

TOWN OF NORMAN, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2020

TOWN OF NORMAN, NORTH CAROLINA

TOWN OFFICIALS

JUNE 30, 2020

MAYOR

TONIA COLLINS

TOWN COUNCIL

STEPHEN CRANFORD – MAYOR PRO-TEM

RENATE MANN

NANCY PAXTON

OTHER OFFICIALS

GLENDIA MCINNIS

TOWN CLERK

TOWN OF NORMAN, NORTH CAROLINA
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June 30, 2020

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 7, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Anderson Smith + Wike PLLC

Rockingham, NC
October 15, 2020

Management's Discussion and Analysis

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

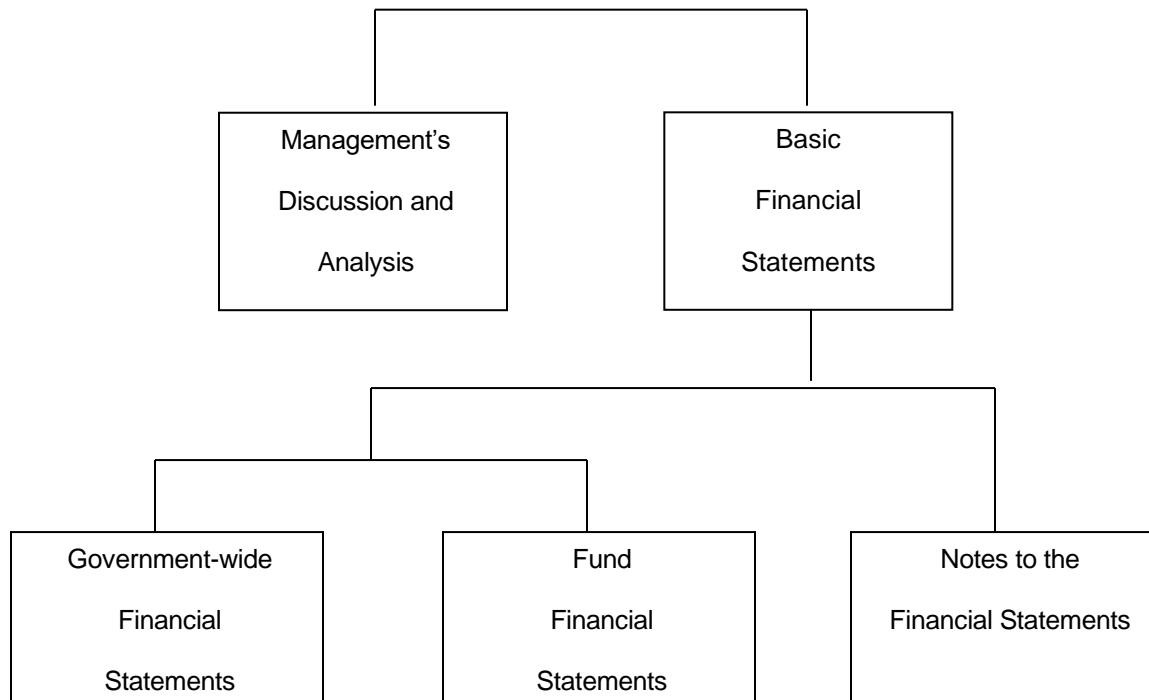
Financial Highlights

- The assets of the Town of Norman exceeded its liabilities at the close of the fiscal year by \$186,545 (*net position*).
- The government's total net position decreased by \$14,374 primarily due to expenditures exceeding revenues in the governmental type activities.
- As of the close of the current fiscal year, the Town of Norman's general fund reported an ending fund balance of \$89,642, a decrease of \$7,939 in comparison with the prior year. Approximately 55.2 percent of fund balance, or \$49,523, is available for spending at the government's discretion (unreserved fund balance).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Norman's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. 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 Norman.

Required Components of Annual Financial Report



Summary → Detail

Basic Financial Statements

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

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements. However, the Town has no proprietary funds as of June 30, 2020.

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 general fund. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

The government-wide statements are governmental activities. The governmental activities include most of the Town's basic services such as general government and transportation. Local option sales taxes and other taxes finance most of these activities.

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 13-18 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, 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 State laws and appropriations.

Government-Wide Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Town as a whole.

The following table provides a summary of the Town’s net position:

The Town of Norman’s Net Position		<u>Governmental Activities</u>	
		<u>2020</u>	<u>2019</u>
Current and other assets		\$ 89,885	\$ 98,182
Capital assets		96,903	103,338
Total assets		<u>186,788</u>	<u>201,520</u>
Current liabilities		<u>243</u>	<u>601</u>
Net position			
Net investment in capital assets		96,903	103,338
Restricted		1,028	7,573
Unrestricted		<u>88,614</u>	<u>90,008</u>
Total net position		<u>\$ 186,545</u>	<u>\$ 200,919</u>

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets of the Town of Norman exceeded liabilities by \$186,545 as of June 30, 2020. The Town’s net position decreased by \$14,374 for the fiscal year ended June 30, 2020. A large portion of net position (51.9%) reflects the Town’s net investment in capital assets (e.g. land, buildings and improvements). The Town of Norman uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining balance of \$1,028 is restricted for Stabilization by State Statute and \$88,614 is unrestricted.

Town of Norman Changes in Net Position

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 500	\$ 4,454
General revenues:		
Local option sales taxes	23,093	26,376
Other taxes	12,184	13,516
Unrestricted investment earnings	178	178
Miscellaneous	1,323	830
Total revenues	37,278	45,354
Expenses:		
General Government	48,089	38,125
Transportation	3,563	3,079
Total expenses	51,652	41,204
Increase (decrease) in net position	(14,374)	4,150
Net position, July 1	200,919	196,769
Net position, June 30	\$ 186,545	\$ 200,919

Governmental activities. Governmental activities decreased the Town's net position by \$14,374. This decrease was caused by decreased tax revenues received as well as increased costs of utilities, insurance costs and election expenses.

Financial Analysis of the Town's Funds

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

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

The general fund is the only fund of the Town of Norman. At the end of the current fiscal year, unreserved fund balance of the general fund was \$49,523, while the total fund balance reached \$89,642. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 109.5 percent of total expenditures, while total fund balance represents 198.2 percent of that same amount.

General Fund Budgetary Highlights: The Town did not revise the budget during the fiscal year. Revenues were more than the budgeted amounts primarily because miscellaneous income was higher than anticipated. In addition, expenditures were within the budget and the town was able to comply with its budgetary requirements.

Capital Asset and Debt Administration

Capital assets. The Town of Norman's capital assets, at cost, for its governmental activities as of June 30, 2020, totals \$96,903 (net of accumulated depreciation). These assets include buildings and improvements and land.

There were no capital transactions during the year.

Town of Norman’s Capital Assets

Net of Accumulated Depreciation

	Governmental Activities	
	2020	2019
Non-depreciable assets		
Land	\$ 54,452	\$ 54,452
Depreciable assets		
Buildings and improvements	42,451	48,886
Total	\$ 96,903	\$ 103,338

Additional information on the Town’s capital assets can be found in note 2.A. of the Basic Financial Statements.

Long-term debt. As of June 30, 2020, the Town did not have any long-term debt.

Economic Factors and Next Year’s Budgets and Rates

Impact of Coronavirus on Town

On January 30, 2020, the World Health Organization declared the coronavirus “COVID-19” outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or “stay-at-home” restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including that of the Town. While it is unknown how long these conditions will last and what the complete financial impact will be, the Town is closely monitoring the impact of the COVID-19 pandemic on all aspects of their operations and are unable at this time to predict the continued impact that COVID-19 will have on their services, financial position, and operating results in future periods due to numerous uncertainties.

Going Concern

In April 2020, the Town was notified that the local option sales tax allocation was changing from a per capita distribution method to an ad valorem distribution method beginning July 1, 2020. Because the Town does not levy ad valorem taxes, this effectively reduced the Town’s allocation for fiscal year 2021 from .22467% of the sales tax allocation received by Richmond County to zero, representing a 100% loss of sales tax revenue going forward.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Historically, the governmental funds’ primary revenue resources are local option sales taxes. In response to the reduction in the allocation discussed above, the Town reduced their budget for operating expenditures by approximately 46% for the fiscal year ending June 30, 2021. The expenditures will primarily be funded with fund balance.

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 Mayor, Town of Norman, Post Office Box 13, Norman, North Carolina 28367.

BASIC FINANCIAL STATEMENTS

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

Exhibit 1

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 88,857
Interest receivable	178
Due from other governments	<u>850</u>
Total current assets	<u>89,885</u>
Non-current assets:	
Capital assets	
Land	54,452
Buildings, net of depreciation	<u>42,451</u>
Total capital assets	<u>96,903</u>
Total assets	<u>\$ 186,788</u>
LIABILITIES	
Current liabilities:	
Accrued liabilities	<u>243</u>
Total liabilities	<u>\$ 243</u>
NET POSITION	
Net investment in capital assets	\$ 96,903
Restricted for:	
Stabilization by State Statute	1,028
Unrestricted	<u>88,614</u>
Total net position	<u>\$ 186,545</u>

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

Exhibit 2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Primary Government Governmental Activities</u>
Primary government				
Governmental activities				
General government	\$ 48,089	\$ -	\$ 500	\$ (47,589)
Transportation	3,563	-	-	(3,563)
Total primary governmental activities	<u>51,652</u>	<u>-</u>	<u>500</u>	<u>(51,152)</u>
General Revenues				
Taxes:				
Local option sales taxes				23,093
Other taxes				12,184
Unrestricted investment earnings				178
Miscellaneous				<u>1,323</u>
				<u>36,778</u>
				(14,374)
Net position, beginning				<u>200,919</u>
Net position, ending				<u>\$ 186,545</u>

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

Exhibit 3

	<u>Major Fund</u>
	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 88,857
Receivables, net	
Interest	178
Due from other governments	<u>850</u>
Total assets	<u>\$ 89,885</u>
LIABILITIES	
Accrued liabilities	<u>243</u>
Total liabilities	<u>\$ 243</u>
FUND BALANCES	
Restricted	
Stabilization by State Statute	\$ 1,028
Assigned	
Subsequent year's expenditures	39,091
Unassigned	<u>49,523</u>
Total fund balances	<u>\$ 89,642</u>
Reconciliation of fund balance as reported in the balance sheet - governmental funds with net position - governmental activities	
Fund balance as reported in the balance sheet - governmental funds	\$ 89,642
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>96,903</u>
Net position of governmental activities	<u>\$ 186,545</u>

TOWN OF NORMAN, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2020

Exhibit 4

	<u>Major Fund</u>
	<u>General</u>
REVENUES	
Unrestricted intergovernmental	\$ 35,277
Restricted intergovernmental	500
Investment earnings	178
Miscellaneous	<u>1,323</u>
Total revenues	<u>37,278</u>
EXPENDITURES	
Current	
General Government	41,654
Transportation	<u>3,563</u>
Total expenditures	<u>45,217</u>
Net change in fund balance	(7,939)
Fund balance - beginning	<u>97,581</u>
Fund balance - ending	<u>\$ 89,642</u>
Reconciliation of net change in fund balance in the statement of revenues, expenditures, and changes in fund balances - governmental funds to change in net position - governmental activities	
Net change in fund balance - total governmental fund	\$ (7,939)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	
	Capital outlay -
	Depreciation <u>(6,435)</u>
Total change in net position of governmental activities	<u>\$ (14,374)</u>

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

Exhibit 5

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Unrestricted intergovernmental	\$ 35,185	\$ 35,185	\$ 35,277	\$ 92
Restricted intergovernmental	-	-	500	500
Investment earnings	180	180	178	(2)
Miscellaneous	<u>5,095</u>	<u>5,095</u>	<u>1,323</u>	<u>(3,772)</u>
Total revenues	<u>40,460</u>	<u>40,460</u>	<u>37,278</u>	<u>(3,182)</u>
EXPENDITURES				
Current				
General government	70,173	70,173	41,654	28,519
Transportation	<u>5,000</u>	<u>5,000</u>	<u>3,563</u>	<u>1,437</u>
Total expenditures	<u>75,173</u>	<u>75,173</u>	<u>45,217</u>	<u>29,956</u>
Revenues over (under) expenditures	(34,713)	(34,713)	(7,939)	26,774
Fund balance appropriated	<u>34,713</u>	<u>34,713</u>	-	<u>(34,713)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(7,939)	<u>\$ (7,939)</u>
Fund balance - beginning			<u>97,581</u>	
Fund balance - ending			<u>\$ 89,642</u>	

NOTES TO THE FINANCIAL STATEMENTS

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statement themselves. The notes supplement the financial statements, and are an integral part thereof, and are intended to be read in conjunction with the financial statements.

TOWN OF NORMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Norman, North Carolina 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 Norman, North Carolina, is a municipal corporation that is governed by an elected mayor and a three-member council.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Town. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipient of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a specific 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. The Town maintains only one fund, a governmental fund, which is described as follows:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are various sales and other taxes, grants and investment earnings. The primary expenditures are for general government and transportation.

C. Measurement Focus and Basis of Accounting

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

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

Amounts reported as program revenues include operating grants and contributions. General revenues include all taxes.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

TOWN OF NORMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. The Town does not assess ad valorem taxes.

Sales taxes and certain intergovernmental revenues collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Norman because the tax is levied by Richmond 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. When program expenses are incurred, the Town finances the program using restricted revenues before applying general revenues.

D. Budgetary Data

The Town's annual budget for the General Fund is adopted as required by the North Carolina General Statutes. All annual appropriations lapse at fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. All amendments must be approved by the governing board. 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 and Fund Equity

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

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: Buildings and improvements, \$10,000; infrastructure, \$5,000; and furniture and equipment, \$1,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition values. 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.

TOWN OF NORMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Other Improvements	20
Equipment	10
Vehicles and motorized equipment	5
Infrastructure	40

Compensated Absences

Compensated absences are not accrued as the Town has no full time employees who are eligible.

Net Position

Net position in government-wide financial statements are classified as invested 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 three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

Assigned fund balance – portion of fund balance that the Town of Norman 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. The governing body approves the appropriation.

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

TOWN OF NORMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. 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 maintains blanket insurance coverage of \$267,307 on the buildings and equipment. In addition, general liability insurance coverage is maintained for all the properties for \$1,000,000 in the aggregate. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Town does not carry flood insurance as it has only three small buildings with minimal contents and they are not located in flood prone areas.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Town Clerk and the Finance Officer are individually bonded for \$10,000 each. The Mayor is covered for \$10,000.

C. Fund Balance

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

Total fund balance – General Fund	<u>\$89,642</u>
Less:	
Stabilization by State Statute	1,028
Appropriated Fund Balance in 2020 budget	39,091
Remaining Fund Balance	49,523

NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

On January 30, 2020, the World Health Organization declared the coronavirus “COVID-19” outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or “stay-at-home” restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including that of the Town. While it is unknown how long these conditions will last and what the complete financial impact will be, the Town is closely monitoring the impact of the COVID-19 pandemic on all aspects of their operations and are unable at this time to predict the continued impact that COVID-19 will have on their services, financial position, and operating results in future periods due to numerous uncertainties.

NOTE 4 – NONCOMPLIANCE WITH NORTH CAROLINA GENERAL STATUTES

Pursuant to North Carolina General Statute 159-29, the Town failed to have the required level of performance bond insurance on their Finance Officer. This is a violation of North Carolina General Statutes. The Town will immediately obtain sufficient performance bonding to resolve this oversight.

TOWN OF NORMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 5 – GOING CONCERN

In April 2020, the Town was notified that the local option sales tax allocation was changing from a per capita distribution method to an ad valorem distribution method beginning July 1, 2020. Because the Town does not levy ad valorem taxes, this effectively reduced the Town's allocation for fiscal year 2021 from .22467% of the sales tax allocation received by Richmond County to zero, representing a 100% loss of sales tax revenue going forward. Sales tax represented approximately 94% of revenues received by the Town in fiscal year 2020. In light of the anticipated loss of revenues, the Town has reduced its fiscal year 2021 operating budget by approximately 46% from fiscal year 2020 and will subsidize operating expenditures with accumulated cash reserves. Accordingly, the financial statements are prepared on the assumption that the entity is a going concern.

The Town is currently evaluating and exploring alternative revenue sources to support operations in the future years. However, if the Town is unable to secure additional revenue going forward, it is anticipated that the Town will be insolvent in less than three years.

**INDIVIDUAL FUND
FINANCIAL STATEMENTS**

MAJOR GOVERNMENTAL FUNDS

General Fund – This fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

TOWN OF NORMAN, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

Exhibit A-1
Page 1 of 2

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
Unrestricted intergovernmental revenues			
Local option sales tax	\$ -	\$ 23,093	\$ -
Telecommunications tax	-	448	-
Utility franchise tax / piped natural gas tax	-	3,378	-
Hold Harmless	-	7,974	-
Beer and wine tax	-	384	-
Total unrestricted intergovernmental revenues	<u>35,185</u>	<u>35,277</u>	<u>92</u>
Restricted intergovernmental revenues			
County contributions	-	500	500
Total restricted intergovernmental revenues	<u>-</u>	<u>500</u>	<u>500</u>
Investment earnings	<u>180</u>	<u>178</u>	<u>(2)</u>
Miscellaneous	<u>5,095</u>	<u>1,323</u>	<u>(3,772)</u>
Total revenues	<u>40,460</u>	<u>37,278</u>	<u>(3,182)</u>
Expenditures			
General government			
Administration			
Council salaries	-	9,360	-
Clerk salary	-	3,480	-
Professional services	-	4,700	-
Dues and subscriptions	-	600	-
Telephone	-	1,442	-
Utilities	-	6,254	-
Repair & Maintenance	-	2,694	-
Insurance and bonds	-	3,225	-
Donations	-	2,950	-
Payroll taxes	-	982	-
Miscellaneous	-	5,967	-
Total general government	<u>70,173</u>	<u>41,654</u>	<u>28,519</u>

TOWN OF NORMAN, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Transportation			
Streets and highways			
Utilities	-	3,563	-
Total Streets and highways	<u>5,000</u>	<u>3,563</u>	<u>1,437</u>
Total expenditures	<u>75,173</u>	<u>45,217</u>	<u>29,956</u>
Revenues over (under) expenditures	(34,713)	(7,939)	26,774
Fund balance appropriated	<u>34,713</u>	-	<u>(34,713)</u>
Revenues and Fund balance appropriated over expenditures	<u>\$ -</u>	(7,939)	<u>\$ (7,939)</u>
Fund balance, beginning		<u>97,581</u>	
Fund balance, ending		<u>\$ 89,642</u>	