

TOWN OF FAISON
Faison, North Carolina

FINANCIAL STATEMENTS
Year Ended June 30, 2020

TOWN OF FAISON

Faison, North Carolina

TOWN COUNCIL
BOARD OF COMMISSIONERS

Melba Brewer

William Ward II

Sherry Franklin

Danny Blackburn

Juan Quintanilla

ADMINISTRATIVE OFFICERS

Mayor

Honorable Carolyn Kenyon

Town Clerk

Sharon Lee

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June 30, 2020**

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FINANCIAL SECTION



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Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Commissioners
Faison, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Faison, North Carolina, as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions be presented to supplement the basic financial statements. Such information, although not a required 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 Faison, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other 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, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedule, and other schedules 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 October 23, 2020 on our consideration of the Town of Faison'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 the report is 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 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 the Town of Faison's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

October 23, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

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

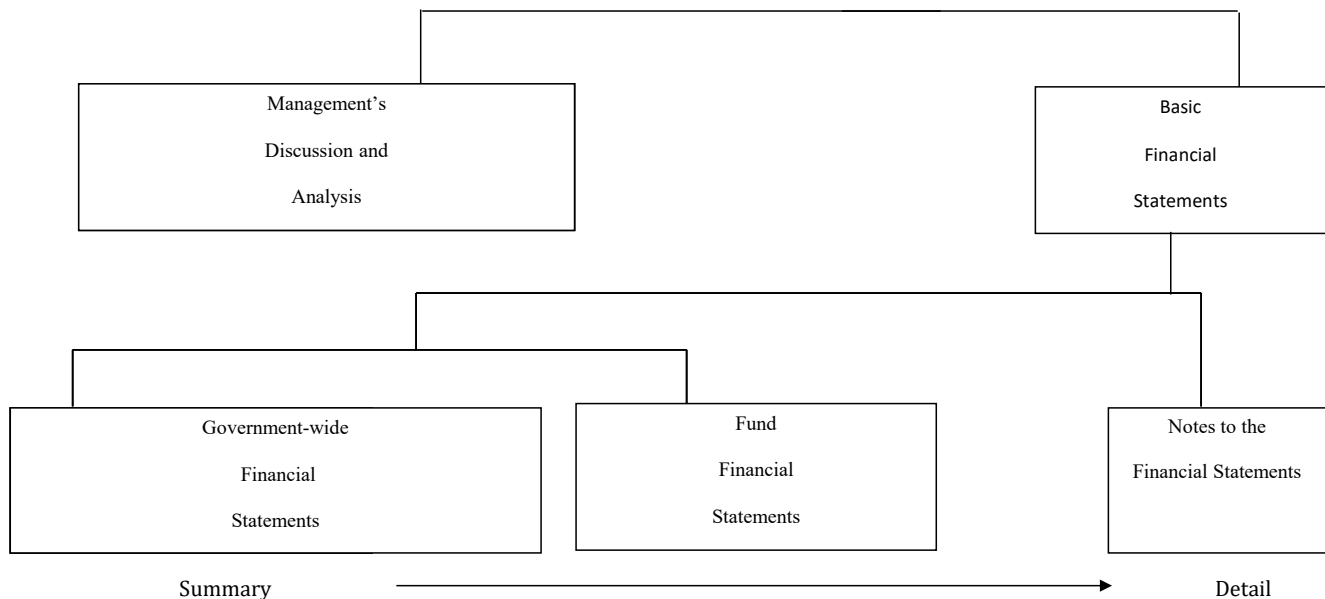
Financial Highlights

- The assets and deferred outflows of resources of the Town of Faison exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,569,172 (net position).
- The Town's total net position increased by \$124,308 primarily due to increase in the governmental and business-type activities net position.
- As of the close of the current fiscal year, the Town of Faison's governmental funds reported combined ending fund balances of \$1,131,517 an increase of \$99,719 in comparison with the prior year. Approximately 84 percent of this total amount, or \$952,658 is available for spending at the government's discretion (unassigned).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$952,658 or 125% of total general fund expenditures for the fiscal year.
- The Town of Faison's total debt decreased by \$25,086 during the current fiscal year. The key factor in this decrease was a decrease of \$25,086 from paying the loan annual debt service payment for the revolving loan used to fund the 2011 403 Waterline Replacement Capital Project.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show additional details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes can also 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 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 divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales tax, and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and storm water services offered by the Town of Faison.

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

Fund Financial Statements

The Fund Financial Statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Faison, 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. All of the funds of the Town of Faison can be divided into two categories: governmental funds and proprietary funds.

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

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

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

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Faison's progress in funding its obligation to provide pension benefits to its employees.

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. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

**Town of Faison's Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Current and other assets	\$ 1,040,749	\$ 1,171,868	\$ 972,146	\$ 1,036,182	\$ 2,012,895	\$ 2,208,050
Capital assets	679,171	640,137	7,784,470	7,770,648	8,463,641	8,410,785
Total assets and deferred outflows of resources	1,719,920	1,812,005	8,756,616	8,806,830	10,476,536	10,618,835
Deferred outflows of resources	28,291	22,128	42,434	33,191	70,725	55,319
Long-term liabilities outstanding	238,096	249,791	749,763	743,517	987,859	993,308
Other liabilities	5,464	13,190	17,513	16,067	22,977	29,257
Total liabilities and deferred inflows of resources	243,560	262,981	767,276	759,584	1,010,836	1,022,565
Deferred inflows of resources	36,625	32,967	54,936	49,450	91,561	82,417
Net position:						
Net investment in capital assets	679,171	640,137	7,433,269	7,444,533	8,112,440	8,084,670
Restricted	101,009	88,286	-	-	101,009	88,286
Unrestricted	687,846	809,762	543,569	586,454	1,231,415	1,396,216
Total net position	\$ 1,468,026	\$ 1,538,185	\$ 7,976,838	\$ 8,030,987	\$ 9,444,864	\$ 9,569,172

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Faison exceeded liabilities and deferred inflows by \$9,569,172 as of June 30, 2020. The Town's net position increased by \$124,308 for the fiscal year ended June 30, 2020. However, the largest portion \$8,084,670(84%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Faison uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Faison's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Faison's net position, \$88,286(1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,396,216(15%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 91.93%.

Town of Faison
Changes in Net Position
Figure 3

	Governmental Activities		Business Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Revenues:						
Program revenues:						
Charges for services	\$ 123,122	\$ 140,869	\$ 586,466	\$ 578,051	\$ 709,588	\$ 718,920
Operating grants and contributions	42,991	36,948	-	-	42,991	36,948
Capital grants and contributions	-	-	357,848	353,702	357,848	353,702
General revenues:						
Property taxes	291,299	332,193	-	-	291,299	332,193
Other taxes	340,024	347,716	-	-	340,024	347,716
Other	36,672	25,416	7,450	17,811	44,122	43,227
Total revenues	834,108	883,142	951,764	949,564	1,785,872	1,832,706
Expenses:						
General government	228,366	345,709	-	-	228,366	345,709
Public safety	184,510	143,670	-	-	184,510	143,670
Transportation	63,527	80,473	-	-	63,527	80,473
Environmental protections	93,055	98,479	-	-	93,055	98,479
Cultural and recreation	185,223	144,652	-	-	185,223	144,652
Water and sewer	-	-	904,100	895,415	904,100	895,415
Total expenses	754,681	812,983	904,100	895,415	1,658,781	1,708,398
Increase in net position	79,427	70,159	47,664	54,149	127,091	124,308
Total Net Position - beginning	1,388,599	1,468,026	7,929,174	7,976,838	9,317,773	9,444,864
Total Net Position, ending	\$ 1,468,026	\$ 1,538,185	\$ 7,976,838	\$ 8,030,987	\$ 9,444,864	\$ 9,569,172

Governmental activities. Governmental activities increased the Town's net position by \$70,159, accounting for 56% of the total growth in the net position of the Town of Faison. Key elements of this increase are as follows:

- Increase in revenues.

Business-type activities. Business-type activities increased the Town of Faison's net position by \$54,149, accounting for 44% of the total growth in the government's net position. Key elements of this increase are as follows:

- Increase in revenues and grants.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Faison. At the end of the current fiscal year, the Town of Faison's fund balance available in the General Fund was \$952,658, while total fund balance reached \$1,131,517.

At June 30, 2020 the governmental funds of Town of Faison reported a combined fund balance of \$1,131,517, with a net increase in fund balance of \$99,719.

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

Proprietary Funds. The Town of Faison's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$586,454. The total change in net position was \$54,149. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Faison's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Faison's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totals \$8,410,785 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital assets transactions during the year include the following:

- New equipment for water tank and pump.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Land	\$ 83,675	\$ 83,675	\$ 338,738	\$ 644,225	\$ 422,413	\$ 727,900
Buildings and system	480,714	454,828	152,328	141,101	633,042	595,929
Improvements	83,468	78,417	-	-	83,468	78,417
Machinery and equipment	31,314	23,217	37,147	31,094	68,461	54,311
Substations, lines equipment	-	-	6,857,846	6,567,065	6,857,846	6,567,065
Vehicles and motorized equipment	-	-	11,218	-	11,218	-
Construction in progress	-	-	387,163	387,163	387,163	387,163
Total	\$ 679,171	\$ 640,137	\$ 7,784,440	\$ 7,770,648	\$ 8,463,611	\$ 8,410,785

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

Long-term Debt. As of June 30, 2020 the Town of Faison had total debt outstanding of \$326,115.

Town of Faison's Outstanding Debt

The Town of Faison's total debt decreased by \$25,086 during the current fiscal year, due to scheduled loan payments.

North Carolina General Statutes limits the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Faison is \$5,032,483.

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

Economic Factors and Next Year's Budgets and Rates

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

- Unemployment remained steady.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Property taxes are expected to remain the same as the current tax rate. The Town will continue to finance programs currently in place. The Town is sponsoring a newly appointed Enhancement Committee with a beautification project through the NCDOT along the railway in town.

Business-type Activities: The water and sewer rates in the Town were left unchanged for the coming year.

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 Town of Faison, P.O. Box 365, Faison, N.C. 28341, or by e-mail at faisontown@earthlink.net.

BASIC FINANCIAL STATEMENTS

Town of Faison, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,094,979	\$ 866,308	\$ 1,961,287
Restricted cash	9,176	42,716	51,892
Receivables (net)	108,295	78,702	186,997
Due from other governments	-	7,874	7,874
Internal balances	(40,582)	40,582	-
Total Current Assets:	<u>1,171,868</u>	<u>1,036,182</u>	<u>2,208,050</u>
Non-Current Assets:			
Capital assets:			
Land, improvements, and construction in progress	83,675	1,031,388	1,115,063
Other capital assets, net of depreciation	<u>556,462</u>	<u>6,739,260</u>	<u>7,295,722</u>
Total capital assets	<u>640,137</u>	<u>7,770,648</u>	<u>8,410,785</u>
Total assets	<u>1,812,005</u>	<u>8,806,830</u>	<u>10,618,835</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	22,128	33,191	55,319
OPEB deferrals	-	-	-
Total deferred outflows of resources	<u>22,128</u>	<u>33,191</u>	<u>55,319</u>
LIABILITIES			
Accounts payable and accrued expenses	11,166	11,444	22,610
Compensated absences	2,024	4,623	6,647
Long-term liabilities:			
Liabilities payable from restricted assets:			
Customer deposits	-	42,716	42,716
Net pension liability	35,502	53,253	88,755
Total OPEB Liability	214,289	321,433	535,722
Due within one year	-	25,086	25,086
Due in more than one year	-	301,029	301,029
Total liabilities	<u>262,981</u>	<u>759,584</u>	<u>1,022,565</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	2,893	4,340	7,233
OPEB deferrals	<u>30,074</u>	<u>45,110</u>	<u>75,184</u>
Total deferred inflows of resources	<u>\$ 32,967</u>	<u>\$ 49,450</u>	<u>\$ 82,417</u>
NET POSITION			
Net invested in capital assets	640,137	7,444,533	8,084,670
Stabilization by State Statute	79,110	-	79,110
Restricted for streets	9,176	-	9,176
Unrestricted (deficit)	<u>809,762</u>	<u>586,454</u>	<u>1,396,216</u>
Total net position	<u>\$ 1,538,185</u>	<u>\$ 8,030,987</u>	<u>\$ 9,569,172</u>

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

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 345,709	\$ 2,110	\$ -	\$ -	\$ (343,599)	\$ -	\$ (343,599)
Public safety	143,670	85	-	-	(143,585)	-	(143,585)
Transportation	80,473	-	31,948	-	(48,525)	-	(48,525)
Environmental protection	98,479	86,504	744	-	(11,231)	-	(11,231)
Cultural and recreation	144,652	52,170	5,000	-	(87,482)	-	(87,482)
Total governmental activities	812,983	140,869	37,692	-	(634,422)	-	(634,422)
Business-type activities:							
Water and sewer	895,415	578,051	-	353,702	-	36,338	36,338
Total business-type activities	895,415	578,051	-	353,702	-	36,338	36,338
Total Primary Government	\$ 1,708,398	\$ 718,920	\$ 37,692	\$ 353,702	(634,422)	36,338	(598,084)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					332,193	-	332,193
Local option sales tax					270,176	-	270,176
Other taxes and licenses					77,540	-	77,540
Grants and contributions not restricted to specific programs					-	-	-
Investment earnings, unrestricted					23,249	17,811	41,060
Miscellaneous, unrestricted					2,167	-	2,167
Total general revenues not including transfers					705,325	17,811	723,136
Transfers					-	-	-
Total general revenues and transfers					705,325	17,811	723,136
Change in net position					70,903	54,149	125,052
Total Net Position - beginning					1,468,026	7,976,838	9,444,864
Total Net Position, ending					\$ 1,538,929	\$ 8,030,987	\$ 9,569,916

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

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

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,094,979	\$ 1,094,979
Restricted cash	9,176	9,176
Taxes receivables, net	27,498	27,498
Account receivables, net	79,110	79,110
Total assets	<u>1,210,763</u>	<u>1,210,763</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	11,166	11,166
Due to other funds	40,582	40,582
Total liabilities	<u>51,748</u>	<u>51,748</u>
 DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	27,498	27,498
Prepaid taxes	-	-
Total deferred inflows of resources	<u>27,498</u>	<u>27,498</u>
 Fund balances:		
Restricted		
Streets - Powell Bill	9,176	9,176
Stabilization by State Statute	79,110	79,110
Committed- Cemetery perpetual care	90,573	90,573
Unassigned	952,658	952,658
Total fund balances	<u>1,131,517</u>	<u>1,131,517</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,210,763</u>	
 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.		640,137
Deferred outflows of resources related to pensions are not reported in the funds.		22,128
Deferred outflows of resources related to OPEB are not reported in the funds		-
Earned revenues considered deferred inflows of resources in fund statements.		27,498
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.		1,687
Deferred inflows of resources related to pensions are not reported in the funds		(2,893)
Deferred inflows of resources related to OPEB are not reported in the funds		(30,074)
Net pension liability.		(35,502)
OPEB Liability		(214,289)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(2,024)
Net position of governmental activities		<u>\$ 1,538,185</u>

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

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

	<u>General Fund</u>	<u>Total Governmental Funds</u>
REVENUES		
Ad valorem taxes	\$ 308,412	\$ 308,412
Unrestricted intergovernmental	347,716	347,716
Restricted intergovernmental	37,692	37,692
Permits and fees	995	995
Sales and services	139,874	139,874
Investment earnings	23,249	23,249
Miscellaneous	1,420	1,420
Total revenues	<u>859,358</u>	<u>859,358</u>
EXPENDITURES		
Current:		
General government	321,913	321,913
Public safety	141,273	141,273
Transportation	80,473	80,473
Cultural and recreation	117,373	117,373
Environmental	98,479	98,479
Economic and physical development	128	128
Total expenditures	<u>759,639</u>	<u>759,639</u>
Excess (deficiency) of revenues over expenditures	<u>99,719</u>	<u>99,719</u>
Net change in fund balance	99,719	99,719
Fund balances-beginning	1,031,798	1,031,798
Fund balances-ending	<u>\$ 1,131,517</u>	<u>\$ 1,131,517</u>

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

Town of Faison, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 99,719
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 outlays exceeded depreciation in the current period.	
Capital outlay expenditures which were capitalized	-
Depreciation expense for governmental assets	(39,034)
	(39,034)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	8,850
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in unavailable revenue for tax revenues	23,781
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.	(23,157)
Total changes in net position of governmental activities	<u>\$ 70,159</u>

Town of Faison, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Annual Budget and Actual
For the Year Ended June 30, 2020

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 303,500	\$ 303,500	\$ 308,412	\$ 4,912
Unrestricted intergovernmental	327,200	327,200	347,716	20,516
Restricted intergovernmental	52,000	52,000	37,692	(14,308)
Permits and fees	1,200	1,200	995	(205)
Sales and services	164,300	164,300	139,874	(24,426)
Investment earnings	3,000	3,000	23,249	20,249
Miscellaneous	3,500	3,500	1,420	(2,080)
Total revenues	<u>854,700</u>	<u>854,700</u>	<u>859,358</u>	<u>4,658</u>
Expenditures				
Current:				
General government	366,825	366,825	321,913	44,912
Public safety	152,600	152,600	141,273	11,327
Transportation	92,000	92,000	80,473	11,527
Environmental Protection	98,675	98,675	98,479	196
Cultural and recreation	144,450	144,450	117,373	27,077
Economic and physical development	150	150	128	22
Total expenditures	<u>854,700</u>	<u>854,700</u>	<u>759,639</u>	<u>95,061</u>
Revenues over (under) expenditures	-	-	99,719	99,719
Fund balance appropriated	<u>-</u>	<u>-</u>	-	<u>-</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	99,719	<u>\$ 99,719</u>
Fund Balance, Beginning			1,031,798	
Fund Balance, Ending			<u>\$ 1,131,517</u>	

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

Town of Faison, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2020

	Major Enterprise Funds Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 866,308
Restricted cash	42,716
Accounts receivable (net)	78,702
Due from other governments	7,874
Due from other funds	40,582
Total	<u>1,036,182</u>
Non current assets:	
Capital assets (net of depreciation):	
Land and other non-depreciable assets	1,031,388
Other capital assets, net of depreciation	6,739,260
Capital assets (net)	<u>7,770,648</u>
Total assets	<u>8,806,830</u>
Deferred Outflows of Resources	
Pension deferrals	33,191
OPEB deferrals	-
Total deferred outflows of resources	<u>33,191</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	11,444
Notes payable - current	25,086
Compensated absences payable	4,623
Total	<u>41,153</u>
Noncurrent liabilities:	
Liabilities payable from restricted assets:	
Customer deposits	42,716
Total OPEB Liability	321,433
Net pension liability	53,253
Non-current portion of long-term debt	301,029
Total liabilities	<u>759,584</u>
Deferred Inflows of Resources	
Pension deferrals	4,340
OPEB deferrals	45,110
Total deferred inflows of resources	<u>49,450</u>
Net Position	
Net investment in capital assets	7,444,533
Unrestricted	586,454
Total net position	<u>\$ 8,030,987</u>

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

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

	Major Enterprise Funds
	Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 576,536
Other operating revenues	1,515
Total operating revenues	<u>578,051</u>
Operating expenses:	
Administration	44,132
Operations	482,852
Depreciation	368,431
Total operating expenses	<u>895,415</u>
Operating income (loss)	<u>(317,364)</u>
Nonoperating revenues (expenses):	
Investment earnings	17,811
Interest and fees	-
Total nonoperating revenues (expenses)	<u>17,811</u>
Net income (loss) before contributions and transfers	<u>(299,553)</u>
Capital contributions	353,702
Transfers	-
Total capital contributions and transfers	<u>353,702</u>
Change in net position	54,149
Total Net Position - beginning	<u>7,976,838</u>
Total Net Position, ending	<u>\$ 8,030,987</u>

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

Town of Faison, North Carolina
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2020

	<u>Major Enterprise Fund</u> <u>Water and</u> <u>Sewer</u> <u>Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 578,051
Cash paid for goods and services	(287,662)
Cash paid to employees for services	(213,332)
Net cash provided by operating activities	<u>77,057</u>
Cash flows from capital and related financing activities:	
Grants	353,702
Acquisition and construction of capital assets	(354,609)
Principal paid on bond maturities and note agreements	(25,086)
Net cash used by capital and related financing activities	<u>(25,993)</u>
Cash flows from investing activities:	
Interest on investments	<u>17,811</u>
Net decrease in cash and cash equivalents	68,875
Cash and cash equivalents:	
Beginning of year, July 1	840,149
End of year, June 30	\$ <u><u>909,024</u></u>

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

Town of Faison, North Carolina
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2020

	Major Enterprise Fund
	Water & Sewer Fund
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ <u>(317,364)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	368,431
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	4,839
Increase (decrease) in OPEB liability	10,271
(Increase) decrease in deferred outflows of resources	9,243
Increase (decrease) in deferred inflows of resources	(5,486)
Increase (decrease) in accounts payable and accrued liabilities	(972)
Increase (decrease) in net pension liability	7,277
Increase (decrease) in vacation payable	(474)
Increase (decrease) in deposits	1,292
Total adjustments	<u>394,421</u>
Net cash provided by operating activities	\$ <u><u>77,057</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

Town of Faison, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Faison 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 Faison (the "Town") is a municipal corporation that is governed by an elected mayor and five commissioners. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, sanitation services, parks and recreation, and general government services.

The Town reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. A Water and Sewer Capital Projects Fund has been consolidated into the Water Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Funds has been included in the supplemental information.

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 and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses 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.

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

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Enterprise Fund Capital Project Funds, which is consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. 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 Equity1. 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 Super-NOW 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 Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. At June 30, 2020, the Term Portfolio has a duration of 15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Faison Restricted Cash

Governmental Activities

General Fund

Streets	\$	9,176
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Total governmental activities	\$	9,176
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Business-type Activities

Water and Sewer Fund

Customer Deposits	\$	42,716
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Total Restricted Cash	\$	51,892
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. However, the Town uses the direct write off method. No allowance has been established.

6. Inventory and Prepaid Items

The Town has no inventory or prepaid items.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows; land, \$10,000; buildings, improvements, substations, lines and other plant and distribution systems, \$15,000; infrastructure, \$20,000; equipment and furniture, \$5,000; and vehicles and motorized equipment, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement 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.

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30-50 years
Furniture and Equipment	5-10 years
Vehicles	5 years
Improvements	10-20 years

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meets the criterion for this category- prepaid taxes, property taxes receivable, and pension deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 80 hours earned vacation leave with such leave being fully vested when earned. For the Town, the current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported.

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

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted, and unrestricted. Restricted net position represents constraints on resources that are externally either 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:

Nondisposable 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.

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

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

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

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Faison's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body. 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 Cemetery Perpetual Care - portion of fund balance assigned by the Board for cemetery maintenance.

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

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

The Town of Faison has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, Town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

12. Defined Benefit Cost-Sharing Plans

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

B. Deficit in Fund Balance or Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All FundsA. Assets1. 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 these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an 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, 2020, The Town's deposits had a carrying amount of \$2,013,179 and a bank balance of \$2,068,887.. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$789.

2. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts. There are no doubtful accounts. The Town uses the direct write off method.

	Accounts	Taxes and Related Accrued Interest	Due From Other Governments	Other	Total
Governmental Activities:					
General	\$ 12,444	\$ 29,185	\$ 66,666	\$ -	\$ 108,295
Total Governmental Activities	\$ 12,444	\$ 29,185	\$ 66,666	\$ -	\$ 108,295
Governmental Activities:					
Water and Sewer	\$ 78,702	\$ -	\$ 7,874	\$ -	\$ 86,576
Total Governmental Activities	\$ 78,702	\$ -	\$ 7,874	\$ -	\$ 86,576

3. Capital Assets**Primary Government**

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 83,675	\$ -	\$ -	\$ 83,675
Construction in progress	-	-	-	-
Total capital assets not being depreciated	83,675	-	-	83,675
Capital assets being depreciated:				
Land Improvements	124,662	-	-	124,662
Buildings	833,450	-	-	833,450
Equipment	164,579	-	-	164,579
Vehicles	22,593	-	-	22,593
Total capital assets being depreciated	1,145,284	-	-	1,145,284
Less accumulated depreciation for:				
Land Improvements	41,194	5,051	-	46,245
Buildings	352,736	25,886	-	378,622
Equipment	133,265	8,097	-	141,362
Vehicles	22,593	-	-	22,593
Total accumulated depreciation	549,788	\$ 39,034	\$ -	588,822
Total capital assets being depreciated, net	595,496			556,462
Governmental activity capital assets, net	\$ 679,171			\$ 640,137

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

General Government	\$ 14,130			
Cultural and recreational	24,904			
Total Depreciation Expense	<u>\$ 39,034</u>			
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water & Sewer Fund activities :				
Capital assets not being depreciated:				
Land	\$ 338,738	\$ -	\$ -	\$ 338,738
Construction in progress	387,163	305,487	-	692,650
Total capital assets not being depreciated	725,901	305,487	-	1,031,388
Capital assets being depreciated:				
Buildings	542,317	-	-	542,317
Plant and distribution systems	12,445,435	42,322	-	12,487,757
Equipment & Maintenance	420,149	6,800	-	426,949
Vehicles	145,967	-	-	145,967
Total capital assets being depreciated	13,553,868	49,122	-	13,602,990
Less accumulated depreciation for:				
Buildings	389,989	11,227	-	401,216
Plant and distribution systems	5,587,559	333,133	-	5,920,692
Equipment & Maintenance	383,002	12,853	-	395,855
Vehicles	134,749	11,218	-	145,967
Total accumulated depreciation	6,495,299	\$ 368,431	\$ -	6,863,730
Total capital assets being depreciated, net	7,058,569			6,739,260
Water & Sewer Fund capital assets, net	\$ 7,784,470			\$ 7,770,648

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2020, was 9.07% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$22,125 for the year ended June 30, 2020.

The Town has no covered-employees engaged in law enforcement as these services are contracted with Duplin County.

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

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

At June 30, 2020, the Town reported an liability of \$88,755 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was 0.00325%, which was an increase 0.00002% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$36,331. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,197	\$ -
Changes of assumptions	14,466	-
Net difference between projected and actual earnings on pension plan investments	2,165	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	1,366	7,233
Town's contributions subsequent to the measurement date	22,125	-
Total	<u>\$ 55,319</u>	<u>\$ 7,233</u>

\$22,125 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2021	\$ 13,277
2022	2,456
2023	7,430
2024	2,798
2025	-
Thereafter	-
	<u>\$ 25,961</u>

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

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

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

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

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

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

Asset Class	Long-Term Expected Real Rate of	
	Target Allocation	Return
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Credit	7%	6.0%
Inflation Protection	6%	4.0%
Total	100%	

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

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1 % Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$202,999	\$88,755	(\$6,205)

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

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

3. Other Post-Employment Benefits (OPEB)

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single employer defined benefit Healthcare Benefits Plan (the HCB Plan). The plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the Town, have not reached age 65 and are not eligible to receive Medicare benefits. The Town pays the full cost of coverage for employee's benefits through private insurers and employees have the option of purchasing dependent coverage at the Town's group rates. Employees who retire with a minimum of 20 years of creditable service are eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental Plan after qualifying for Medicare. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2019 date of the latest actuarial valuation.

	General Employees:
Retirees and dependents receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	7
Total	9

Funding Policy. By Town resolution, the Town pays the full cost of the coverage for the healthcare benefits to qualified retirees. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In fiscal year ended, June 30, 2020, the Town was not required to make contributions in the fiscal year.

Total OPEB Liability

The Town's total OPEB liability of \$535,722 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 to 7.75 percent, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	7.0% For 2019 decreasing to an ultimate rate of 4.50% by 2026

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Change in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	
Change for the year	\$ 518,604
Service cost	20,452
Interest	20,043
Changes of benefit terms	-
Differences between expected and actual experience	(10,995)
Changes in assumptions or other inputs	(5,584)
Benefit payments	(6,798)
Net changes	<u>17,118</u>
Balance at June 30, 2020	<u><u>\$ 535,722</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89 % to 3.50%.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate . The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 620,407	\$ 535,722	\$ 466,554

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 458,557	\$ 535,722	\$ 631,160

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Town recognized OPEB expense of \$18,958. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 32,632
Changes of assumptions	-	42,552
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	\$ -	\$ 75,184

\$00 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2021	\$ (21,537)
2022	(21,537)
2023	(18,549)
2024	(8,247)
2025	(2,253)
Thereafter	(3,061)
	<u>\$ (75,184)</u>

3. Deferred Outflows and Inflows of Resources

The Town has two deferred outflow of resources. The deferred outflow of resources are comprised of the following:

Source	Amount
Differences between expected and actual experience	\$ 15,197
Changes of assumptions	14,466
Net difference between projected and actual	2,165
Changes in proportion and differences between Town's contributions and proportionate share of contributions	1,366
Town's contributions subsequent to the measurement date	22,125
Total	<u>\$ 55,319</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund) less penalties	\$ -	\$ 27,498
Differences between expected and actual experience	32,632	-
Changes in assumptions	42,552	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	7,233	-
Total	<u>\$ 82,417</u>	<u>\$ 27,498</u>

4. 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 three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town does not carry flood insurance on any property due to all properties being located out of the flood plain.

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 is bonded for \$50,000 and the deputy clerk is bonded for \$10,000.

5. Claims, Judgments, and Contingent Liabilities

At June 30, 2020, there were no lawsuits against the Town that materially impacts its financial statements.

6. Long Term Obligations

a. Notes Payable

Long-term obligations arising from notes payable as of June 30, 2020 consisted of the following:

The Town secured a direct borrowing revolving loan from the NC Department of Environment Quality for \$501,716 on February 4, 2013 to fund the 2011 NC 403 Waterline Replacement Capital Project. The note bears no interest and is payable in 20 annual installments of principal only. This note is not secured by a pledge of the faith of the State of North Carolina, but is payable solely from the revenues of the Project or benefited systems, or other available funds. The note matures May 1, 2033.

\$ 326,115

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2021	\$ 25,086	\$ -
2022	25,086	-
2023	25,086	-
2024	25,086	-
2025	25,086	-
2026-2030	125,429	-
2031-2035	75,256	-
Total	<u>\$ 326,115</u>	<u>\$ -</u>

b. Changes in Long-Term Liabilities

	Balance 07/01/19	Increases	Decreases	Balance 06/30/20	Current Portion
Governmental activities:					
Compensated absences	\$ 1,917	\$ 3,891	\$ (3,784)	\$ 2,024	\$ 2,024
Total OPEB Liability	207,442	6,847	-	214,289	-
Net pension liability (LGRS)	30,654	4,848	-	35,502	-
Governmental activity long-term liabilities	<u>\$ 240,013</u>	<u>\$ 15,586</u>	<u>\$ (3,784)</u>	<u>\$ 251,815</u>	<u>\$ 2,024</u>
Business-type activities:					
Compensated absences	\$ 5,097	\$ 6,760	\$ (7,234)	\$ 4,623	\$ 4,623
Direct borrowing notes payable	351,201	-	(25,086)	326,115	25,086
Total OPEB Liability	311,162	10,271	-	321,433	-
Net pension liability (LGRS)	45,976	7,277	-	53,253	-
Business-type activity long-term liabilities	<u>\$ 713,436</u>	<u>\$ 24,308</u>	<u>\$ (32,320)</u>	<u>\$ 705,424</u>	<u>\$ 29,709</u>

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 the taxable property located within that government's boundaries. The legal debt margin for the Town of Faison is \$5,032,483.

C. Interfund Balances and Activities

Balances due to/from other funds at June 30, 2020 consist of the following:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Water/Sewer	\$ 40,582
Total		<u>\$ 40,582</u>

The above was for operating expenditures.

D. 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	\$ 1,131,517
Less:	
Stabilization by State Statute	79,110
Streets - Powell Bill	9,176
Cemetery perpetual care	90,573
Remaining Fund Balance	\$ 952,658

IV. 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 cost may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

V. Related Party Transactions

There were no material related party transactions for the year ended June 30, 2020.

VI. Significant Effects of Subsequent Events

There are no subsequent events that would have a material affect on the financial statements. Subsequent events have been analyzed through the date that the financial statements were available to be issued.

REQUIRED
SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted
accounting principals.

Schedule of the Proportionate Share of the Net Pension Liability - Local Government
Employees' Retirement System

Schedule of Contributions - Local Government Employees' Retirement System

Schedule of Changes in the Total OPEB Liability and Related Ratios

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

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.00325%	0.00323%	0.0041%	0.0046%	0.0043%	0.0036%	0.0036%
Town's proportion of the net pension liability (asset) (\$)	\$ 88,755	\$ 76,630	\$ 62,792	\$ 96,569	\$ 19,478	\$ (27,541)	\$ 43,394
Town's covered-employee payroll	\$ 241,165	\$ 214,791	\$ 223,764	\$ 247,674	\$ 226,809	\$ 184,788	\$ 179,562
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.80%	35.68%	28.06%	38.99%	8.59%	(14.90%)	24.17%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Town of Faison, North Carolina
Town of Faison's Contributions
Required Supplementary Information
Last Seven Fiscal Years

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 22,125	\$ 18,907	\$ 16,281	\$ 16,445	\$ 16,743	\$ 15,736	\$ 16,036
Contributions in relation to the contractually required contribution	22,125	18,907	16,281	16,445	16,743	15,736	16,036
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 243,933	\$ 241,165	\$ 214,791	\$ 233,764	\$ 247,674	\$ 226,809	\$ 184,788
Contributions as a percentage of covered-employee payroll	9.07%	7.84%	7.58%	7.03%	6.76%	6.94%	8.68%

Town of Faison, North Carolina
Schedule of Changes in the Net OPEB Liability and Related Ratios
Healthcare Benefits Plan
For the Year Ended June 30, 2020

	2020	2019	2018
Total OPEB Liability			
Service cost	20,452	21,185	23,043
Interest	20,043	18,852	16,903
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(10,995)	(21,888)	(18,645)
Changes of assumptions	(5,584)	(25,151)	(44,817)
Benefit payments	(6,798)	(7,848)	(9,102)
Net change in total OPEB liability	17,118	(14,850)	(32,618)
Total OPEB liability - beginning	518,604	533,454	566,072
Total OPEB liability - ending	535,722	518,604	533,454
Town's covered-employee payroll	243,933	241,165	214,791
Town's OPEB liability as a percentage of its covered-employee payroll	n/a	n/a	n/a

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%
2019	3.89%
2020	3.50%

INDIVIDUAL FUND SCHEDULES

- Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund

Town of Faison, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	2020		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 308,182	\$
Penalties and interest		230	
Total	303,500	308,412	4,912
Unrestricted intergovernmental:			
Local option sales taxes		270,176	
Utility sales tax		66,572	
Beer and wine tax		4,198	
Video franchise fee		868	
Piped natural gas sales tax		232	
Telecommunication sales tax		5,670	
Total	327,200	347,716	20,516
Restricted intergovernmental:			
Grants		5,000	
Solid waste disposal tax		744	
Powell bill allocation		31,948	
Total	52,000	37,692	(14,308)
Permits and fees:			
Animal permits		85	
Golf cart permits		110	
Zoning fees		800	
Total	1,200	995	(205)
Sales and services:			
Garbage fees		86,504	
Recreation fees		51,020	
Rental revenue		1,150	
Cemetery lot sales		1,200	
Total	164,300	139,874	(24,426)
Investment earnings:			
	3,000	23,249	20,249
Other			
		1,420	1,420
Total	3,500	1,420	(2,080)
Total Revenues	854,700	859,358	4,658

Town of Faison, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

		2020		Variance Positive (Negative)
		Budget	Actual	
Expenditures:				
General government:				
Governing Body:				
	Salaries and benefits		15,100	
	Operating expense		-	
	Capital Outlay		-	
	Total	19,000	15,100	3,900
Administration:				
	Salaries and benefits		99,973	
	Operating expense		206,840	
	Capital Outlay		-	
	Total	347,825	306,813	41,012
	Total General Government	366,825	321,913	44,912
Environmental protection:				
Solid waste:				
	Contracted services		82,316	
	Total	82,500	82,316	184
Cemetery:				
	Operating expense		16,163	
	Capital Outlay		-	
	Total	16,175	16,163	12
	Total Environmental Protection	98,675	98,479	196
Economic and physical development:				
	Beautification	150	128	22

Town of Faison, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

		2020		Variance Positive (Negative)
		Budget	Actual	
Transportation:				
Salaries and benefits			30,505	
Operating expense			49,968	
Capital Outlay			-	
Total		92,000	80,473	11,527
Public Safety:				
Police:				
Insurance benefits			3,289	
Contract services			107,984	
Total		122,600	111,273	11,327
Fire:				
Contributions			30,000	
Total		30,000	30,000	-
Total Public Safety		152,600	141,273	11,327
Cultural and Recreation:				
Parks and recreation:				
Salaries and benefits			59,336	
Operating expense			58,037	
Capital outlay			-	
Total		144,450	117,373	27,077
Other:				
Historic development			-	
Decoration and parade			-	
Stormwater			-	
Total		-	-	-
Total cultural and recreational		144,450	117,373	27,077

Town of Faison, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	2020		Variance
	Budget	Actual	Positive (Negative)
Total Expenditures	<u>854,700</u>	<u>759,639</u>	<u>95,061</u>
Revenues over (under) expenditures	-	99,719	99,719
Fund balance appropriated	-	-	-
Revenues and other financing sources over expenditures and other financing uses	\$ <u>-</u>	99,719	\$ <u>99,719</u>
Fund Balance, beginning		<u>1,031,798</u>	
Fund Balance, ending		<u>\$ 1,131,517</u>	

PROPRIETARY FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Town of Faison, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020

	2020		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Charges for services:			
Water sales:			
Residential and			
Commercial	\$	\$ 576,536	\$
Water and sewer taps		-	
Other operating revenues		1,515	
Total	676,250	578,051	(98,199)
Nonoperating revenues:			
Interest earnings		17,811	17,811
Total	4,000	17,811	13,811
Total Revenues	680,250	595,862	(84,388)
Expenditures:			
Water & Sewer Administration:			
Salaries and benefits		41,180	
Postage and supplies		1,763	
Operating Expenses		1,189	
Total	53,100	44,132	8,968
Water and sewer operations:			
Salaries and benefits		172,152	
Utilities		75,770	
Contracted services		7,929	
Maintenance and repairs		109,283	
Chemicals and supplies		21,561	
Operating Expenses		26,637	
Total operating expenditures	552,064	413,332	138,732
Debt service:			
Interest and fees		-	
Principal retirement		25,086	
Total debt service	25,086	25,086	-
Capital outlay:			
Equipment & systems		49,122	
Miscellaneous		-	
Total capital outlay	50,000	49,122	878
Total expenditures	680,250	531,672	148,578
Revenues over (under) expenditures	\$ -	\$ 64,190	\$ 64,190

Town of Faison, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020

	2020		Variance
	Budget	Actual	Positive (Negative)
Revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>64,190</u>	\$ <u>64,190</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over expenditures		\$ <u>64,190</u>	
Reconciling items:			
Increase in accrued OPEB liability		(10,271)	
Capital outlay		49,122	
Depreciation		(368,431)	
Principal retirement of debt		25,086	
Grants from capital projects funds		353,702	
(Increase) decrease in net pension liability		(7,277)	
Increase (decrease) in deferred outflows of resources		(9,243)	
Expenses from capital projects funds		(48,215)	
(Increase) decrease in deferred inflows of resources		<u>5,486</u>	
Total reconciling items		<u>(10,041)</u>	
Change in net position		\$ <u><u>54,149</u></u>	

Town of Faison, North Carolina
2016 CDBG Sewer Improvements
Schedule of Revenues and Expenditures-Budget to Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2020

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental					
Economic Development Administration					
NC Commerce CDBG-Economic Development Grant					
16-I-2916	\$ 688,485	\$ 357,848	\$ 330,637	\$ 688,485	\$ -
Town of Faison	688,485	-	-	-	(688,485)
Total revenues	<u>1,376,970</u>	<u>357,848</u>	<u>330,637</u>	<u>688,485</u>	<u>(688,485)</u>
Expenditures:					
Public Sewer Improvements - Construction	1,131,166	359,513	305,487	665,000	466,166
Administration	43,650	43,650	25,150	68,800	(25,150)
Technical	25,000	-	-	-	25,000
Engineering Report	15,000	-	-	-	15,000
Contingency	207,469	-	-	-	207,469
Total expenditures	<u>1,422,285</u>	<u>403,163</u>	<u>330,637</u>	<u>733,800</u>	<u>688,485</u>
Revenues over expenditures	\$ <u>(45,315)</u>	\$ <u>(45,315)</u>	\$ <u>-</u>	\$ <u>(45,315)</u>	\$ <u>-</u>
Other financing sources:					
Local commitment	-	-	-	-	-
Transfer from Water	45,315	-	45,315	45,315	-
Total other financing sources	<u>45,315</u>	<u>-</u>	<u>45,315</u>	<u>45,315</u>	<u>-</u>
Revenues and other sources over expenditures and other (uses)	\$ <u>-</u>	\$ <u>(45,315)</u>	\$ <u>45,315</u>	\$ <u>-</u>	\$ <u>-</u>

Town of Faison, North Carolina
2017 CDBG Sewer Improvements
Schedule of Revenues and Expenditures-Budget to Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2020

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental					
Economic Development Administration					
NC Commerce CDBG-Economic Development					
Grant17-I-2962	\$ 1,311,515	\$ -	\$ 23,065	\$ 23,065	\$ (1,288,450)
Town of Faison	-	-	-	-	-
Total revenues	<u>1,311,515</u>	<u>-</u>	<u>23,065</u>	<u>23,065</u>	<u>(1,288,450)</u>
Expenditures:					
Public Sewer Improvements - Construction	1,180,365	-	-	-	1,180,365
Administration	131,150	-	23,065	23,065	108,085
Technical	-	-	-	-	-
Engineering Report	-	-	-	-	-
Contingency	-	-	-	-	-
Total expenditures	<u>1,311,515</u>	<u>-</u>	<u>23,065</u>	<u>23,065</u>	<u>1,288,450</u>
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Other financing sources:					
Local commitment	-	-	-	-	-
Transfer from Water	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER SCHEDULES

This section includes additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Town of Faison, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$	\$ 333,402	\$ (306,512)	\$ 26,890
2018-2019	3,017	-	(2,738)	279
2017-2018	1,689	-	(1,435)	254
2016-2017	35	-	(21)	14
2015-2016	14	-	-	14
2014-2015	14	-	-	14
2013-2014	15	-	-	15
2012-2013	46	-	(28)	18
2011-2012	-	-	-	-
2010-2011	52	-	(52)	-
	<u>\$ 4,882</u>	<u>\$ 333,402</u>	<u>\$ (310,786)</u>	<u>\$ 27,498</u>

Ad valorem taxes receivable - net \$ 27,498

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 308,412
Reconciling items:	
Discounts, Releases, Refunds, Adjustments	2,604
Interest collected	<u>(230)</u>
Total collections and credits	<u>\$ 310,786</u>

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

				Total Levy	
	Property Valuation	Town - Wide Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 62,906,038	0.53	\$ 333,402	\$ 308,105	\$ 25,297
Abatements	0		-	-	-
Total	<u>62,906,038</u>		<u>333,402</u>	<u>308,105</u>	<u>25,297</u>
 Total property valuation	 \$ <u><u>62,906,038</u></u>				
 Net levy			333,402	308,105	25,297
 Uncollected taxes at June 30, 2020			<u>(26,890)</u>	<u>(26,890)</u>	<u>-</u>
 Current year's taxes collected			<u>\$ 306,512</u>	<u>\$ 281,215</u>	<u>\$ 25,297</u>
 Current levy collection percentage			<u>91.93%</u>	<u>91.27%</u>	<u>100.00%</u>

COMPLIANCE SECTION



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Fax (910) 395-4872

**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***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Faison, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Faison's basic financial statements, and have issued our report thereon dated October 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Faison's internal control over financial reporting (internal control) to determine the 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 the Town of Faison's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 a 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 a 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 the internal control was for 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies, listed as 2020-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Faison's financial statements are free of 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 determination of financial statement amounts. 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 Faison's Response to Findings

The Town of Faison's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

October 23, 2020

Section I.	Summary of Auditor's Results
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Noncompliance material to financial statements noted yes X no

Town of Faison, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2020

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCIES

2020 – 001 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among Town personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2019-001.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the corrective action plan to follow.



Town of Faison, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2020

Section II – Financial Statement Findings

Finding: 2020 – 001 Segregation of Duties

Name of contact person: Carolyn Kenyon, Mayor

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: The Board will implement the above procedure immediately.