,591		959
	<u>\$ 263,875</u>	<u>301,683</u>	<u>\$ 37,808</u>	<u>232,141</u>
 Non-operating Revenues:				
Investment earnings	125	176		119
	<u>125</u>	<u>176</u>	<u>51</u>	<u>119</u>
 Total revenues	<u>264,000</u>	<u>301,860</u>	<u>37,860</u>	<u>232,260</u>
 <b>Expenditures:</b>				
Sewer distribution and treatment and waste collection				
System maintenance		8,775		10,044
Metered flow charges		114,854		163,207
Utilities		5,023		6,004
Engineering		5,129		1,692
Bad debt expense		-		(74)
Miscellaneous		311		288
	<u>170,000</u>	<u>134,091</u>	<u>35,909</u>	<u>181,161</u>
 Debt service:				
Interest		62,938		64,363
Principal		31,000		30,000
	<u>94,000</u>	<u>93,938</u>	<u>63</u>	<u>94,363</u>
 Total expenditures	<u>264,000</u>	<u>228,029</u>	<u>35,971</u>	<u>275,524</u>
 Revenues and other sources over (under) expenditures and other sources	<u>\$ -</u>	<u>\$ 73,831</u>	<u>\$ 73,831</u>	<u>\$ (43,264)</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2019</u>
Other financing sources (uses)				
Transfer from water fund	\$ -	\$ -	\$ -	\$ 47,750
Total other financing sources and (uses)	-	-	-	47,750
Revenues and other sources over expenditures and other uses	\$ -	73,831	\$ 4,486	4,486
		<u>2020</u>	<u>2019</u>	
Reconciliation from budgetary basis (modified accrual) to full accrual				
Reconciling items:				
Principal retirement		31,000	30,000	
Decrease in bond interest accrued		122	119	
Depreciation		(181,002)	(181,002)	
Total reconciling items		(149,880)	(150,883)	
Change in net position		\$ (76,049)	\$ (146,397)	



**Town of Faith, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**For the Year Ended 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>
2019-20		\$ 301,527	\$ 290,993	\$ 10,534
2018-19	\$ 1,993		921	1,072
2017-18	985		69	916
2016-17	451		33	418
2015-16	339		-	339
2014-15	388		-	388
2013-14	299		78	221
2012-13	175	99	-	274
2011-12	171		-	171
2010-11	299		13	286
2009-10	113		113	-
	<u>\$ 5,213</u>	<u>\$ 301,626</u>	<u>\$ 292,220</u>	
Ad Valorem taxes receivable (net)				<u>\$ 14,619</u>
Reconciliation with revenues:				
Ad Valorem Tax - General Fund				\$ 290,133
Reconciling items:				
Interest collected				(421)
Discounts allowed				2,395
Taxes written off				<u>113</u>
Total Collections & Credits				<u>\$ 292,220</u>

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

	Town-Wide			Total Levy	
	Total Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real property	\$ 73,543,171	0.41	\$ 301,527	\$ 271,138	\$ 30,389
Penalties	-		-	-	-
Total levy	<u>73,543,171</u>		<u>301,527</u>	<u>271,138</u>	<u>30,389</u>
Total Property Valuation	<u>\$ 73,543,171</u>				
Net Levy			301,527	271,138	30,389
Less: Uncollected Tax at June 30, 2020			<u>10,534</u>	<u>10,534</u>	<u>-</u>
Current Year Tax Collected			<u>\$ 290,993</u>	<u>\$ 260,604</u>	<u>\$ 30,389</u>
Percent current year collected			<u>96.51%</u>	<u>93.11%</u>	<u>100.00%</u>