

TOWN OF FAIRVIEW, NORTH CAROLINA
FINANCIAL STATEMENTS
Year Ended June 30, 2023

JBW

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

**TOWN OF FAIRVIEW, NORTH CAROLINA
LOCAL GOVERNMENT OFFICIALS
June 30, 2023**

Town Council

Phil Thomas, Mayor

Gary Wilfong, Mayor Pro Tem

John Biggers

Jerry Clontz

Patricia Kindley

Administrative and Financial Staff

Darrell Baucom, Finance Officer

Teresa Gregorius, Town Clerk

Ed Humphries, Deputy Clerk/Land Use Administrator

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FINANCIAL SECTION

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Town of Fairview, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Fairview, North Carolina's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Town of Fairview, North Carolina, as of June 30, 2023, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Town of Fairview, North Carolina, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Fairview, North Carolina's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Fairview, North Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Fairview, North Carolina's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (on pages i through ix) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Fairview, North Carolina's basic financial statements. The individual fund statements, budgetary schedules, other schedules, as well as the accompanying schedule of expenditures of federal and State awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, budgetary schedules, other schedules, and the schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023, on our consideration of Town of Fairview, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Town of Fairview, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Fairview, North Carolina's internal control over financial reporting and compliance.



Wadesboro, North Carolina
November 17, 2023

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

As management of Town of Fairview, North Carolina, we offer readers of Town of Fairview's financial statements this narrative overview and analysis of the financial activities of Town of Fairview for the fiscal year ended June 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

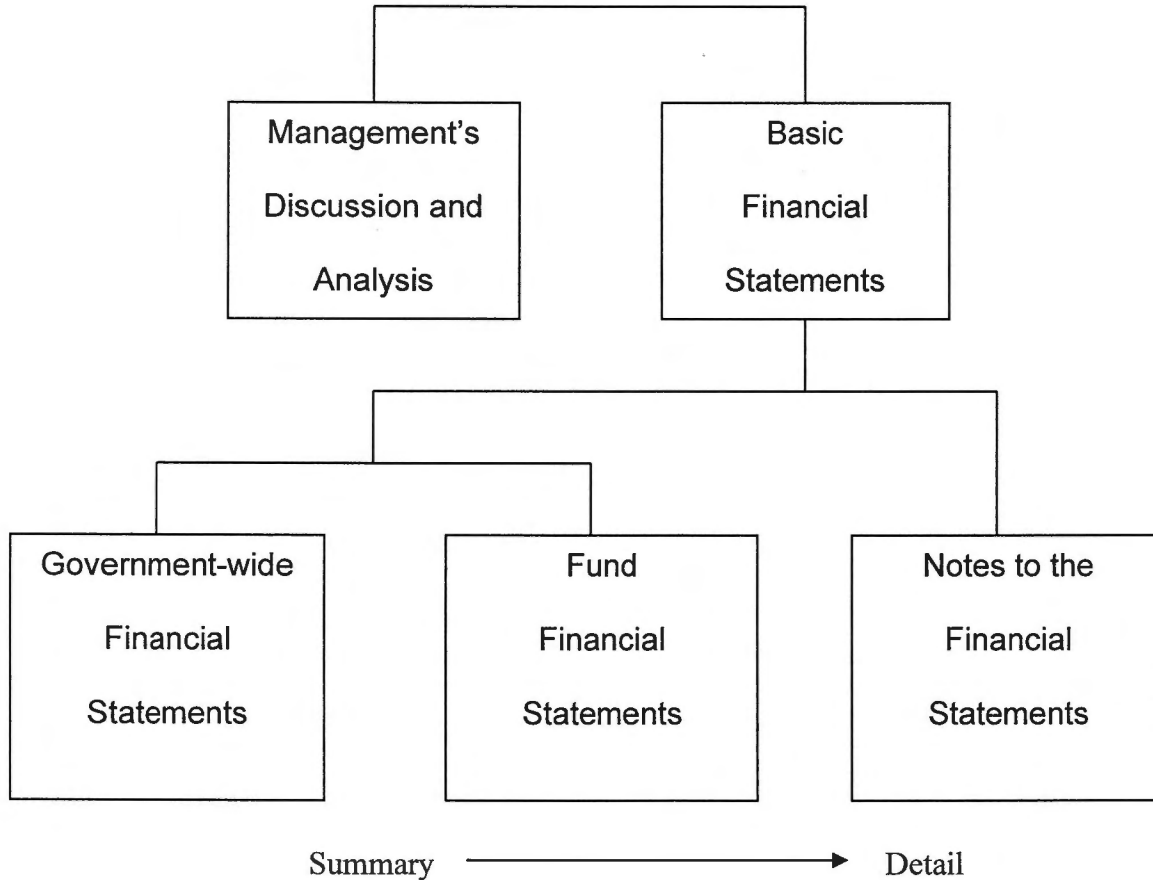
- The assets and deferred outflows of resources of Town of Fairview exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,309,781 (*net position*).
- The government's total net position increased by \$141,920.
- As of the close of the current fiscal year, Town of Fairview's governmental funds reported ending fund balance of \$854,747, an increase of \$111,653 in comparison with the prior year mainly due to ARPA revenue replacement utilized in 22/23. Approximately 70 percent of this total amount, or \$597,920, is nonspendable, restricted, or committed.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$597,920, or 170.9 percent, of total General Fund expenditures for the fiscal year.
- Town of Fairview incurred \$600,000 of long-term debt during fiscal year ended June 30, 2019, for the purchase of land adjacent to the park. Annual debt service payments began on this debt in January 2020.
- The Town has received \$267,197 of American Rescue Plan funds which it is using as revenue replacement by supplanting salaries.
- The Town received State Capital Infrastructure Fund monies of \$250,000 in 21/22 which it is using to upgrade the Town Park.
- The Town received a legislatively directed grant of \$50,000 in 21/22 for improvements to the Town Hall which were completed in 22/23.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Fairview's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Town of Fairview.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3-1 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statement.

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

Management's Discussion and Analysis

Town of Fairview, North Carolina

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Town of Fairview adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted.

Management's Discussion and Analysis

Town of Fairview, North Carolina

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 8-18 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

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

Government-Wide Financial Analysis

**TOWN OF FAIRVIEW
NET POSITION
FIGURE 2**

	Governmental Activities	
	2023	2022
Current and other assets	\$ 907,621	\$ 788,107
Capital assets, net	<u>1,902,251</u>	<u>1,912,315</u>
Total assets	<u>2,809,872</u>	<u>2,700,422</u>
Current and other liabilities	60,072	52,520
Long-term liabilities outstanding:		
Due within one year	40,000	40,000
Due after one year	400,000	440,000
Deferred inflows of resources	<u>19</u>	<u>41</u>
Total liabilities and deferred inflows of resources	<u>500,091</u>	<u>532,561</u>
Net position:		
Net investment in capital assets	1,462,251	1,432,315
Restricted	242,344	308,920
Unrestricted	<u>605,186</u>	<u>426,626</u>
Total net position	<u>\$ 2,309,781</u>	<u>\$ 2,167,861</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Town of Fairview exceeded liabilities and deferred inflows of resources by \$2,309,781 as of June 30, 2023. The Town's net position increased by \$141,920 for the fiscal year ended June 30, 2023. \$1,462,251 or 63.3% reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. Town of Fairview uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of Town of Fairview's net position \$242,344 or 10.5% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$605,186 or 26.2% is unrestricted.

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

- Ad valorem taxes were higher due to property revaluation in 21/22.
- Revenue was recognized from ARPA revenue replacement funds utilized in 22/23.

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

**TOWN OF FAIRVIEW
CHANGES IN NET POSITION
FIGURE 3**

	Governmental Activities	
	2023	2022
Revenues		
Program revenues:		
Charges for services	\$ 33,193	\$ 36,555
Operating grants and contributions	116,003	142,805
Capital grants and contributions	6,520	300,000
General revenues:		
Property taxes	130,235	129,505
Other taxes and licenses	202,050	185,426
Grants and contributions not restricted	-	-
Investment earnings, unrestricted	5,398	983
Miscellaneous, unrestricted	38,249	549
Total revenues	<u>531,648</u>	<u>795,823</u>
Expenses		
Program expenses:		
General government	155,007	138,215
Public safety	-	2,444
Economic and physical development	55,971	47,098
Environmental protection	8,000	8,000
Culture and recreation	152,804	147,120
Interest on long-term debt	17,946	19,506
Total expenses	<u>389,728</u>	<u>362,383</u>
Change in net position	141,920	433,440
Net position, July 1	<u>2,167,861</u>	<u>1,734,421</u>
Net position, June 30	<u>\$ 2,309,781</u>	<u>\$ 2,167,861</u>

Governmental activities: Governmental activities increased the Town's net position by \$141,920. Key elements of this increase are as follows:

- Increase in property taxes due to property revaluation in 21/22.
- Receipt and subsequent expenditure of American Rescue Plan funds, State Capital Infrastructure funds, and legislatively directed grant from North Carolina.

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

Financial Analysis of the Town’s Funds

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

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

The General Fund is the chief operating fund of Town of Fairview. At the end of the current fiscal year, Town of Fairview’s fund balance available in the General Fund was \$604,440 while total fund balance reached \$654,301. The Town currently has an available fund balance of 172.8 percent of General Fund expenditures, while total fund balance represents 187.0 percent of the same amount.

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

Capital Assets and Debt Administration

Capital Assets: Town of Fairview’s investment in capital assets for its governmental activities as of June 30, 2023, totals \$1,902,251 (net of accumulated depreciation). These assets include buildings, land, improvements, office equipment, and park equipment.

Major capital asset transactions during the year include the following:

- Town hall roof replacement and purchase of 2 HVAC units totaling \$53,586
- The addition of lighting at the park pond totaling \$18,247
- Park construction in progress totaling \$25,332
- Depreciation of capital assets for governmental activities in the amount of \$107,229

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

	Governmental Activities	
	2023	2022
Land	\$ 744,435	\$ 744,435
Construction in progress	33,455	8,123
Land improvements	5,255	5,748
Buildings and improvements	1,043,960	1,080,258
Office furniture and equipment	58	171
Park equipment	75,088	73,580
	<u>\$ 1,902,251</u>	<u>\$ 1,912,315</u>

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

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

Long-term Debt: Town of Fairview had no bonded debt as of June 30, 2023.

*TOWN OF FAIRVIEW
Outstanding Debt
FIGURE 5*

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Direct borrowing installment purchase	<u>\$ 440,000</u>	<u>\$ 480,000</u>

Town of Fairview’s Outstanding Debt

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

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within the government’s boundaries. The legal debt margin for Town of Fairview is \$51,066,520. The Town has no bonds authorized but un-issued at June 30, 2023.

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

Economic Factors and Next Year’s Budgets and Rates

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

- The Town expects steady revenue growth in the future due to improving economic conditions.
- Property tax rate for 2023-2024 will remain at \$.02/\$100 of valuation.

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

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities: The Town's expenditures will be reduced as we replaced the Town hall roof in 22/23. This will be partially offset by anticipated increases in culture and recreation expenditures.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Town Budget and Finance Officer, Darrell Baucom, 7516 Concord Hwy, Monroe, North Carolina, 28110. One can also call (704)-753-1981, visit our website www.fairviewnc.gov, or send an email to tgregorius@fairviewnc.gov.

BASIC FINANCIAL STATEMENTS

TOWN OF FAIRVIEW, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2023

Exhibit 1

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 634,837
Restricted cash and cash equivalents	220,315
Taxes receivable	1,000
Accrued interest receivable on taxes	292
Due from other governments	43,214
Prepaid expenditures	7,963
TOTAL CURRENT ASSETS	<u>907,621</u>
CAPITAL ASSETS	
Land and other nondepreciable assets	777,890
Other capital assets, net of depreciation	1,124,361
TOTAL CAPITAL ASSETS	<u>1,902,251</u>
TOTAL ASSETS	<u>2,809,872</u>
LIABILITIES	
Accounts payable and accrued liabilities	12,486
Accrued interest payable	8,509
Due to other governments	16,442
Liabilities payable from restricted assets	21,185
Deposits	1,450
Long-term liabilities:	
Due within one year	40,000
Due in more than one year	400,000
TOTAL LIABILITIES	<u>500,072</u>
DEFERRED INFLOWS OF RESOURCES	
Prepaid taxes	19
NET POSITION	
Net investment in capital assets	1,462,251
Restricted for:	
Stabilization by State statute	41,898
Capital projects	199,855
Other purposes	591
Unrestricted	605,186
TOTAL NET POSITION	<u>\$ 2,309,781</u>

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

TOWN OF FAIRVIEW, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Exhibit 2

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
<u>Functions/Programs</u>		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
General government	\$ 155,007	\$ 14,843	\$ 52,047	\$ -	\$ (88,117)
Economic and physical development	55,971	17,250	51,296	-	12,575
Environmental protection	8,000	-	-	-	(8,000)
Culture and recreation	152,804	1,100	12,660	6,520	(132,524)
Interest on long-term debt	17,946	-	-	-	(17,946)
Total governmental activities	<u>389,728</u>	<u>33,193</u>	<u>116,003</u>	<u>6,520</u>	<u>(234,012)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					130,235
Other taxes and licenses					202,050
Grants and contributions not restricted to specific programs					-
Investment earnings, unrestricted					5,398
Miscellaneous					<u>38,249</u>
					Total general revenues
					<u>375,932</u>
					Change in net position
					141,920
					Net position, beginning
					<u>2,167,861</u>
					Net position, ending
					<u>\$ 2,309,781</u>

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

TOWN OF FAIRVIEW, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

Exhibit 3-1

	Major Funds				Total Governmental Funds
	General Fund	ARPA Grant Project Fund	Town Park Update Capital Project Fund	Town Hall Update Capital Project Fund	
ASSETS					
Cash and cash equivalents	\$ 634,837	\$ -	\$ -	\$ -	\$ 634,837
Restricted cash and cash equivalents	-	21,776	198,539	-	220,315
Taxes receivable	1,000	-	-	-	1,000
Due from other governments	41,898	-	1,316	-	43,214
Prepaid expenditures	7,963	-	-	-	7,963
TOTAL ASSETS	\$ 685,698	\$ 21,776	\$ 199,855	\$ -	\$ 907,329
LIABILITIES					
Accounts payable and accrued liabilities	\$ 12,486	\$ -	\$ -	\$ -	\$ 12,486
Due to other governments	16,442	-	-	-	16,442
Unearned revenues	-	21,185	-	-	21,185
Deposits	1,450	-	-	-	1,450
TOTAL LIABILITIES	30,378	21,185	-	-	51,563
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	1,000	-	-	-	1,000
Prepaid taxes	19	-	-	-	19
DEFERRED INFLOWS OF RESOURCES	1,019	-	-	-	1,019
FUND BALANCES					
Nonspendable:					
Prepaid expenditures	7,963	-	-	-	7,963
Restricted:					
Stabilization by State statute	41,898	-	-	-	41,898
Capital projects	-	-	199,855	-	199,855
Other purposes	-	591	-	-	591
Committed:					
Park	6,520	-	-	-	6,520
Unassigned	597,920	-	-	-	597,920
TOTAL FUND BALANCES	654,301	591	199,855	-	854,747
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 685,698	\$ 21,776	\$ 199,855	\$ -	\$ 907,329

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

TOWN OF FAIRVIEW, NORTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
June 30, 2023

Exhibit 3-2

Fund balances - Total governmental funds (Exhibit 3-1) \$ 854,747

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 1,902,251

Other long-term assets are not available to pay for current-period
expenditures and therefore are inflows of resources in the funds.
Accrued interest receivable on taxes 292

Earned revenues considered deferred inflows of resources
in fund statements. 1,000

Some liabilities used in governmental activities are not financial uses
and, therefore, are not reported in the funds.
Installment purchases payable (440,000)
Accrued interest payable (8,509)

Net position of governmental activities (Exhibit 1) \$ 2,309,781

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

TOWN OF FAIRVIEW, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

Exhibit 4-1

	Major Funds				Total Governmental Funds
	General Fund	ARPA Grant Project Fund	Town Park Update Capital Project Fund	Town Hall Update Capital Project Fund	
REVENUES					
Ad valorem taxes	\$ 130,678	\$ -	\$ -	\$ -	\$ 130,678
Unrestricted intergovernmental	202,050	-	-	-	202,050
Restricted intergovernmental	-	114,713	-	-	114,713
Permits and fees	17,250	-	-	-	17,250
Sales and services	22,463	-	-	-	22,463
Investment earnings	3,460	464	1,392	82	5,398
Miscellaneous	39,539	-	-	-	39,539
TOTAL REVENUES	415,440	115,177	1,392	82	532,091
EXPENDITURES					
Current:					
General government	163,681	-	-	-	163,681
Economic and physical development	55,971	-	-	-	55,971
Environmental protection	8,000	-	-	-	8,000
Culture and recreation	63,488	-	-	-	63,488
Debt service:					
Principal retirement	40,000	-	-	-	40,000
Interest and other charges	18,720	-	-	-	18,720
Capital outlay	-	-	43,624	26,954	70,578
TOTAL EXPENDITURES	349,860	-	43,624	26,954	420,438
REVENUES OVER (UNDER) EXPENDITURES	65,580	115,177	(42,232)	(26,872)	111,653
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds	114,586	(114,586)	-	-	-
NET CHANGE IN FUND BALANCE	180,166	591	(42,232)	(26,872)	111,653
FUND BALANCE, beginning	474,135	-	242,087	26,872	743,094
FUND BALANCE, ending	\$ 654,301	\$ 591	\$ 199,855	\$ -	\$ 854,747

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

TOWN OF FAIRVIEW, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Exhibit 4-2

Net change in fund balances - total governmental funds (Exhibit 4-1) \$ 111,653

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

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

Capital outlay expenditures	97,165
Depreciation expense for governmental assets	(107,229)

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

Increase in accrued interest on property taxes	(68)
Change in unavailable revenue for tax revenues	(375)

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

Principal payment on long-term debt	40,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	<u>774</u>
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Total change in net position of governmental activities (Exhibit 2) \$ 141,920

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

TOWN OF FAIRVIEW, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2023

Exhibit 5

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 121,000	\$ 123,000	\$ 130,678	\$ 7,678
Unrestricted intergovernmental	187,000	191,500	202,050	10,550
Permits and fees	12,000	16,000	17,250	1,250
Sales and services	19,000	15,500	22,463	6,963
Investment earnings	-	-	3,460	3,460
Miscellaneous	-	<u>38,000</u>	<u>39,539</u>	<u>1,539</u>
TOTAL REVENUES	<u>339,000</u>	<u>384,000</u>	<u>415,440</u>	<u>31,440</u>
EXPENDITURES				
Current:				
General government	150,459	173,559	163,681	9,878
Economic and physical development	51,133	56,333	55,971	362
Environmental protection	8,000	8,000	8,000	-
Culture and recreation	73,608	73,908	63,488	10,420
Debt service:				
Principal retirement	40,000	40,000	40,000	-
Interest and other charges	<u>18,720</u>	<u>18,720</u>	<u>18,720</u>	<u>-</u>
TOTAL EXPENDITURES	<u>341,920</u>	<u>370,520</u>	<u>349,860</u>	<u>20,660</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,920)	13,480	65,580	52,100
OTHER FINANCING SOURCES				
Transfers from other funds	<u>119,000</u>	<u>114,000</u>	<u>114,586</u>	<u>586</u>
REVENUES AND OTHER SOURCES OVER EXPENDITURES	116,080	127,480	180,166	52,686
UNAPPROPRIATED FUND BALANCE	<u>(116,080)</u>	<u>(127,480)</u>	<u>-</u>	<u>127,480</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	180,166	<u>\$ 180,166</u>
FUND BALANCE, beginning			<u>474,135</u>	
FUND BALANCE, ending			<u>\$ 654,301</u>	

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

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. BASIS OF PRESENTATION

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component units, if any. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements would distinguish between the *governmental* and *business-type activities* of the Town; however, Town of Fairview does not have any business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a 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. Statements for the Town's only fund category – *governmental* – are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds, when applicable.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources, except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, other taxes and licenses, permits and fees, and investment income. The primary expenditures are for general government, economic and physical development, culture and recreation, and debt service.

ARPA Grant Project Fund. This fund is used to account for transactions related to the American Rescue Plan Coronavirus State and Local Fiscal Recovery Funds.

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Town Park Update Capital Project Fund. This fund is used to account for transactions related to State Capital Infrastructure Fund monies designated for capital improvements at the Town Park.

Town Hall Update Capital Project Fund. This fund is used to account for transactions related to a legislatively directed grant designated for updates to Town hall.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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

D. BUDGETARY DATA

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances spanning more than one year are adopted, and amended, as required for capital projects and special revenue funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the object level for all annually budgeted funds and for any multi-year funds. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND FUND EQUITY

DEPOSITS AND INVESTMENTS

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

CASH AND CASH EQUIVALENTS

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

RESTRICTED ASSETS

Restricted cash for the Town as of June 30, 2023, consisted of the following:

Governmental Activities:

ARPA Fund:

Unassigned grant proceeds	\$ 21,776
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Town Park Update Capital Project Fund:

Unexpended grant monies	<u>198,539</u>
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	<u>\$ 220,315</u>
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AD VALOREM TAXES RECEIVABLE

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2022.

ALLOWANCES FOR DOUBTFUL ACCOUNTS

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

PREPAID EXPENDITURES

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

CAPITAL ASSETS

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land \$1,000; buildings and improvements \$1,000; equipment and furniture \$1,000; computer software and equipment \$1,000. Donated capital assets received prior to June 16, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Town are depreciated on a straight-line basis over the following estimated useful lives:

Land improvements	15 years
Buildings and improvements	5-30 years
Equipment and furniture	5-15 years

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable and prepaid taxes.

REIMBURSEMENTS FOR PANDEMIC-RELATED EXPENDITURES

In fiscal year 2020/2021, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and to replace lost revenue for eligible state, local territorial, and tribal governments. The Town was awarded \$267,197 in American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds to be paid in two equal installments. The first tranche of \$133,598 was received by the Town in August 2021. The second tranche of the same amount was received in July 2022. The Town plans to use the funds for revenue replacement by supplanting salaries, meet the grantor requirements of encumbering costs by December 31, 2024, and have all funds fully expended by December 31, 2026. Unassigned grant proceeds of \$21,185 are included in unearned revenues in the governmental funds and in liabilities payable from restricted assets in the government-wide financial statements as of June 30, 2023.

LONG-TERM OBLIGATIONS

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

COMPENSATED ABSENCES

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

NET POSITION/FUND BALANCES

NET POSITION:

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

FUND BALANCES:

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

The governmental fund types classify fund balances as follows:

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

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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

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

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

Restricted for capital projects - portion of fund balance that is restricted by revenue source for certain capital project expenditures.

Restricted for other purposes - portion of fund balance restricted by revenue source for other purposes. This amount currently represents the investment earnings on unexpended ARPA 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 Fairview's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for the park - portion of fund balance set aside by the Board for future park capital needs.

Assigned Fund Balance - portion of fund balance that the Town intends to use for specific purposes.

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

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds and has not been reported as nonspendable fund balance.

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Town has not adopted a minimum fund balance policy, but follows the State Treasurer's guidance.

DEFINED BENEFIT COST-SHARING PLANS

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

NOTE 2 – DETAIL NOTES ON ALL FUNDS

A. ASSETS

DEPOSITS

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2023, the Town's deposits had a carrying amount of \$854,048 and a bank balance of \$869,817. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2023, the Town's bank balances exceeded federally insured limits by \$619,817.

INVESTMENTS

At June 30, 2023, the Town's investments consisted of \$1,104 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no formal policy regarding credit risk of its investments.

RECEIVABLES

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

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 744,435	\$ -	\$ -	\$ 744,435
Construction in progress	8,123	25,332	-	33,455
	<u>752,558</u>	<u>25,332</u>	<u>-</u>	<u>777,890</u>
Capital assets being depreciated:				
Land improvements	7,400	-	-	7,400
Buildings and improvements	1,497,227	53,586	-	1,550,813
Office furniture and equipment	11,772	-	-	11,772
Park equipment	152,883	18,247	-	171,130
	<u>1,669,282</u>	<u>71,833</u>	<u>-</u>	<u>1,741,115</u>
Less accumulated depreciation for:				
Land improvements	1,652	493	-	2,145
Buildings and improvements	416,969	89,884	-	506,853
Office furniture and equipment	11,601	113	-	11,714
Park equipment	79,303	16,739	-	96,042
	<u>509,525</u>	<u>107,229</u>	<u>-</u>	<u>616,754</u>
	<u>1,159,757</u>			<u>1,124,361</u>
Governmental activities				
capital assets, net	<u>\$ 1,912,315</u>			<u>\$ 1,902,251</u>

Depreciation expense was charged to governmental departments as follows:

General government	\$ 17,913
Culture and recreation	<u>89,316</u>
	<u>\$ 107,229</u>

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

B. LIABILITIES

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred inflows of resources at year-end as disclosed in the Governmental Funds Balance Sheet are comprised of the following:

Taxes receivable	\$ 1,000
Prepaid taxes	19
	<u>\$ 1,019</u>

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in an insurance pool administered by the Interlocal Risk Financing Fund of North Carolina. Through this pool, the Town obtains general liability and auto liability coverage of \$5 million per occurrence, and property coverage up to the total insurance values of the property policy.

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

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and the tax collector/land use administrator are bonded for \$50,000 and \$10,000, respectively. The Town also has a blanket bond for \$20,000.

COMMITMENTS

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

The Town has entered into a contract to update the Town's original park master plan. The remaining balance on this commitment totaled \$5,645.

CLAIMS AND JUDGMENTS

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

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

LONG-TERM OBLIGATIONS

Installment purchase

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

\$ 440,000

Annual debt service payments of the installment purchase as of June 30, 2023, including \$102,960 of interest, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 40,000	\$ 17,160
2025	40,000	15,600
2026	40,000	14,040
2027	40,000	12,480
2028	40,000	10,920
2029-2033	200,000	31,200
2034	40,000	1,560
	<u>\$ 440,000</u>	<u>\$ 102,960</u>

CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in the Town's long-term obligations for the year ended June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental activities:					
Direct borrowing installment purchase	<u>\$ 480,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 440,000</u>	<u>\$ 40,000</u>

At June 30, 2023, Town of Fairview had a legal debt margin of \$51,066,520.

TOWN OF FAIRVIEW, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 – INTERFUND BALANCES AND ACTIVITY

Transfers are used to move monies to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. Transfers at June 30, 2023, consisted of \$114,586 transferred from the ARPA Grant Project Fund to the General Fund for revenue replacement.

NOTE 4 – JOINT VENTURES

Charlotte Regional Transportation Planning Organization

The Town participates in a joint venture, Charlotte Regional Transportation Planning Organization (CRTPO), with 29 other jurisdictions in Iredell, Mecklenburg, and Union counties to work cooperatively with each other and the North Carolina Department of Transportation to enhance transportation planning opportunities for the region. CRTPO is one of the four MPO's and one RPO that make up the Charlotte Regional Alliance for Transportation. The Charlotte-Mecklenburg Planning Department is the lead planning agency for CRTPO. None of the participating governments have any equity interest in CRTPO, so no equity interest has been reflected in the financial statements at June 30, 2023. In accordance with the agreement between the participating governments and CRTPO, the Town paid \$1,658 to the CRTPO during the fiscal year ended June 30, 2023, for membership dues. Complete financial statements for CRTPO may be obtained from CRTPO's office at 600 E. Fourth Street, 8th Floor, Charlotte, North Carolina 28202-2853.

NOTE 5 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

FEDERAL AND STATE ASSISTED PROGRAMS

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

**INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

TOWN OF FAIRVIEW, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2023

Exhibit A-1
Page 1 of 3

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes:			
Taxes	\$ 123,000	\$ 130,094	\$ 7,094
Penalties and interest	-	584	584
Total	<u>123,000</u>	<u>130,678</u>	<u>7,678</u>
Unrestricted intergovernmental:			
Local option sales taxes	51,000	54,886	3,886
Beer and wine tax	15,500	15,693	193
Utilities sales tax	125,000	110,136	(14,864)
Telecommunications sales tax	-	14,363	14,363
Piped natural gas sales tax	-	916	916
Video franchise fee	-	6,056	6,056
Total	<u>191,500</u>	<u>202,050</u>	<u>10,550</u>
Permits and fees:			
Zoning fees and permits	<u>16,000</u>	<u>17,250</u>	<u>1,250</u>
Sales and services:			
Rental house income	10,000	15,370	5,370
Park rental income	1,000	2,400	1,400
Farm land rental	4,500	4,693	193
Total	<u>15,500</u>	<u>22,463</u>	<u>6,963</u>
Investment earnings	<u>-</u>	<u>3,460</u>	<u>3,460</u>
Miscellaneous	<u>38,000</u>	<u>39,539</u>	<u>1,539</u>
TOTAL REVENUES	<u>384,000</u>	<u>415,440</u>	<u>31,440</u>

TOWN OF FAIRVIEW, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2023

Exhibit A-1
Page 2 of 3

	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
General government:			
Advertising	1,000	507	493
Audit fees	9,600	9,600	-
Bank service charges	500	410	90
Collection fees - ad valorem	2,200	1,886	314
Computer and internet	11,000	9,359	1,641
Dues and subscriptions	6,200	5,550	650
Grants	2,000	2,000	-
Insurance	7,200	6,969	231
Legal fees	5,800	5,409	391
Miscellaneous	1,000	33	967
Office supplies	26,000	25,393	607
Office utilities	4,800	4,310	490
Payroll expense	52,659	51,926	733
Payroll taxes	9,000	8,833	167
Professional fees	3,500	3,158	342
Repairs and maintenance	1,000	464	536
Telephone	1,200	1,117	83
Town Hall capital outlay	28,000	26,587	1,413
Training	500	-	500
Travel	400	170	230
Total	<u>173,559</u>	<u>163,681</u>	<u>9,878</u>
Economic and physical development:			
Payroll expense	51,333	51,296	37
Zoning administration	5,000	4,675	325
	<u>56,333</u>	<u>55,971</u>	<u>362</u>
Environmental protection:			
Sanitation contracted services	8,000	8,000	-

TOWN OF FAIRVIEW, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2023

Exhibit A-1
Page 3 of 3

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES - CONTINUED:			
Culture and recreation:			
Festival expense	21,500	14,919	6,581
Park maintenance	38,000	34,363	3,637
Park utilities	3,000	2,836	164
Payroll expense	<u>11,408</u>	<u>11,370</u>	<u>38</u>
Total	<u>73,908</u>	<u>63,488</u>	<u>10,420</u>
Debt service:			
Principal retirement	40,000	40,000	-
Interest and other charges	<u>18,720</u>	<u>18,720</u>	<u>-</u>
Total	<u>58,720</u>	<u>58,720</u>	<u>-</u>
TOTAL EXPENDITURES	<u>370,520</u>	<u>349,860</u>	<u>20,660</u>
REVENUES OVER EXPENDITURES	13,480	65,580	52,100
OTHER FINANCING SOURCES			
Transfers from other funds	<u>114,000</u>	<u>114,586</u>	<u>586</u>
REVENUES AND OTHER SOURCES OVER EXPENDITURES	127,480	180,166	52,686
UNAPPROPRIATED FUND BALANCE	<u>(127,480)</u>	<u>-</u>	<u>127,480</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	180,166	<u>\$ 180,166</u>
FUND BALANCE, beginning		<u>474,135</u>	
FUND BALANCE, ending		<u>\$ 654,301</u>	

ARPA GRANT PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and for the Year Ended June 30, 2023

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Restricted intergovernmental:					
ARP/CSLRF funds	\$ 267,197	\$ 131,299	\$ 114,713	\$ 246,012	\$ (21,185)
Interest earned	<u>-</u>	<u>127</u>	<u>464</u>	<u>591</u>	<u>591</u>
TOTAL REVENUES	267,197	131,426	115,177	246,603	(20,594)
OTHER FINANCING USES					
Transfer to General Fund	<u>(267,197)</u>	<u>(131,426)</u>	<u>(114,586)</u>	<u>(246,012)</u>	<u>21,185</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	591	<u>\$ 591</u>	<u>\$ 591</u>
FUND BALANCE, beginning			<u>-</u>		
FUND BALANCE, ending			<u>\$ 591</u>		

TOWN OF FAIRVIEW, NORTH CAROLINA
TOWN PARK UPDATE CAPITAL PROJECT FUND

Exhibit B-2

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2023

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Restricted intergovernmental:					
Grant proceeds	\$ 250,000	\$ 250,000	\$ -	\$ 250,000	\$ -
Interest earned	<u>-</u>	<u>210</u>	<u>1,392</u>	<u>1,602</u>	<u>1,602</u>
TOTAL REVENUES	250,000	250,210	1,392	251,602	1,602
EXPENDITURES					
Capital outlay:					
Design and park upgrade	<u>250,000</u>	<u>8,123</u>	<u>43,624</u>	<u>51,747</u>	<u>198,253</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 242,087</u>	<u>(42,232)</u>	<u>\$ 199,855</u>	<u>\$ 199,855</u>
FUND BALANCE, beginning			<u>242,087</u>		
FUND BALANCE, ending			<u>\$ 199,855</u>		

TOWN OF FAIRVIEW, NORTH CAROLINA
TOWN HALL UPDATE CAPITAL PROJECT FUND

Exhibit B-3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2023

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Restricted intergovernmental:					
Grant proceeds	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
Interest earned	-	33	82	115	115
TOTAL REVENUES	50,000	50,033	82	50,115	115
EXPENDITURES					
Capital outlay:					
Electrical, HVAC, and other upgrades	50,000	23,161	26,954	50,115	(115)
NET CHANGE IN FUND BALANCE	\$ -	\$ 26,872	(26,872)	\$ -	\$ -
FUND BALANCE, beginning			26,872		
FUND BALANCE, ending			\$ -		

OTHER SCHEDULES

TOWN OF FAIRVIEW, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2023

Exhibit C-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2022</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2023</u>
2022-2023	\$ -	\$ 129,227	\$ 128,972	\$ 255
2021-2022	307	205	406	106
2020-2021	79	164	232	11
2019-2020	385	100	219	266
2018-2019	403	41	153	291
2017-2018	122	-	112	10
2016-2017	13	-	-	13
2015-2016	7	-	-	7
2014-2015	21	-	-	21
2013-2014	20	-	-	20
2012-2013	18	-	18	-
	<u>\$ 1,375</u>	<u>\$ 129,737</u>	<u>\$ 130,112</u>	<u>\$ 1,000</u>

Reconciliation with revenues:

Ad Valorem Taxes - General Fund	\$ 130,678
Reconciling items:	
Interest collected	(584)
Collection of taxes previously written off	-
Refunds	-
Taxes written off	<u>18</u>
Total collections and credits	<u>\$ 130,112</u>

TOWN OF FAIRVIEW, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY
For the Year Ended June 30, 2023

Exhibit C-2

	<u>Town-wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current rate	\$ 639,863,750	\$ 0.02	\$ 127,972	\$ 114,870	\$ 13,102
Penalties and adjustments	<u>-</u>		<u>427</u>	<u>427</u>	<u>-</u>
Total	<u>639,863,750</u>		<u>128,399</u>	<u>115,297</u>	<u>13,102</u>
Discoveries:					
Current year taxes	4,322,350	0.02	865	865	-
Penalties and adjustments	<u>-</u>		<u>34</u>	<u>34</u>	<u>-</u>
	<u>4,322,350</u>		<u>899</u>	<u>899</u>	<u>-</u>
Releases	<u>(354,600)</u>		<u>(71)</u>	<u>(71)</u>	<u>-</u>
Total property valuation	<u>\$ 643,831,500</u>				
Net levy			129,227	116,125	13,102
Unpaid (by taxpayer) taxes at June 30, 2023			<u>(255)</u>	<u>(255)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 128,972</u>	<u>\$ 115,870</u>	<u>\$ 13,102</u>
Current levy collection percentage			<u>99.80%</u>	<u>99.78%</u>	<u>100.00%</u>

COMPLIANCE SECTION

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

CERTIFIED PUBLIC ACCOUNTANTS

120 SOUTH RUTHERFORD STREET

P. O. BOX 341

WADESBORO, N.C. 28170

JAMES F. HANNA, CPA
DENEAL H. BENNETT, CPA
J. DAVID BURNS, CPA

TELEPHONE (704) 694-5174
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and each major fund of Town of Fairview, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Fairview, North Carolina's basic financial statements, and have issued our report thereon dated November 17, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Fairview, North Carolina's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Fairview, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Fairview, North Carolina's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a certain deficiency in internal control that we consider to be a material weakness.

Segregation of Duties:

In an organization such as Town of Fairview, North Carolina, with a limited number of personnel for certain functions, there are inherent limitations of the effectiveness of certain controls due to the lack of segregation of duties among the Town personnel. We, therefore, recommend the Town separate duties as much as possible and provide alternative controls, including involvement of the Town board with oversight and approvals, where feasible.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Fairview, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Fairview, North Carolina's Response to Finding

The Town agrees with the above noted finding and plans to alleviate the effects of the noted deficiency where feasible and cost effective. *Government Auditing Standards* require the auditor to perform limited procedures on Town of Fairview, North Carolina's response to the finding identified in our audit and described above. Town of Fairview, North Carolina's response was not subjected to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wadesboro, North Carolina
November 17, 2023

TOWN OF FAIRVIEW, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2023

<u>Grantor/Pass-Through Grantor/Program Title</u>	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	<u>Grant Funds Expended</u>		
			Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Cash Assistance:					
Federal Grants:					
<u>U.S. Department of Treasury</u>					
Coronavirus State and Local Fiscal Recovery Funds	21.027	NC0149	\$ 114,586	\$ -	\$ -
State Grants:					
<u>N.C. Department of Commerce</u>					
Rural Economic Development Division:					
State Appropriation		2022-068-1257-1913	-	26,954	-
<u>Office of State Budget and Management</u>					
State Capital Infrastructure Fund (SCIF)		10442	-	43,624	-
Total assistance - State programs			-	70,578	-
Total assistance			\$ 114,586	\$ 70,578	\$ -

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Town of Fairview under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. Because the SEFSA presents only a selected portion of the operations of Town of Fairview, it is not intended to, and does not, present the financial position or changes in net position of Town of Fairview.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.