

***REVIEWED***

***By SLGFD at 3:35 pm, Nov 19, 2021***

TOWN OF FAISON  
Faison, North Carolina

FINANCIAL STATEMENTS  
Year Ended June 30, 2021

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

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2021, 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Faison's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2021, 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 that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Faison's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Faison's internal control over financial reporting and compliance.

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

*Wilmington, North Carolina*

*October 15, 2021*

## 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, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

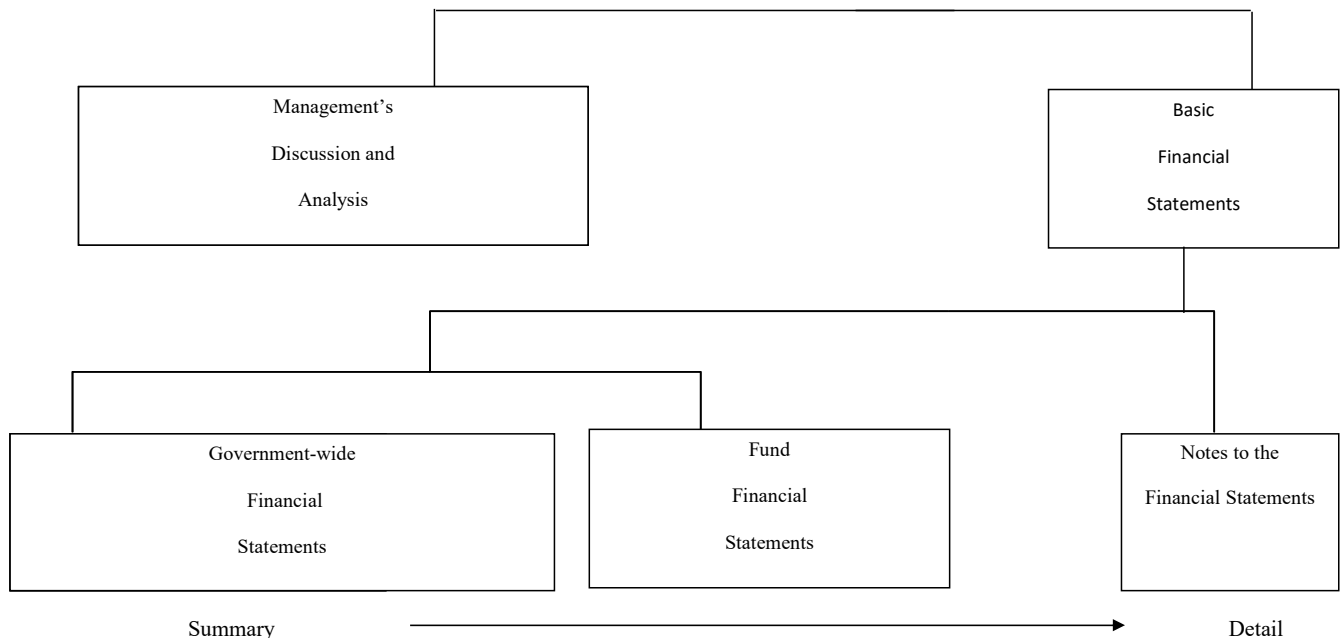
- The assets and deferred outflows of resources of the Town of Faison exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$10,414,005 (net position).
- The Town's total net position increased by \$844,089 primarily due to CDBG capital grant.
- As of the close of the current fiscal year, the Town of Faison's governmental funds reported combined ending fund balances of \$1,255,568 an increase of \$124,051 in comparison with the prior year. Approximately 92 percent of this total amount, or \$1,151,511 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 \$1,151,511 or 144% of total general fund expenditures for the fiscal year.
- The Town of Faison's total debt decreased by \$25,085 during the current fiscal year. The key factor in this decrease was a decrease of \$25,085 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 the 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**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current and other assets	\$ 1,268,024	\$ 1,171,868	\$ 1,110,199	\$ 1,036,182	\$ 2,378,223	\$ 2,208,050
Capital assets	602,513	640,137	8,504,605	7,770,648	9,107,118	8,410,785
Total assets and deferred outflows of resources	1,870,537	1,812,005	9,614,804	8,806,830	11,485,341	10,618,835
Deferred outflows of resources	93,840	22,128	80,999	33,191	174,839	55,319
Long-term liabilities outstanding	362,739	249,791	792,308	743,517	1,155,047	993,308
Other liabilities	16,436	13,934	13,881	16,067	30,317	30,001
Total liabilities and deferred inflows of resources	379,175	263,725	806,189	759,584	1,185,364	1,023,309
Deferred inflows of resources	20,004	32,967	40,807	49,450	60,811	82,417
Net position:						
Net investment in capital assets	602,513	640,137	8,203,575	7,444,533	8,806,088	8,084,670
Restricted	104,057	88,286	-	-	104,057	88,286
Unrestricted	858,628	810,506	645,232	586,454	1,503,860	1,396,960
Total net position	\$ 1,565,198	\$ 1,538,929	\$ 8,848,807	\$ 8,030,987	\$ 10,414,005	\$ 9,569,916

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 \$10,414,005 as of June 30, 2021. The Town’s net position increased by \$844,089 for the fiscal year ended June 30, 2021. However, the largest portion \$8,806,088 (85%) 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, \$104,057 (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,503,860 (14%) 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 99.68%.

**Town of Faison**  
**Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 116,264	\$ 140,869	\$ 604,843	\$ 578,051	\$ 721,107	\$ 718,920
Operating grants and contributions	30,062	37,692	-	-	30,062	37,692
Capital grants and contributions	-	-	1,089,682	353,702	1,089,682	353,702
General revenues:						
Property taxes	319,391	332,193	-	-	319,391	332,193
Other taxes	404,686	347,716	-	-	404,686	347,716
Other	28,349	25,416	14,275	17,811	42,624	43,227
Total revenues	898,752	883,886	1,708,800	949,564	2,607,552	1,833,450
Expenses:						
General government	420,665	345,709	-	-	420,665	345,709
Public safety	183,062	143,670	-	-	183,062	143,670
Transportation	59,593	80,473	-	-	59,593	80,473
Environmental protections	116,467	98,479	-	-	116,467	98,479
Cultural and recreation	90,252	144,652	-	-	90,252	144,652
Economic and physical development	2,444	-	-	-	2,444	-
Water and sewer	-	-	890,980	895,415	890,980	895,415
Total expenses	872,483	812,983	890,980	895,415	1,763,463	1,708,398
Increase in net position	26,269	70,903	817,820	54,149	844,089	125,052
Total Net Position - beginning	1,538,929	1,468,026	8,030,987	7,976,838	9,569,916	9,445,608
Total Net Position, ending	\$ 1,565,198	\$ 1,538,929	\$ 8,848,807	\$ 8,030,987	\$ 10,414,005	\$ 9,570,660

**Governmental activities.** Governmental activities increased the Town's net position by \$26,269, accounting for 3% of the total growth in the net position of the Town of Faison. Key elements of this increase are as follows:

- Increase in tax revenues.

**Business-type activities.** Business-type activities increased the Town of Faison's net position by \$817,820, accounting for 97% of the total growth in the government's net position. Key elements of this increase are as follows:

- Increase in revenues and capital 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 unassigned fund balance in the General Fund was \$1,151,511, while total fund balance reached \$1,255,568.

At June 30, 2021 the governmental funds of Town of Faison reported a combined fund balance of \$1,255,568, with a net increase in fund balance of \$124,051.

**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 \$645,232. The total change in net position was \$817,820. 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, 2021 totals \$9,107,118 (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	
	2021	2020	2021	2020	2021	2020
Land	\$ 83,675	\$ 83,675	\$ 338,738	\$ 338,738	\$ 422,413	\$ 422,413
Construction in progress	-	-	1,782,332	692,650	1,782,332	692,650
Buildings and system	428,942	454,828	129,876	141,101	558,818	595,929
Improvements	73,366	78,417	-	-	73,366	78,417
Machinery and equipment	16,530	23,217	17,674	31,094	34,204	54,311
Substations, lines equipment	-	-	6,235,985	6,567,065	6,235,985	6,567,065
Total	\$ 602,513	\$ 640,137	\$ 8,504,605	\$ 7,770,648	\$ 9,107,118	\$ 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, 2021 the Town of Faison had total debt outstanding of \$301,030.

#### Town of Faison's Outstanding Debt

The Town of Faison's total debt decreased by \$25,085 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 \$4,572,827.

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, 2022**

**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](mailto:faisontown@earthlink.net).

**Town of Faison, North Carolina**  
**Statement of Net Position**  
**June 30, 2021**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 1,203,509	\$ 952,586	\$ 2,156,095
Restricted cash	13,715	41,293	55,008
Receivables (net)	1,320	66,597	67,917
Due from other governments	90,062	9,141	99,203
Internal balances	(40,582)	40,582	-
Total Current Assets:	<u>1,268,024</u>	<u>1,110,199</u>	<u>2,378,223</u>
Non-Current Assets:			
Capital assets:			
Land, improvements, and construction in progress	83,675	2,121,070	2,204,745
Other capital assets, net of depreciation	518,838	6,383,535	6,902,373
Total capital assets	<u>602,513</u>	<u>8,504,605</u>	<u>9,107,118</u>
Total assets	<u>1,870,537</u>	<u>9,614,804</u>	<u>11,485,341</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	34,063	41,148	75,211
OPEB deferrals	59,777	39,851	99,628
Total deferred outflows of resources	<u>93,840</u>	<u>80,999</u>	<u>174,839</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	11,136	10,696	21,832
Compensated absences	5,300	3,185	8,485
Due within one year	-	25,086	25,086
Long-term liabilities:			
Liabilities payable from restricted assets:			
Customer deposits	-	41,293	41,293
Net pension liability	61,364	70,495	131,859
Total OPEB Liability	301,375	379,490	680,865
Due in more than one year	-	275,944	275,944
Total liabilities	<u>379,175</u>	<u>806,189</u>	<u>1,185,364</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	1,138	3,169	4,307
OPEB deferrals	18,866	37,638	56,504
Total deferred inflows of resources	<u>20,004</u>	<u>40,807</u>	<u>60,811</u>
<b>NET POSITION</b>			
Net invested in capital assets	602,513	8,203,575	8,806,088
Stabilization by State Statute	90,342	-	90,342
Restricted for streets	13,715	-	13,715
Unrestricted (deficit)	858,628	645,232	1,503,860
Total net position	<u>\$ 1,565,198</u>	<u>\$ 8,848,807</u>	<u>\$ 10,414,005</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, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 420,665	\$ 1,195	\$ -	\$ -	\$ (419,470)	\$ -	\$ (419,470)
Public safety	183,062	-	-	-	(183,062)	-	(183,062)
Transportation	59,593	-	30,062	-	(29,531)	-	(29,531)
Environmental protection	116,467	93,848	-	-	(22,619)	-	(22,619)
Cultural and recreation	90,252	17,521	-	-	(72,731)	-	(72,731)
Economic and physical development	2,444	3,700	-	-	1,256	-	1,256
Total governmental activities	872,483	116,264	30,062	-	(726,157)	-	(726,157)
Business-type activities:							
Water and sewer	890,980	604,843	-	1,089,682	-	803,545	803,545
Total business-type activities	890,980	604,843	-	1,089,682	-	803,545	803,545
Total Primary Government	\$ 1,763,463	\$ 721,107	\$ 30,062	\$ 1,089,682	(726,157)	803,545	77,388
General revenues:							
Taxes:							
Property taxes, levied for general purpose					319,391	-	319,391
Local option sales tax					303,484	-	303,484
Other taxes and licenses					76,204	-	76,204
Grants and contributions not restricted to specific programs					24,998	-	24,998
Investment earnings, unrestricted					25,386	14,275	39,661
Miscellaneous, unrestricted					2,963	-	2,963
Total general revenues not including transfers					752,426	14,275	766,701
Transfers					-	-	-
Total general revenues and transfers					752,426	14,275	766,701
Change in net position					26,269	817,820	844,089
Total Net Position - beginning					1,538,929	8,030,987	9,569,916
Total Net Position, ending					\$ 1,565,198	\$ 8,848,807	\$ 10,414,005

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

**Town of Faison, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,203,509	\$ 1,203,509
Restricted cash	13,715	13,715
Taxes receivables, net	1,320	1,320
Account receivables, net	90,061	90,061
Total assets	<u>1,308,605</u>	<u>1,308,605</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued liabilities	11,136	11,136
Due to other funds	40,581	40,581
Total liabilities	<u>51,717</u>	<u>51,717</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes receivable	1,320	1,320
Total deferred inflows of resources	<u>1,320</u>	<u>1,320</u>
 Fund balances:		
Restricted		
Streets - Powell Bill	13,715	13,715
Stabilization by State Statute	90,342	90,342
Unassigned	1,151,511	1,151,511
Total fund balances	<u>1,255,568</u>	<u>1,255,568</u>
 Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,308,605</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.		602,513
Deferred outflows of resources related to pensions are not reported in the funds.		34,063
Deferred outflows of resources related to OPEB are not reported in the funds		59,777
Earned revenues considered deferred inflows of resources in fund statements.		1,320
Deferred inflows of resources related to pensions are not reported in the funds		(1,138)
Deferred inflows of resources related to OPEB are not reported in the funds		(18,866)
Net pension liability.		(61,364)
OPEB Liability		(301,375)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		<u>(5,300)</u>
Net position of governmental activities		<u>\$ 1,565,198</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, 2021**

	<b>General Fund</b>	<b>Total Governmental</b>
<b>REVENUES</b>		
Ad valorem taxes	\$ 345,569	\$ 345,569
Unrestricted intergovernmental	379,688	379,688
Restricted intergovernmental	55,789	55,789
Permits and fees	1,195	1,195
Sales and services	114,340	114,340
Investment earnings	25,386	25,386
Miscellaneous	2,963	2,963
Total revenues	<u>924,930</u>	<u>924,930</u>
<b>EXPENDITURES</b>		
Current:		
General government	383,359	383,359
Public safety	157,317	157,317
Transportation	55,593	55,593
Cultural and recreation	89,980	89,980
Environmental	112,186	112,186
Economic and physical development	2,444	2,444
Total expenditures	<u>800,879</u>	<u>800,879</u>
Excess (deficiency) of revenues over expenditures	<u>124,051</u>	<u>124,051</u>
Net change in fund balance	124,051	124,051
Fund balances-beginning	1,131,517	1,131,517
Fund balances-ending	<u>\$ 1,255,568</u>	<u>\$ 1,255,568</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, 2021**

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

Net changes in fund balances - total governmental funds	\$ 124,051
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	(37,624)
	(37,624)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	14,632
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	4,118
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	(26,178)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	(29,235)
OPEB plan expense	(20,219)
Compensated absences	(3,276)
Total changes in net position of governmental activities	<u>\$ 26,269</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, 2021**

	General Fund			Variance
	Original Budget	Final Budget	Actual Amounts	With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 331,500	\$ 331,500	\$ 345,569	\$ 14,069
Unrestricted intergovernmental	252,200	339,200	379,688	40,488
Restricted intergovernmental	87,000	87,000	55,789	(31,211)
Permits and fees	1,200	1,200	1,195	(5)
Sales and services	132,100	147,100	114,340	(32,760)
Investment earnings	2,000	2,000	25,386	23,386
Miscellaneous	4,500	4,500	2,963	(1,537)
Total revenues	<u>810,500</u>	<u>912,500</u>	<u>924,930</u>	<u>12,430</u>
Expenditures				
Current:				
General government	346,400	449,702	383,359	66,343
Public safety	163,500	157,598	157,317	281
Transportation	100,850	68,850	55,593	13,257
Environmental Protection	107,000	122,993	112,186	10,807
Cultural and recreation	155,250	158,175	89,980	68,195
Economic and physical development	1,500	2,450	2,444	6
Total expenditures	<u>874,500</u>	<u>959,768</u>	<u>800,879</u>	<u>158,889</u>
Revenues over (under) expenditures	(64,000)	(47,268)	124,051	171,319
Fund balance appropriated	<u>64,000</u>	<u>47,268</u>	-	<u>(47,268)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	124,051	<u>\$ 124,051</u>
Fund Balance, Beginning			1,131,517	
Fund Balance, Ending			<u>\$ 1,255,568</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, 2021**

	Major Enterprise Funds Water and Sewer Fund
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 952,586
Restricted cash	41,293
Accounts receivable (net)	66,597
Due from other governments	9,141
Due from other funds	40,582
Total	<u>1,110,199</u>
Non current assets:	
Capital assets (net of depreciation):	
Land and other non-depreciable assets	2,121,070
Other capital assets, net of depreciation	<u>6,383,535</u>
Capital assets (net)	<u>8,504,605</u>
Total assets	<u><u>9,614,804</u></u>
<b>Deferred Outflows of Resources</b>	
Pension deferrals	41,148
OPEB deferrals	<u>39,851</u>
Total deferred outflows of resources	<u>80,999</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	10,696
Notes payable - current	25,086
Compensated absences payable	<u>3,185</u>
Total	<u>38,967</u>
Noncurrent liabilities:	
Liabilities payable from restricted assets:	
Customer deposits	41,293
Total OPEB Liability	379,490
Net pension liability	70,495
Non-current portion of long-term debt	<u>275,944</u>
Total liabilities	<u>806,189</u>
<b>Deferred Inflows of Resources</b>	
Pension deferrals	3,169
OPEB deferrals	<u>37,638</u>
Total deferred inflows of resources	<u>40,807</u>
<b>Net Position</b>	
Net investment in capital assets	8,203,575
Unrestricted	<u>645,232</u>
Total net position	<u><u>\$ 8,848,807</u></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, 2021**

	Major Enterprise Funds
	Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 576,593
Other operating revenues	28,250
Total operating revenues	<u>604,843</u>
Operating expenses:	
Administration	45,235
Operations	490,019
Depreciation	355,726
Total operating expenses	<u>890,980</u>
Operating income (loss)	<u>(286,137)</u>
Nonoperating revenues (expenses):	
Investment earnings	14,275
Total nonoperating revenues (expenses)	<u>14,275</u>
Net income (loss) before contributions and transfers	<u>(271,862)</u>
Capital contributions	1,089,682
Total capital contributions and transfers	<u>1,089,682</u>
Change in net position	817,820
Total Net Position - beginning	<u>8,030,987</u>
Total Net Position, ending	<u><u>\$ 8,848,807</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, 2021**

	Major Enterprise Fund Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 615,680
Cash paid for goods and services	(312,361)
Cash paid to employees for services	(207,654)
Net cash provided by operating activities	<u>95,665</u>
Cash flows from capital and related financing activities:	
Grants	1,089,682
Acquisition and construction of capital assets	(1,089,682)
Principal paid on bond maturities and note agreements	(25,085)
Net cash used by capital and related financing activities	<u>(25,085)</u>
Cash flows from investing activities:	
Interest on investments	<u>14,275</u>
Net decrease in cash and cash equivalents	84,855
Cash and cash equivalents:	
Beginning of year, July 1	909,024
End of year, June 30	<u>\$ 993,879</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	<u>\$ (286,137)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	355,726
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	10,837
Increase (decrease) in OPEB liability	58,057
(Increase) decrease in deferred outflows of resources	(47,808)
Increase (decrease) in deferred inflows of resources	(8,643)
Increase (decrease) in accounts payable and accrued liabilities	(748)
Increase (decrease) in net pension liability	17,242
Increase (decrease) in vacation payable	(1,438)
Increase (decrease) in deposits	(1,423)
Total adjustments	<u>381,802</u>
Net cash provided by operating activities	<u>\$ 95,665</u>

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

**Town of Faison, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

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	\$	13,715
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Total governmental activities	\$	13,715
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## Business-type Activities

## Water and Sewer Fund

Customer Deposits	\$	41,293
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Total Restricted Cash	\$	55,008
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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, 2020. 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 the 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 are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are externally imposed either by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

### Fund Balances

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

The governmental fund types classify fund balances as follows

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

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

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 nonspendable. 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.

**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 AccountabilityA. 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

At June 30, 2021, The Town's deposits had a carrying amount of \$2,210,314 and a bank balance of \$2,269,974. 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, 2021, 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	\$ 10,221	\$ 1,320	\$ 80,122	\$ -	\$ 91,663
Total Governmental Activities	\$ 10,221	\$ 1,320	\$ 80,122	\$ -	\$ 91,663
Governmental Activities:					
Water and Sewer	\$ 66,597	\$ -	\$ 9,141	\$ -	\$ 75,738
Total Governmental Activities	\$ 66,597	\$ -	\$ 9,141	\$ -	\$ 75,738

3. Capital Assets**Primary Government**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 83,675	\$ -	\$ -	\$ 83,675
Construction in progress	-	-	-	-
Total capital assets not being depreciated	83,675	-	-	83,675
<b>Capital assets being depreciated:</b>				
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
<b>Less accumulated depreciation for:</b>				
Land Improvements	46,245	5,051	-	51,296
Buildings	378,622	25,886	-	404,508
Equipment	141,362	6,687	-	148,049
Vehicles	22,593	-	-	22,593
Total accumulated depreciation	588,822	\$ 37,624	\$ -	626,446
Total capital assets being depreciated, net	556,462			518,838
<b>Governmental activity capital assets, net</b>	<b>\$ 640,137</b>			<b>\$ 602,513</b>

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

General Government	\$ 11,733			
Cultural and recreational	25,891			
Total Depreciation Expense	<u>\$ 37,624</u>			
	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Water &amp; Sewer Fund activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 338,738	\$ -	\$ -	\$ 338,738
Construction in progress	692,650	1,089,682	-	1,782,332
Total capital assets not being depreciated	1,031,388	1,089,682	-	2,121,070
<b>Capital assets being depreciated:</b>				
Buildings	542,319	-	-	542,319
Plant and distribution systems	12,487,757	-	-	12,487,757
Equipment & Maintenance	426,949	-	-	426,949
Vehicles	145,967	-	-	145,967
Total capital assets being depreciated	13,602,990	-	-	13,602,992
<b>Less accumulated depreciation for:</b>				
Buildings	401,216	11,227	-	412,443
Plant and distribution systems	5,920,692	331,080	-	6,251,772
Equipment & Maintenance	395,855	13,420	-	409,275
Vehicles	145,967	-	-	145,967
Total accumulated depreciation	6,863,730	\$ 355,727	\$ -	7,219,457
Total capital assets being depreciated, net	6,739,260			6,383,535
<b>Water &amp; Sewer Fund capital assets, net</b>	<b>\$ 7,770,648</b>			<b>\$ 8,504,605</b>

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](http://www.osc.nc.gov).

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. 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, 2021, was 10.24% 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 \$24,387 for the year ended June 30, 2021.

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, 2021, the Town reported an liability of \$131,859 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020 (measurement date), the Town's proportion was 0.00369%, which was an increase of 0.00044% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$44,672. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 16,652	\$ -
Changes of assumptions	9,813	-
Net difference between projected and actual earnings on pension plan investments	18,555	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	5,804	4,307
Town's contributions subsequent to the measurement date	24,387	-
Total	<u>\$ 75,211</u>	<u>\$ 4,307</u>

\$24,387 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30</b>	
2022	\$ 11,848
2023	17,321
2024	11,858
2025	5,490
2026	-
Thereafter	-
	<u>\$ 46,517</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2019 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, 2019 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, 2021 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 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LRS. 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)	\$267,528	\$131,859	\$19,109

*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 June 30, 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, 2021, the Town was not required to make contributions in the fiscal year.

**Total OPEB Liability**

The Town's total OPEB liability of \$680,865 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 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	2.21 percent
	7.0% For 2019 decreasing to an ultimate rate of
Healthcare cost trend rates	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.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
<b>Balance at July 1, 2020</b>	
<b>Change for the year</b>	\$ 535,722
Service cost	20,666
Interest	19,354
Changes of benefit terms	-
Differences between expected and actual experience	(3,306)
Changes in assumptions or other inputs	115,293
Benefit payments	(6,864)
<b>Net changes</b>	145,143
<b>Balance at June 30, 2021</b>	<b>\$ 680,865</b>

Changes in assumptions and other inputs reflect a change in the discount rate

The actuarial assumptions used in the June 30, 2020 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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 794,355	\$ 680,865	\$ 588,915

*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	\$ 573,702	\$ 680,865	\$ 815,139

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$33,699. At June 30, 2021, 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	\$ -	\$ 26,921
Changes of assumptions	99,628	29,583
Total	\$ 99,628	\$ 56,504

\$99,628 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2022	\$ (6,321)
2023	(3,333)
2024	6,969
2025	12,963
2026	12,963
Thereafter	19,883
	<u>\$ 43,124</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	\$ 16,652
Changes of assumptions	109,441
Net difference between projected and actual	18,555
Changes in proportion and differences between Town's contributions and proportionate share of contributions	5,804
Town's contributions subsequent to the measurement date	124,015
Total	<u>\$ 274,467</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	\$ -	\$ 1,320
Differences between expected and actual experience	26,921	-
Changes in assumptions	29,583	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,307	-
Total	<u>\$ 60,811</u>	<u>\$ 1,320</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, 2021, there were no lawsuits against the Town that materially impacts its financial statements.

6. Long Term Obligationsa. 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.

\$ 301,030

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

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2022	\$ 25,086	\$ -
2023	25,086	-
2024	25,086	-
2025	25,086	-
2026	25,086	-
2027-2032	125,429	-
2033-2037	50,171	-
Total	<u>\$ 301,030</u>	<u>\$ -</u>

b. Changes in Long-Term Liabilities

	Balance 07/01/20	Increases	Decreases	Balance 06/30/21	Current Portion
Governmental activities:					
Compensated absences	\$ 2,024	\$ 7,850	\$ (4,574)	\$ 5,300	\$ 5,300
Total OPEB Liability	214,289	87,086	-	301,375	-
Net pension liability (LGERS)	35,502	25,862	-	61,364	-
Governmental activity long-term liabilities	<u>\$ 251,815</u>	<u>\$ 120,798</u>	<u>\$ (4,574)</u>	<u>\$ 368,039</u>	<u>\$ 5,300</u>
Business-type activities:					
Direct borrowing notes payable	\$ 326,115	\$ -	\$ (25,085)	\$ 301,030	\$ 25,086
Compensated absences	4,623	5,451	(6,889)	3,185	3,185
Total OPEB Liability	321,433	58,057	-	379,490	-
Net pension liability (LGERS)	53,253	17,242	-	70,495	-
Business-type activity long-term liabilities	<u>\$ 705,424</u>	<u>\$ 80,750</u>	<u>\$ (31,974)</u>	<u>\$ 754,200</u>	<u>\$ 28,271</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 \$4,572,827.

C. Interfund Balances and Activities

Balances due to/from other funds at June 30, 2021 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:

<b>Total fund balance - General Fund</b>	<b>\$ 1,255,849</b>
<b>Less:</b>	
<b>Stabilization by State Statute</b>	90,342
<b>Streets - Powell Bill</b>	13,715
<b>Remaining Fund Balance</b>	<b>\$ 1,151,792</b>

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, 2021

VI. Significant Effects of Subsequent Events

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

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

**Local Government Employees' Retirement System**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town's proportion of the net pension liability (asset) (%)	0.00369%	0.00325%	0.00323%	0.0041%	0.0046%	0.0043%	0.0036%	0.0036%
Town's proportion of the net pension liability (asset) (\$	\$ 131,859	\$ 88,755	\$ 76,630	\$ 62,792	\$ 96,569	\$ 19,478	\$ (27,541)	\$ 43,394
Town's covered-employee payroll	\$ 243,933	\$ 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	54.06%	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**	88.61%	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 Eight Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 24,387	\$ 22,125	\$ 18,907	\$ 16,281	\$ 16,445	\$ 16,743	\$ 15,736	\$ 16,036
Contributions in relation to the contractually required contribution	24,387	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>	<u>\$ -</u>
Town's covered-employee payroll	\$ 238,151	\$ 243,933	\$ 241,165	\$ 214,791	\$ 233,764	\$ 247,674	\$ 226,809	\$ 184,788
Contributions as a percentage of covered-employee payroll	10.24%	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, 2021**

	2021	2020	2019	2018
<b>Total OPEB Liability</b>				
Service cost	20,666	20,452	21,185	23,043
Interest	19,354	20,043	18,852	16,903
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(3,306)	(10,995)	(21,888)	(18,645)
Changes of assumptions	115,293	(5,584)	(25,151)	(44,817)
Benefit payments	(6,864)	(6,798)	(7,848)	(9,102)
<b>Net change in total OPEB liability</b>	<b>145,143</b>	<b>17,118</b>	<b>(14,850)</b>	<b>(32,618)</b>
<b>Total OPEB liability - beginning</b>	<b>535,722</b>	<b>518,604</b>	<b>533,454</b>	<b>566,072</b>
<b>Total OPEB liability - ending</b>	<b>680,865</b>	<b>535,722</b>	<b>518,604</b>	<b>533,454</b>
Town's covered-employee payroll	238,151	243,933	241,165	214,791
Town's OPEB liability as a percentage of its covered-employee payroll	n/a	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:

<b><u>Fiscal year</u></b>	<b><u>Rate</u></b>
2018	3.56%
2019	3.89%
2020	3.50%
2021	2.21%



**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, 2021**

	2021		Variance
	Budget	Actual	Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ -	\$ 342,697	\$ -
Penalties and interest		2,872	
Total Ad valorem taxes	<u>331,500</u>	<u>345,569</u>	<u>14,069</u>
Unrestricted intergovernmental:			
Local option sales taxes		303,484	
ABC revenue		54	
Utility sales tax		72,052	
Beer and wine tax		4,098	
Total Unrestricted intergovernmental	<u>339,200</u>	<u>379,688</u>	<u>40,488</u>
Restricted intergovernmental:			
Grants		24,998	
Solid waste disposal tax		729	
Powell bill allocation		30,062	
Total Restricted intergovernmental	<u>87,000</u>	<u>55,789</u>	<u>(31,211)</u>
Permits and fees:			
Animal permits		115	
Golf cart permits		80	
Zoning fees		1,000	
Total Permits and fees	<u>1,200</u>	<u>1,195</u>	<u>(5)</u>
Sales and services:			
Garbage fees		93,119	
Recreation fees		16,421	
Rental revenue		1,100	
Cemetery lot sales		3,700	
Total Sales and services	<u>147,100</u>	<u>114,340</u>	<u>(32,760)</u>
Investment earnings	<u>2,000</u>	<u>25,386</u>	<u>23,386</u>
Miscellaneous	<u>4,500</u>	<u>2,963</u>	<u>(1,537)</u>
Total Revenues	<u>912,500</u>	<u>924,930</u>	<u>12,430</u>

**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, 2021**

	2021		Variance
	Budget	Actual	Positive (Negative)
<b>Expenditures:</b>			
General government:			
Governing Body:			
Salaries and benefits		16,100	
Total Governing Body	20,000	16,100	3,900
Administration:			
Salaries and benefits		104,329	
Operating expense		262,930	
Total Administration	429,702	367,259	62,443
Total General Government	449,702	383,359	66,343
Environmental protection:			
Solid waste:			
Contracted services		80,092	
Total Solid waste	89,000	80,092	8,908
Cemetery:			
Operating expense		32,094	
Total Cemetery	33,993	32,094	1,899
Total Environmental Protection	122,993	112,186	10,807
Economic and physical development:			
Beautification	2,450	2,444	6
Transportation:			
Salaries and benefits		29,681	
Powell Bill expenditures		25,912	
Total Transportation	68,850	55,593	13,257

**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, 2021**

	2021		Variance
	Budget	Actual	Positive (Negative)
Public Safety:			
Police:			
Insurance benefits		3,759	
Contract services		123,558	
Total Police	127,598	127,317	281
Fire:			
Contributions		30,000	
Total Fire	30,000	30,000	-
Total Public Safety	157,598	157,317	281
Cultural and Recreation:			
Parks and recreation:			
Salaries and benefits		48,554	
Operating expense		41,426	
Total Parks and recreation	158,175	89,980	68,195
Total cultural and recreational	158,175	89,980	68,195
Total Expenditures	959,768	800,879	158,889
Revenues over (under) expenditures	(47,268)	124,051	171,319
Fund balance appropriated	47,268	-	(47,268)
Revenues and other financing sources over expenditures and other financing uses	\$ -	124,051	\$ 124,051
Fund Balance, beginning		1,131,517	
Fund Balance, ending		\$ 1,255,568	

**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, 2021**

	2021		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Charges for services:			
Water sales:			
Residential and			
Commercial	\$ -	\$ 576,593	\$ -
Other operating revenues		28,250	
Total	579,850	604,843	24,993
Nonoperating revenues:			
Interest earnings		14,275	14,275
Total	5,800	14,275	8,475
Total Revenues	585,650	619,118	33,468
Expenditures:			
Water & Sewer Administration:			
Salaries and benefits		42,504	
Postage and supplies		1,285	
Operating Expenses		1,445	
Total	50,500	45,234	5,266
Water and sewer operations:			
Salaries and benefits		160,998	
Utilities		104,605	
Contracted services		7,461	
Maintenance and repairs		130,571	
Chemicals and supplies		22,844	
Operating Expenses		46,131	
Total operating expenditures	564,362	472,610	91,752
Debt service:			
Principal retirement		25,085	
Total debt service	25,086	25,085	1
Total expenditures	639,948	542,929	97,019
Fund balance appropriated	54,298	-	(54,298)
Revenues over (under) expenditures	\$ -	\$ 76,189	\$ 76,189
<b>Reconciliation from budgetary basis</b>			
<b>(modified accrual) to full accrual:</b>			
Revenues over expenditures		\$ 76,189	
Reconciling items:			
Depreciation		(355,726)	
Capital contribution		1,089,682	
Principal retirement of debt		25,085	
(Increase) decrease in Net Pension liability		(17,242)	
(Increase) decrease in Compensated absences		1,438	
(Increase) decrease in OPEB liability		(58,057)	
Increase (decrease) in deferred outflows of resources		47,808	
(Increase) decrease in deferred inflows of resources		8,643	
Total reconciling items		741,631	
Change in net position		\$ 817,820	

**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, 2021**

	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	\$ -	\$ 23,065	\$ 1,089,682	\$ 1,112,747	\$ 1,112,747
Town of Faison	-	-	-	-	-
Total revenues	<u>1,380,924</u>	<u>23,065</u>	<u>1,089,682</u>	<u>1,112,747</u>	<u>(268,177)</u>
Expenditures:					
Public Sewer Improvements - Construction	-	-	892,864	892,864	(892,864)
Administration	-	-	196,818	196,818	(196,818)
Technical	-	-	-	-	-
Total expenditures	<u>1,380,924</u>	<u>-</u>	<u>1,089,682</u>	<u>1,089,682</u>	<u>291,242</u>
Revenues over expenditures	<u>-</u>	<u>23,065</u>	<u>-</u>	<u>23,065</u>	<u>23,065</u>
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>\$ 23,065</u>	<u>\$ -</u>	<u>\$ 23,065</u>	<u>\$ 23,065</u>

**Town of Faison, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2021**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 322,893	\$ (321,870)	\$ 1,023
2019-2020	26,890	-	(26,775)	115
2018-2019	279	-	(226)	53
2017-2018	254	-	(240)	14
2016-2017	14	-	1	15
2015-2016	14	-	2	16
2014-2015	14	-	3	17
2013-2014	15	-	3	18
2012-2013	18	-	31	49
2011-2012	-	-	-	-
	<u>\$ 27,498</u>	<u>\$ 322,893</u>	<u>\$ (349,071)</u>	<u>\$ 1,320</u>

Ad valorem taxes receivable - net \$ 1,320

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 345,569
Reconciling items:	
Discounts, Releases, Refunds, Adjustments	6,374
Interest collected	(2,872)
Total collections and credits	<u>\$ 349,071</u>

**Town of Faison, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**For the Fiscal Year Ended June 30, 2021**

				Total Levy	
	Town - Wide		Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate			
Original levy:					
Property taxed at current year's rate	<u>\$ 60,923,208</u>	0.53	<u>\$ 322,893</u>	<u>\$ 292,378</u>	<u>\$ 30,515</u>
Total	<u>60,923,208</u>		<u>322,893</u>	<u>292,378</u>	<u>30,515</u>
 Total property valuation	<u><u>\$ 60,923,208</u></u>				
 Net levy			322,893	292,378	30,515
 Uncollected taxes at June 30, 2021			<u>(1,023)</u>	<u>(1,023)</u>	<u>-</u>
 Current year's taxes collected			<u><u>\$ 321,870</u></u>	<u><u>\$ 291,355</u></u>	<u><u>\$ 30,515</u></u>
 Current levy collection percentage			<u><u>99.68%</u></u>	<u><u>99.65%</u></u>	<u><u>100.00%</u></u>



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**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, 2021, 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 15, 2021.

**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 the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did not identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

#### 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*.

#### 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 15, 2021



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**Report on Compliance for Each Major Federal Program; Report on Internal  
Control Over Compliance; With OMB Uniform Guidance and the State Single  
Audit Implementation Act**  
**Independent Auditor's Report**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Faison, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Faison's major federal programs for the year ended June 30, 2021. The Town of Faison's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town of Faison's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Faison's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Faison's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the Town of Faison complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## **Report on Internal Control Over Compliance**

Management of the Town of Faison is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Faison's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

*Wilmington, North Carolina*

*October 11, 2021*

Town of Faison, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2021

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<b>Section I.</b>	<b>Summary of Auditor's Results</b>
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Financial Statements

Type of report auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                   \_\_\_yes    Xno
- Significant Deficiency(s) identified?               \_\_\_yes    Xno

Noncompliance material to financial  
statements noted?                                       \_\_\_yes    Xno

Federal Awards

Internal control over major State programs:

- Material weakness(es) identified?                   \_\_\_yes    Xno
- Significant Deficiency(s) identified                 \_\_\_yes    Xnone reported

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with the Federal  
Single Audit Implementation Act                       \_\_\_yes    Xno

Identification of major federal programs:

CFDA No(s).	Names of Federal Program
-------------	--------------------------

14.228	Community Development Block Grants
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Dollar threshold used to distinguish  
between Type A and Type B Programs                       \$750,000

Auditee qualified as low-risk auditee?                       \_\_\_yes    Xno

Town of Faison, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2021

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**Section II – Financial Statement Findings**

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None.

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**Section III – Federal Award Findings and Questioned Costs**

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None.

Town of Faison, North Carolina  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2021

**Finding: 2020-001**  
Status: Corrected.

**Town of Faison, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2021**

Grantor/Pass-through Grantor/Program Title 1(a)	Federal AL#/ CFDA No. 1(a)(b)	State/ Pass-through Grantor's No. 1(c)	Fed. (Direct & Pass-through) Expenditures 1(c),2	State Expenditures 1(d)
<b>Federal Grants:</b>				
<b>Cash Programs:</b>				
<u>U.S. Dept. of Housing and Urban Development</u>				
Passed-through N.C. Department of Commerce:				
Passed-through N.C. Department of Environmental Quality:				
Community Development Block Grant, State's Program	14.228	17-I-2962	\$ 1,089,682	\$ -
Total Community Development Block Grant, State's Program			1,089,682	-
<u>U.S. Dept. of Treasury</u>				
Passed-through the Office of State Budget and Management:				
NC Pandemic Recovery Office				
Passed-through Duplin County:				
Coronavirus Relief Fund	21.019		20,474	-
Total assistance - federal programs			1,110,156	-
<b>State Grants:</b>				
<b>Cash Assistance:</b>				
<u>N.C. Department of Transportation:</u>				
Powell Bill		37652	-	25,912
Total assistance - State programs			-	25,912
Total assistance			\$ 1,110,156	\$ 25,912

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

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Faison under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Faison, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Faison.

**Note 2: Summary of Significant Accounting Policies**

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

**Note 3: Indirect Cost Rate**

The Town of Faison has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.