

REVIEWED

By SLGFD at 3:39 pm, Mar 04, 2022

TOWN OF NORMAN, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2021

TOWN OF NORMAN, NORTH CAROLINA

TOWN OFFICIALS

JUNE 30, 2021

MAYOR

TONIA COLLINS

TOWN COUNCIL

STEPHEN CRANFORD – MAYOR PRO-TEM

TERRY PARSONS

NANCY PAXTON

OTHER OFFICIALS

GLENDIA MCINNIS

TOWN CLERK

TOWN OF NORMAN, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2021

<u>Exhibit</u>		<u>Page No.</u>
	FINANCIAL SECTION	
	Independent Auditor's Report	1
	Management's Discussion and Analysis	3
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	8
2	Statement of Activities	9
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	10
4	Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	11
5	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	12
	Notes to the Financial Statements	13
	Individual Fund Financial Schedule:	
A-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	19

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, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Norman, North Carolina as of June 30, 2021, 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 purposes 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.



Rockingham, NC
February 3, 2022

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, 2021. 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.

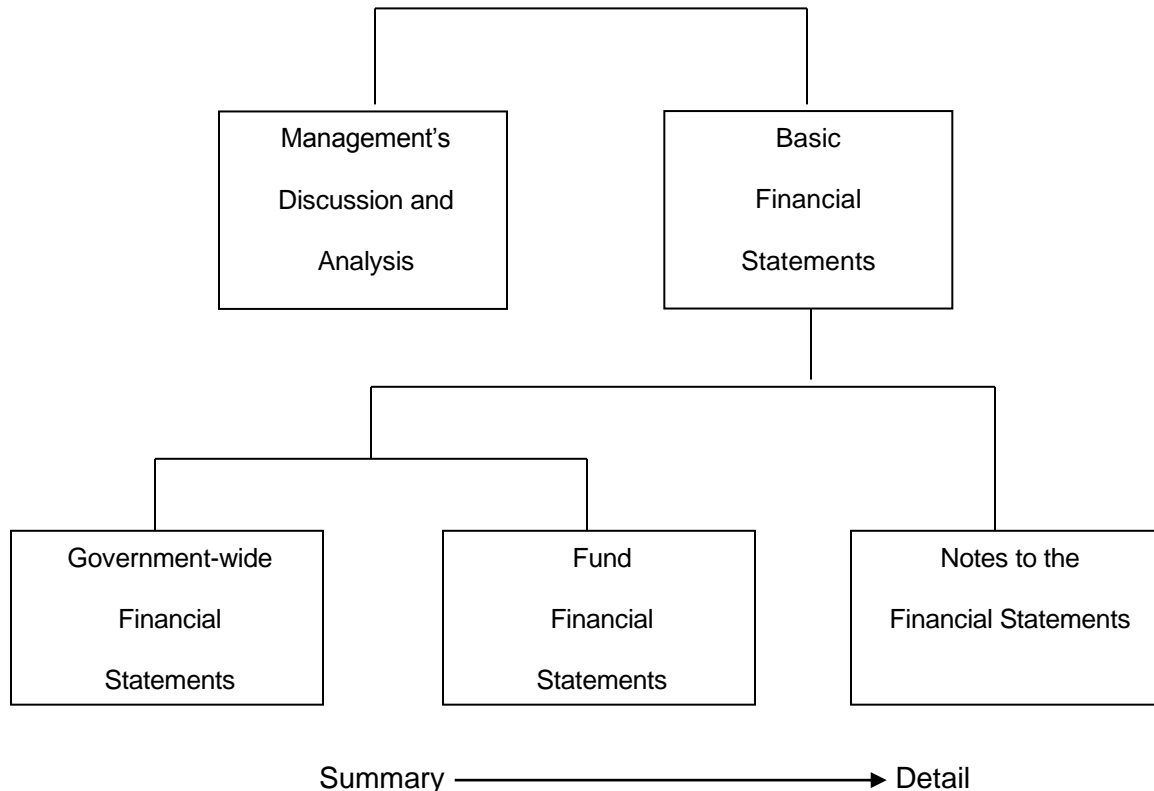
Financial Highlights

- The assets of the Town of Norman exceeded its liabilities at the close of the fiscal year by \$193,193 (*net position*).
- The government's total net position increased by \$6,648 primarily due to revenues exceeding expenditures in the governmental type activities. Richmond County contributed \$30,270 to the Town in lieu of prior year lost sales tax revenue.
- As of the close of the current fiscal year, the Town of Norman's general fund reported an ending fund balance of \$101,725, an increase of \$12,083 in comparison with the prior year. Approximately 55.3 percent of fund balance, or \$56,260, is available for spending at the government's discretion (unassigned 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



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, 2021.

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. Various taxes and restricted intergovernmental revenues 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 though for fiscal year 2021, the Town failed to ensure it was properly balanced as required. 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>2021</u>	<u>2020</u>
Current and other assets	\$ 101,725	\$ 89,885
Capital assets	<u>91,468</u>	<u>96,903</u>
Total assets	<u>193,193</u>	<u>186,788</u>
Current liabilities	<u>-</u>	<u>243</u>
Net position		
Net investment in capital assets	91,468	96,903
Restricted	31,308	1,028
Unrestricted	<u>70,417</u>	<u>88,614</u>
Total net position	<u>\$ 193,193</u>	<u>\$ 186,545</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 \$193,193 as of June 30, 2021. The Town's net position increased by \$6,648 for the fiscal year ended June 30, 2021. A large portion of net position (47.3%) 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 \$31,308 is restricted for stabilization by state statute and \$70,417 is unrestricted.

Town of Norman Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Revenues:		
Program revenues:		
Charges for services	\$ 10,456	\$ -
Operating grants and contributions	30,270	500
General revenues:		
Local option sales taxes	-	23,093
Other taxes	4,204	12,184
Unrestricted investment earnings	359	178
Miscellaneous	-	1,323
Total revenues	<u>45,289</u>	<u>37,278</u>
Expenses:		
General Government	36,241	48,089
Transportation	<u>2,400</u>	<u>3,563</u>
Total expenses	<u>38,641</u>	<u>51,652</u>
Increase (decrease) in net position	6,648	(14,374)
Net position, July 1	<u>186,545</u>	<u>200,919</u>
Net position, June 30	<u>\$ 193,193</u>	<u>\$ 186,545</u>

Governmental activities. Governmental activities increased the Town's net position by \$6,648. This increase was caused by a contribution from Richmond County as aid to municipalities pursuant to an agreement due to the County's change in local option sales tax allocation method in the previous year, which resulted in no local option sales tax for the Town this year.

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 \$56,260, while the total fund balance reached \$101,725. 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 169.4 percent of total expenditures, while total fund balance represents 306.3 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 of a contribution from Richmond County to aid the Town due to the reduction of its local option sales tax allocation approved by the County in April 2020. 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, 2021, totals \$91,468 (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

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Non-depreciable assets		
Land	\$ 54,452	\$ 54,452
Depreciable assets		
Buildings and improvements	<u>37,016</u>	<u>42,451</u>
Total	<u>\$ 91,468</u>	<u>\$ 96,903</u>

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, 2021, 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.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: 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 May 1, 2020. Because the Town does not levy ad valorem taxes, this reduced the Town's 2021 and future sales tax allocations from Richmond County to zero. The Town has been collaborating with Richmond County who has provided a contribution to the Town during fiscal year 2021 in lieu of the sales tax distribution. Richmond County has committed to a similar contribution for the fiscal year ending June 30, 2022. The contributions for both 2021 and 2022 approximate the amount previously received in a sales tax allocation. Additionally, the Town received \$13,908 in American Rescue Plan Act funds in fiscal year 2022.

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, 2021

Exhibit 1

Primary
Government
Governmental
Activities

ASSETS

Current assets

Cash and cash equivalents	\$ 70,417
Interest receivable	167
Due from other governments	<u>31,141</u>
Total current assets	<u>101,725</u>

Non-current assets:

Capital assets

Land	54,452
Buildings, net of depreciation	<u>37,016</u>
Total capital assets	<u>91,468</u>

Total assets	<u>193,193</u>
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LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	<u>-</u>
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Total liabilities	<u>-</u>
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NET POSITION

Net investment in capital assets	\$ 91,468
Restricted for:	
Stabilization by State Statute	31,308
Unrestricted	<u>70,417</u>
Total net position	<u>\$ 193,193</u>

TOWN OF NORMAN, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Exhibit 2

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
				Primary Government Governmental Activities
Primary government				
Governmental activities				
General government	\$ 36,241	\$ 10,456	\$ 30,270	\$ 4,485
Transportation	2,400	-	-	(2,400)
Total primary governmental activities	<u>38,641</u>	<u>10,456</u>	<u>30,270</u>	<u>2,085</u>
General Revenues				
Taxes:				
Utilities and other taxes				4,204
Unrestricted investment earnings				<u>359</u>
Total general revenues				<u>4,563</u>
Change in net position				6,648
Net position, beginning				<u>186,545</u>
Net position, ending				<u>\$ 193,193</u>

TOWN OF NORMAN, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

Exhibit 3

	<u>Major Fund</u> <u>General</u>
ASSETS	
Cash and cash equivalents	\$ 70,417
Receivables, net	
Interest	167
Due from other governments	<u>31,141</u>
Total assets	<u>\$ 101,725</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ <u>-</u>
Total liabilities	<u>-</u>
FUND BALANCES	
Restricted	
Stabilization by State Statute	31,308
Assigned	
Subsequent year's expenditures	14,187
Unassigned	<u>56,230</u>
Total fund balances	<u>\$ 101,725</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	\$ 101,725
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>91,468</u>
Net position of governmental activities	<u>\$ 193,193</u>

TOWN OF NORMAN, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2021

Exhibit 4

	<u>Major Fund</u> <u>General</u>
REVENUES	
Unrestricted intergovernmental	\$ 4,204
Restricted intergovernmental	30,270
Rental income	10,456
Investment earnings	<u>359</u>
Total revenues	<u>45,289</u>
EXPENDITURES	
Current	
General Government	30,806
Transportation	<u>2,400</u>
Total expenditures	<u>33,206</u>
Net change in fund balance	12,083
Fund balance - beginning	<u>89,642</u>
Fund balance - ending	<u>\$ 101,725</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	\$ 12,083
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>(5,435)</u>
Total change in net position of governmental activities	<u>\$ 6,648</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, 2021

Exhibit 5

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
REVENUES				
Unrestricted intergovernmental	\$ 385	\$ 385	\$ 4,204	\$ 3,819
Restricted intergovernmental	-	-	30,270	30,270
Rental income	5,400	5,400	10,456	5,056
Investment earnings	<u>180</u>	<u>180</u>	<u>359</u>	<u>179</u>
Total revenues	<u>5,965</u>	<u>5,965</u>	<u>45,289</u>	<u>39,324</u>
EXPENDITURES				
Current				
General government	37,305	37,305	30,806	6,499
Transportation	<u>2,400</u>	<u>2,400</u>	<u>2,400</u>	<u>-</u>
Total expenditures	<u>39,705</u>	<u>39,705</u>	<u>33,206</u>	<u>6,499</u>
Revenues over (under) expenditures	(33,740)	(33,740)	12,083	45,823
Fund balance appropriated	<u>39,091</u>	<u>39,091</u>	-	<u>(39,091)</u>
Net change in fund balance	<u>\$ 5,351</u>	<u>\$ 5,351</u>	12,083	<u>\$ 6,732</u>
Fund balance - beginning			<u>89,642</u>	
Fund balance - ending			<u>\$ 101,725</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.

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 has no fiduciary funds to report. 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 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 grants and donations. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided and 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, 2021

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.

Various taxes and certain intergovernmental revenues collected and held by the State at year-end on behalf of the Town are recognized as revenue. Most other taxes, 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 except as disclosed in Note 4, where the Town failed to establish a balance budget for fiscal year 2021. 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, 2021

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 is 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 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 – the 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 – the portion of fund balance that the Town of Norman intends to use for specific purposes.

TOWN OF NORMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

Subsequent year's expenditures – the 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.

F. Other

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in their name. The amount of the pledged collateral is based on an approved averaging method for noninterest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, 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 risks for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that the deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$70,417 and a bank balance of \$71,261. Of the bank balance, \$71,261 was covered by federal depository insurance and none was covered by collateral held under the pooling method.

TOWN OF NORMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 2 – DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:
Primary Government:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 54,452	\$ -	\$ -	\$ 54,452
Capital assets being depreciated				
Buildings and improvements	147,732	-	-	147,732
Less accumulated depreciation				
Buildings and improvements	105,281	5,435	-	110,716
Total capital assets, being depreciated, net	42,451	5,435	-	37,016
Governmental activity				
capital assets, net	\$ 96,903	\$ (5,435))	\$ -	\$ 91,468

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

General government	<u>\$5,435</u>
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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 on the Town's buildings and equipment. In addition, general liability insurance and worker's compensation coverage is maintained for all the properties, employees and public officials. 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, the Finance Officer and all public officials have \$50,000 of fidelity bond coverage.

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	\$ 101,725
Less:	
Stabilization by State Statute	31,308
Appropriated Fund Balance in 2022 budget	<u>14,187</u>
Remaining Fund Balance	<u>\$ 56,230</u>

TOWN OF NORMAN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

NOTE 3 – SIGNIFICANT CONTINGENCIES, UNCERTAINTIES AND CONCENTRATIONS

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.

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 May 1, 2020. Because the Town does not levy ad valorem taxes, this reduced the Town’s 2021 and future sales tax allocations from Richmond County to zero. The Town has been collaborating with Richmond County who has provided a contribution to the Town during fiscal year 2021 in lieu of the sales tax distribution. The contribution of \$30,270 represents 66.8% of total governmental revenues and 97.2% of total receivables for the year ended June 30, 2021. Richmond County has committed to a similar contribution for the fiscal year ending June 30, 2022. The significance of the County’s contributions are such that the Town would need to explore alternate revenue sources to sustain operations should the County decide to cease contributions in future years.

NOTE 4 – NONCOMPLIANCE WITH NORTH CAROLINA GENERAL STATUTES

State law (G.S. 159-34) requires the unit to have its accounts audited as soon as possible after the close of each fiscal year. The audit due date for this audit would have been October 31, 2021. This Statute was not complied with. We recommend, going forward, that the unit take every possible step to have audits completed timely. The Town agrees with this recommendation and will work with their accountant to achieve this going forward.

Pursuant to North Carolina General Statute 159-8, the Town failed to have a balanced budget for fiscal year 2021. This is a violation of North Carolina General Statutes. The Town will take more care going forward to ensure their future budgets are balanced and reconciled.

Pursuant to North Carolina General Statute 159-28, the Town was not in compliance with pre-audit requirements. The town will immediately resolve this issue by adding " This instrument has been pre-audited in the manner required by the Local Government budget and fiscal control act" to all Town disbursements.

NOTE 5 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

On March 11, 2021, the American Rescue Plan Act of 2021 (“ARPA”) was signed into law. The law appropriates \$1.9 trillion of federal funding for COVID-19 relief and economic recovery including provisions directly benefiting state and local governments. North Carolina is expecting to receive over \$8.6 billion for state and local government relief, \$3.2 billion of which is to be distributed to local governments via federal formulas. ARPA funds are restricted to use within broad categories outlined in the Act, though within the categories of eligible uses, recipients have broad flexibility to decide how best to use this funding to meet the needs of their communities. State and local governments must obligate ARPA funds by December 31, 2024, and spend them by December 31, 2026. Subsequent to June 30, 2021, the Town received ARPA allocations of \$13,908. The Town is currently collaborating on a plan to utilize the funds received.

**INDIVIDUAL FUND
FINANCIAL SCHEDULE**

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.

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues			
Unrestricted intergovernmental revenues			
Utility franchise tax / piped natural gas tax	\$ -	\$ 3,378	\$ -
Telecommunications tax	-	435	-
Beer and wine tax	-	391	-
Total unrestricted intergovernmental revenues	385	4,204	3,819
Restricted intergovernmental revenues			
County contributions	-	30,270	30,270
Total restricted intergovernmental revenues	-	30,270	30,270
Rental income	5,400	10,456	5,056
Investment earnings	180	359	179
Total revenues	5,965	45,289	39,324
Expenditures			
General government			
Administration			
Council salaries	-	6,960	-
Clerk salary	-	3,180	-
Professional services	-	5,222	-
Dues and subscriptions	-	600	-
Telephone	-	120	-
Utilities	-	6,861	-
Repair & Maintenance	-	2,000	-
Insurance and bonds	-	3,466	-
Payroll taxes	-	776	-
Miscellaneous	-	1,621	-
Total general government	37,305	30,806	6,499

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Transportation			
Streets and highways			
Utilities	-	2,400	-
Total streets and highways	2,400	2,400	-
Total expenditures	39,705	33,206	6,499
Revenues over (under) expenditures	(33,740)	12,083	45,823
Fund balance appropriated	39,091	-	(39,091)
Revenues and fund balance appropriated over expenditures	<u>\$ 5,351</u>	12,083	<u>\$ 6,732</u>
Fund balance, beginning		89,642	
Fund balance, ending		<u>\$ 101,725</u>	