

Town of Fairmont, North Carolina

Audited Financial Statements

**For the Year Ended
June 30, 2021**

Town of Fairmont, North Carolina
Audited Financial Statements
For the Year Ended June 30, 2021

Charles Townsend, Mayor

Board of Town Commissioners

Terry Evans

Charles Kemp

Monte McCallum

Jeffrey J. McCree

Felecia McLean-Kesler

Heather Seibles

Hank Raper, Town Manager

Jenny Larson, Finance Officer and Town Clerk

Town of Fairmont, North Carolina
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June 30, 2021

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Financial Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs
N. C. Association of CPAs

Independent Auditor's Report

To the Honorable Mayor and
Board of Town Commissioners
Town of Fairmont, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Fairmont, 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 *Governmental 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. The financial statements of the Fairmont ABC Board were not audited in accordance with Government Auditing Standards.

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 the 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, the discretely presented

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component unit, each major fund, the aggregate remaining fund information of the Town of Fairmont, 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 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 Management's Discussion and Analysis on pages 3 through 9, and the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 48, respectively, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 44 and 45 respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 46 and 47 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

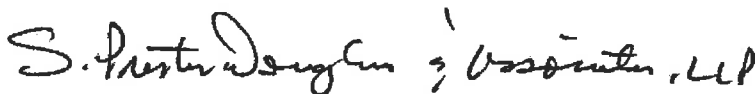
Supplementary and other Information

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

The combining and individual fund financial statements, budgetary schedules, and other schedules, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules, are fairly stated in, all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2021 on our consideration of the Town of Fairmont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Fairmont's internal control over financial reporting and compliance.



Lumberton, North Carolina
October 20, 2021

Town of Fairmont, North Carolina
Management's Discussion and Analysis
June 30, 2021

Management's Discussion and Analysis

As management of the Town of Fairmont, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Fairmont for the fiscal year ending 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 the Town of Fairmont exceeded its liabilities and deferred inflows at the close of the fiscal year by \$7,166,786.

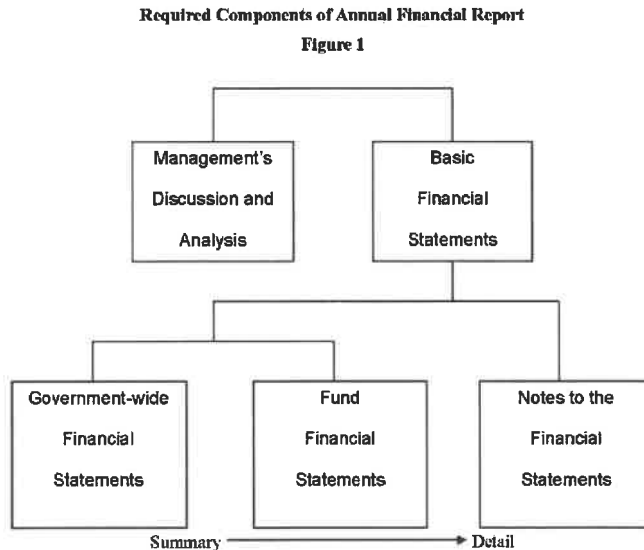
The government's total net position increased in the amount of \$89,708, primarily due an increase in operating & capital grant revenues.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,255,500. Approximately 62.84% of this total amount, or \$788,954, is available for spending at the government's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$788,954 or 32.41% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Fairmont's basic financial statements. The Town's basic financial statements comprise 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 also contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town of Fairmont.



Financial Statements

The first two statements 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 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.

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Financial Statements (continued). 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 to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, additional information is provided to show details about the Town's individual funds. Budgetary information required by the N.C. 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, in a manner similar to the private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the Town's basic services such as general government, public safety, highways/streets, sanitation, economic development, culture and recreation, and debt service. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Fairmont. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town because the Town exercises control over the Board by appointing its members, and because the Board is required to distribute a portion of its profits to the Town.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Fairmont, like other state and local governments, 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 can be divided into two categories, governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same 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 monies that are unexpended 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 determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Fairmont 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.

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Governmental funds (continued). 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. The Town of Fairmont has one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its water and sewer activity. 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 can be found on pages 19-43 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's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 46.

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

The Town of Fairmont's Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,535,927	\$ 1,413,302	\$ 480,426	\$ 470,087	\$ 2,016,353	\$ 1,883,389
Non-current assets	1,061,596	849,101	9,363,966	9,489,898	10,425,562	10,338,999
Total assets	2,597,523	2,262,403	9,844,392	9,959,985	12,441,915	12,222,388
Deferred Outflows of Resources	498,564	212,041	184,229	63,614	682,793	275,655
Current liabilities	88,254	52,540	193,020	208,828	281,274	261,368
Non-current liabilities	2,200,532	1,857,896	3,251,349	3,068,015	5,451,881	4,925,911
Total liabilities	2,288,786	1,910,436	3,444,369	3,276,843	5,733,155	5,187,279
Deferred Inflows of Resources	161,924	180,971	62,843	52,715	224,767	233,686
Net position:						
Net investment in capital assets	854,751	765,951	6,896,966	6,947,898	7,751,717	7,713,849
Restricted	446,996	416,591	-	-	446,996	416,591
Unrestricted	(656,370)	(799,505)	(375,557)	(253,857)	(1,031,927)	(1,053,362)
Total net position	\$ 645,377	\$ 383,037	\$ 6,521,409	\$ 6,694,041	\$ 7,166,786	\$ 7,077,078

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-wide Financial Analysis (continued). As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$7,166,786 at the close of the current fiscal year. By far the largest portion of the Town's net position, 108.16%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted portion of net position, \$446,966, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance, (\$1,031,927), is unrestricted.

The Town of Fairmont's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 233,292	\$ 234,524	\$ 1,386,450	\$ 1,214,735	\$ 1,619,742	\$ 1,449,259
Operating grants and contributions	226,270	114,502	-	-	226,270	114,502
Capital grants and contributions	-	-	130,500	88,500	130,500	88,500
General revenues:						
Property taxes	925,432	813,565	-	-	925,432	813,565
Other taxes	195	195	-	-	195	195
Unrestricted revenues	999,513	876,977	-	-	999,513	876,977
Other	47,466	27,745	-	-	47,466	27,745
Total revenues	2,432,168	2,067,508	1,516,950	1,303,235	3,949,118	3,370,743
Expenses:						
General government	374,281	581,898	-	-	374,281	581,898
Public safety	922,765	845,096	-	-	922,765	845,096
Transportation	308,918	261,791	-	-	308,918	261,791
Environmental protection	219,838	282,014	-	-	219,838	282,014
Economic development	41,783	31,384	-	-	41,783	31,384
Non-departmental	238,289	118,076	-	-	238,289	118,076
Water and sewer	3,954	3,441	1,749,582	1,469,452	1,753,536	1,472,893
Total expenses	2,109,828	2,123,700	1,749,582	1,469,452	3,859,410	3,593,152
Transfers	(60,000)	-	60,000	-	-	-
Change in net position	262,340	(56,192)	(172,632)	(166,217)	89,708	(222,409)
Net position, beginning	383,037	439,229	6,694,041	6,860,258	7,077,078	7,299,487
Net position, ending	\$ 645,377	\$ 383,037	\$ 6,521,409	\$ 6,694,041	\$ 7,166,786	\$ 7,077,078

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Governmental activities. Governmental activities increased the Town's net position by \$262,340. The increase in net position was primarily due to an increase in revenues compared to the prior year. Operating expenditures decreased compared to the prior year. Unrestricted intergovernmental revenues were the largest revenue contributor for the governmental funds with 41.10% of total revenues. Ad valorem tax revenues were the next largest at 38.05%.

Capital and operating grants for governmental activities furnished resources to support the five functions of the Town: general government, public safety, transportation, environmental protection, and economic and community development.

Business-type activities. Business-type activities decreased the Town's net position by \$172,632. Key elements of this decrease are as follows:

- Total expenditures increased compared to the prior year.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the Town'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's financing requirements.

At the end of the current fiscal year, the Town's governmental funds reported a combined fund balance of \$1,255,500. Of this total amount, \$788,954 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that funds are not available for spending because these funds have already been committed 1) to liquidate contracts and purchase orders of the prior year, or 2) for a variety of other restricted purposes.

The General Fund is the chief operating fund of the Town of Fairmont. At the end of the fiscal year, unassigned fund balance for the General Fund was \$788,954 with a total fund balance of \$1,193,285. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32.41% of total General Fund expenditures.

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 Fairmont's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to a negative (\$375,557). Other factors concerning this fund have been discussed in the Town's business-type activities.

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Capital Assets and Debt Administration

Capital Assets. The Town of Fairmont's investments in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$10,425,562 (net of accumulated depreciation). The investments in capital assets includes land, buildings, improvements, furniture and equipment, infrastructure (including distribution systems), and vehicles.

The Town of Fairmont's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 161,046	\$ 161,046	\$ 7,091	\$ 7,091	\$ 168,137	\$ 168,137
Buildings & infrastructure	2,153,601	2,153,601	12,755	12,755	2,166,356	2,166,356
Equipment	848,588	848,588	844,203	757,400	1,692,791	1,605,988
Vehicles	1,357,597	1,092,132	-	-	1,357,597	1,092,132
Construction in progress	-	-	208,750	110,250	208,750	110,250
Water & Sewer infrastructure	-	-	15,725,530	15,725,530	15,725,530	15,725,530
Total depreciable assets	4,359,786	4,094,321	16,791,238	16,605,935	21,151,024	20,700,256
Less - accumulated depreciation	3,459,236	3,406,266	7,434,363	7,123,128	10,893,599	10,529,394
Total depreciable assets, net	900,550	688,055	9,356,875	9,482,807	10,257,425	10,170,862
Total capital assets, net	\$ 1,061,596	\$ 849,101	\$ 9,363,966	\$ 9,489,898	\$10,425,562	\$ 10,338,999

Additional information on the Town's capital assets can be found in Note 3, beginning on page 26.

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Long-term debt. As of June 30, 2021, the Town of Fairmont had total bonded debt outstanding of \$2,467,000.

The Town of Fairmont's Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ -	\$ -	\$ 2,467,000	\$ 2,542,000	\$ 2,467,000	\$ 2,542,000
Direct placement						
installment debt	206,845	83,150	-	-	206,845	83,150
Compensated absences	34,138	34,138	14,434	14,434	48,572	48,572
OPEB	1,591,557	1,395,233	748,997	490,217	2,340,554	1,885,450
Pension related debt (LGERS)	274,004	268,576	96,918	94,364	370,922	362,940
Pension related debt (LEO)	144,821	103,542	-	-	144,821	103,542
Total	\$ 2,251,365	\$ 1,884,639	\$ 3,327,349	\$ 3,141,015	\$ 5,578,714	\$ 5,025,654

Town of Fairmont's Outstanding Debt

The Town of Fairmont's total debt increased by \$553,060 during the fiscal year.

North Carolina's general statutes limit the amount of general obligation debt that a governmental unit can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Fairmont is presently at \$6,768,193 (the amount of additional debt the town could obligate itself to under NC General Statute).

Additional information pertaining to the Town of Fairmont's long-term debt can be found in Note 3, beginning on page 40.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town and surrounding area is 7.30% at June 30, 2021, which is a decrease from a rate of 8.80% a year ago. This comparison is higher than the State's rate of 4.90% and the national rate of 6.10%.

Request for Information

This financial report is designed to provide a general overview of the Town of Fairmont's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 421 South Main Street, Fairmont NC 28340.

Basic Financial Statements

Town of Fairmont, North Carolina
Statement of Net Position
June 30, 2021

	<u>Primary Government</u>			Fairmont ABC Board
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 845,925	\$ 187,952	\$ 1,033,877	\$ 55,091
Taxes receivable (net)	243,006	-	243,006	-
Accounts receivable (net)	68,928	191,533	260,461	-
Due from other governments	195,219	39,500	234,719	-
Inventories	-	61,441	61,441	115,648
Prepaid items	-	-	-	4,759
Restricted cash and cash equivalents	182,849	-	182,849	8,611
Total current assets	<u>1,535,927</u>	<u>480,426</u>	<u>2,016,353</u>	<u>184,109</u>
Non-current assets:				
Capital assets (Note 3)				
Land	161,046	7,091	168,137	26,500
Other capital assets, net of depreciation	900,550	9,356,875	10,257,425	27,004
Total capital assets	<u>1,061,596</u>	<u>9,363,966</u>	<u>10,425,562</u>	<u>53,504</u>
Total assets	<u>2,597,523</u>	<u>9,844,392</u>	<u>12,441,915</u>	<u>237,613</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension deferrals	241,181	63,107	304,288	-
OPEB deferrals	257,383	121,122	378,505	-
Total deferred outflows of resources	<u>498,564</u>	<u>184,229</u>	<u>682,793</u>	<u>-</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued expenses	37,421	21,624	59,045	70,428
Current portion of long-term liabilities	50,833	76,000	126,833	-
Customer deposits	-	95,396	95,396	-
Total current liabilities	<u>88,254</u>	<u>193,020</u>	<u>281,274</u>	<u>70,428</u>
Long-term liabilities:				
Net pension liability	274,004	96,918	370,922	-
Total pension liability	144,821	-	144,821	-
Total OPEB liability	1,591,557	748,997	2,340,554	-
Compensated absences	34,138	14,434	48,572	-
Due in more than one year	156,012	2,391,000	2,547,012	-
Total liabilities	<u>2,288,786</u>	<u>3,444,369</u>	<u>5,733,155</u>	<u>70,428</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension deferrals	55,812	8,669	64,481	-
OPEB deferrals	106,112	54,174	160,286	-
Total deferred inflows of resources	<u>161,924</u>	<u>62,843</u>	<u>224,767</u>	<u>-</u>
<u>NET POSITION</u>				
Net investment in capital assets	854,751	6,896,966	7,751,717	53,504
Restricted for:				
Stabilization by State Statute	264,147	-	264,147	-
Other functions	182,849	-	182,849	33,600
Unrestricted	(656,370)	(375,557)	(1,031,927)	80,081
Total net position	<u>\$ 645,377</u>	<u>\$ 6,521,409</u>	<u>\$ 7,166,786</u>	<u>\$ 167,185</u>

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

Town of Fairmont, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	Fairmont ABC Board
Primary Government								
Governmental activities:								
General government	\$ 374,281	\$ 1,345	-	\$ 99,310	\$ (273,626)	\$ -	\$ (273,626)	\$ -
Public safety	922,765	-	-	204	(922,561)	-	(922,561)	-
Transportation	308,918	-	-	114,836	(194,082)	-	(194,082)	-
Environmental protection	219,838	231,947	-	1,920	14,029	-	14,029	-
Economic and community dev.	41,783	-	-	10,000	(31,783)	-	(31,783)	-
Non-departmental	238,289	-	-	-	(238,289)	-	(238,289)	-
Interest on long-term debt	3,954	-	-	-	(3,954)	-	(3,954)	-
Total governmental activities	2,109,828	233,292	-	226,270	(1,650,266)	-	(1,650,266)	-
Business-type activities:								
Water and sewer	1,749,582	1,386,450	130,500	-	-	(232,632)	(232,632)	-
Total business-type activities	1,749,582	1,386,450	130,500	-	-	(232,632)	(232,632)	-
Total primary government	\$ 3,859,410	\$ 1,619,742	\$ 130,500	\$ 226,270	(1,650,266)	(232,632)	(1,882,898)	-
Component unit								
Fairmont ABC Board	\$ 1,145,475	\$ 1,127,638	\$ -	\$ -	-	-	-	(17,837)
Total component unit	\$ 1,145,475	\$ 1,127,638	\$ -	\$ -	-	-	-	(17,837)
General revenues:								
Taxes:								
Ad valorem taxes					925,432	-	925,432	-
Other taxes and licenses					195	-	195	-
Grants and contributions not restricted to specific programs					999,513	-	999,513	-
Investment earnings					60	-	60	5
Miscellaneous					47,406	-	47,406	-
Total general revenues not including transfers					1,972,606	-	1,972,606	5
Transfers					(60,000)	60,000	-	-
Total general revenues and transfers					1,912,606	60,000	1,972,606	5
Change in net position					262,340	(172,632)	89,708	(17,832)
Net position, beginning					383,037	6,694,041	7,077,078	185,017
Net position, ending					\$ 645,377	\$ 6,521,409	\$ 7,166,786	\$ 167,185

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

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

	<u>Major Fund General</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 845,925	\$ -	\$ 845,925
Restricted cash	120,634	62,215	182,849
Taxes receivable - net	243,006	-	243,006
Accounts receivable - net	68,928	-	68,928
Due from other governments	195,219	-	195,219
Total assets	\$ 1,473,712	\$ 62,215	\$ 1,535,927
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 37,421	\$ -	\$ 37,421
Total liabilities	37,421	-	37,421
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes receivable	243,006	-	243,006
Total deferred inflows of resources	243,006	-	243,006
<u>FUND BALANCES</u>			
Restricted:			
Stabilization by State Statute	264,147	-	264,147
Streets	113,558	-	113,558
Public Safety	7,076	-	7,076
Economic Development	-	62,215	62,215
Assigned - subsequent year's expenditures	19,550	-	19,550
Unassigned	788,954	-	788,954
Total fund balances	1,193,285	62,215	1,255,500
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,473,712	\$ 62,215	

Amounts reported for governmental activities in the Statement of Net Position
(Page 10) are different because:

Total Fund Balance, Governmental Funds		1,255,500
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$ 4,520,832	
Accumulated depreciation	(3,459,236)	1,061,596
Deferred outflows of resources related to pensions are not reported in the funds		241,181
Deferred outflows of resources related to OPEB are not reported in the funds		257,383
Earned revenues considered deferred inflows of resources in fund statements		243,006
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Gross long-term debt, beginning	\$ (117,288)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(123,695)	
Net pension liability	(274,004)	
Total pension liability	(144,821)	
OPEB liability	(1,591,557)	(2,251,365)
Deferred inflows of resources related to pensions are not reported in the funds		(55,812)
Deferred inflows of resources related to OPEB are not reported in the funds		(106,112)
Net position of governmental activities		\$ 645,377

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

Town of Fairmont, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	<u>Major Fund General</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 899,071	\$ -	\$ 899,071
Other taxes and licenses	195	-	195
Unrestricted intergovernmental revenues	999,513	-	999,513
Restricted intergovernmental revenues	217,615	10,000	227,615
Permits and fees	2,720	-	2,720
Sales and services	231,947	-	231,947
Investment earnings	59	1	60
Miscellaneous	44,686	-	44,686
Total revenues	<u>2,395,806</u>	<u>10,001</u>	<u>2,405,807</u>
Expenditures:			
General government	457,891	-	457,891
Public safety	960,897	-	960,897
Transportation	471,404	-	471,404
Environmental protection	210,644	-	210,644
Economic and community development	38,295	3,488	41,783
Non-departmental	238,289	-	238,289
Debt service:			
Principal	53,277	-	53,277
Interest	3,954	-	3,954
Total expenditures	<u>2,434,651</u>	<u>3,488</u>	<u>2,438,139</u>
Revenues over (under) expenditures	<u>(38,845)</u>	<u>6,513</u>	<u>(32,332)</u>
Other financing sources (uses)			
Loan proceeds	176,972	-	176,972
Transfers to another fund	(60,000)	-	(60,000)
Total other financing sources (uses)	<u>116,972</u>	<u>-</u>	<u>116,972</u>
Net change in fund balances	78,127	6,513	84,640
Fund balance - beginning of year	<u>1,115,158</u>	<u>55,702</u>	<u>1,170,860</u>
Fund balance - end of year	<u>\$ 1,193,285</u>	<u>\$ 62,215</u>	<u>\$ 1,255,500</u>

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

Town of Fairmont, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of 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 change in fund balances - total governmental funds	\$	84,640
<p>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</p>		
Capital outlay expenditures which were capitalized	\$ 265,465	
Depreciation expense for governmental assets	<u>(52,970)</u>	212,495
<p>Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities</p>		
		62,566
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in deferred revenue for tax revenues		26,361
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	(176,972)	
Principal payments on long-term debt	<u>53,277</u>	(123,695)
<p>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.</p>		
Compensated absences	-	
Pension expense	(104,033)	
OPEB plan expense	<u>104,006</u>	<u>(27)</u>
Total change in net position of governmental activities	\$	<u>262,340</u>

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

Town of Fairmont, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 892,800	\$ 907,737	\$ 899,071	\$ (8,666)
Other taxes and licenses	195	195	195	-
Unrestricted intergovernmental	852,000	972,858	999,513	26,655
Restricted intergovernmental	121,523	238,428	217,615	(20,813)
Permits and fees	2,500	2,685	2,720	35
Sales and services	238,300	231,912	231,947	35
Investment earnings	-	-	59	59
Miscellaneous	33,000	43,661	44,686	1,025
Total revenues	<u>2,140,318</u>	<u>2,397,476</u>	<u>2,395,806</u>	<u>(1,670)</u>
Expenditures:				
General government	487,094	465,934	457,891	8,043
Public safety	902,280	960,707	960,897	(190)
Transportation	305,170	471,947	471,404	543
Environmental protection	219,200	210,802	210,644	158
Economic and community development	87,672	41,035	38,295	2,740
Non-departmental	151,114	317,983	238,289	79,694
Debt service				
Principal	25,814	53,277	53,277	-
Interest	3,441	3,954	3,954	-
Total expenditures	<u>2,181,785</u>	<u>2,525,639</u>	<u>2,434,651</u>	<u>90,988</u>
Revenues under expenditures	<u>(41,467)</u>	<u>(128,163)</u>	<u>(38,845)</u>	<u>89,318</u>
Other financing sources (uses):				
Loan proceeds	-	176,972	176,972	-
Transfers to another fund	-	(60,000)	(60,000)	-
Total other financing sources (uses)	<u>-</u>	<u>116,972</u>	<u>116,972</u>	<u>-</u>
Fund balance appropriated	41,467	11,191	-	(11,191)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>78,127</u>	<u>\$ 78,127</u>
Fund balance, beginning			<u>1,115,158</u>	
Fund balance, ending			<u>\$ 1,193,285</u>	

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

Town of Fairmont, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2021

	Enterprise Fund
	Water and Sewer Fund
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 187,952
Accounts receivable - net	191,533
Due from other governments	39,500
Inventories	61,441
Total current assets	480,426
Non-current assets:	
Capital assets:	
Land	7,091
Other capital assets, net of depreciation	9,356,875
Total capital assets	9,363,966
Total assets	9,844,392
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension deferrals	63,107
OPEB deferrals	121,122
Total deferred outflows of resources	184,229
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and accrued expenses	21,624
Current portion of long-term liabilities	76,000
Customer deposits	95,396
Total current liabilities	193,020
Noncurrent liabilities:	
Net pension liability	96,918
Total OPEB liability	748,997
Compensated absences	14,434
Noncurrent portion of long-term debt	2,391,000
Total noncurrent liabilities	3,251,349
Total liabilities	3,444,369
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension deferrals	8,669
OPEB deferrals	54,174
Total deferred inflows of resources	62,843
<u>NET POSITION</u>	
Net investment in capital assets	6,896,966
Unrestricted	(375,557)
Total net position	\$ 6,521,409

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

Town of Fairmont, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	Enterprise Fund
	Water and Sewer Fund
Operating revenues	
Charges for services	\$ 1,386,450
Total operating revenues	1,386,450
Operating expenses	
Administration	365,487
Water treatment	208,607
Water maintenance	114,198
Sewer treatment	413,707
Sewer maintenance	163,079
Sewer contract operations and maintenance	37,324
Non-departmental	29,205
Depreciation	311,235
Total operating expenses	1,642,842
Operating income (loss)	(256,392)
Non-operating revenues (expenses)	
Interest expense	(106,740)
Total non-operating revenues (expenses)	(106,740)
Income (loss) before contributions and transfers	(363,132)
Transfers in (out)	60,000
Capital contributions	130,500
Total Contributions and Transfers	190,500
Change in net position	(172,632)
Total net position, beginning	6,694,041
Total net position, ending	\$ 6,521,409

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

Town of Fairmont, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	<u>Enterprise Fund</u> <u>Water and Sewer Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 1,331,430
Cash paid for goods and services	(931,141)
Cash paid to employees	(306,067)
Increase (decrease) in customer deposits	1,022
Net cash provided (used) by operating activities	<u>95,244</u>
Cash flows from non-capital financing activities	
Transfers from other funds	60,000
Net cash provided (used) by non-capital financing activities	<u>60,000</u>
Cash flows from capital and related financing activities	
Acquisition and construction of assets	(185,303)
Capital contributions and grants	130,500
Payment of debt-related interest - all	(106,740)
Debt principal repayment	(75,000)
Net cash provided (used) by capital and related financing activities	<u>(236,543)</u>
Net increase (decrease) in cash	(81,299)
Cash and cash equivalents - Beginning of year	<u>269,251</u>
Cash and cash equivalents - End of year	<u>\$ 187,952</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (256,392)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -	
Depreciation	311,235
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(94,520)
(Increase) decrease in inventory	2,882
Decrease in deferred outflows of resources - pensions	507
Decrease in deferred outflows of resources - OPEB	(121,122)
Increase (decrease) in accounts payable and accrued liabilities	(19,830)
Increase (decrease) in meter deposits	1,022
Increase in net pension liability	2,554
Decrease in OPEB liability	258,780
Decrease in deferred inflows of resources - pensions	8,327
Increase in deferred inflows of resources - OPEB	1,801
Total adjustments	<u>351,636</u>
Net cash provided (used) by operating activities	<u>\$ 95,244</u>

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

Town of Fairmont, North Carolina
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Fairmont, North Carolina, and its discretely presented component unit 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 Fairmont is a municipal corporation that is governed by an elected mayor and a six-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Fairmont ABC Board

The Town appoints the members of the ABC Board's governing board. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a Proprietary Fund. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Fairmont ABC Board, c/o Town of Fairmont, Post Office Box 248, Fairmont, North Carolina 28340.

B - Basis of Presentation

Government-wide Statements: The Statement of Net Position and Statement of Activities display information about the primary government and its component unit. 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 and 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 Town has no fiduciary funds to report. The emphasis of the 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 non-major funds.

Proprietary fund operating revenues, such as charges for services, result from the 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major Governmental fund:

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B - Basis of Presentation - Fund Accounting (continued)

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. Primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following non-major Governmental funds:

Special Revenue Funds - Special Revenue Funds account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Town maintains two Special Revenue Funds - the Rural Business Enterprise Grant Fund and the Cemetery Fund.

Proprietary Funds include the following fund type:

Enterprise Funds - Enterprise Funds account for those operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town of Fairmont has one Enterprise Fund, the Water and Sewer Fund.

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 the 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.

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 60 days after year-end, except for property taxes. Ad Valorem taxes receivable are not accrued as a 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.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

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 Fairmont because the tax is levied by Robeson County and then remitted to and distributed by the State. Most intergovernmental revenue and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenue that is unearned at year-end is recorded as deferred inflows of resources.

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 and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue Fund and the Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The Town Manager is authorized to transfer appropriations within a fund up to \$2,500; however, the governing board must approve any revisions that alter the total expenditures of any fund or exceed \$2,500. During the year, several amendments to the original budget were necessary, the effects of which were not material.

A budget calendar is included in the North Carolina General Statutes that prescribes the last day on which certain steps of that budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

- April 30 - Each department head will transmit to the budget officer the budget requests and the revenue estimates for their department for the budget year.
- June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget shall be scheduled at this time.
- June 30 - The governing board shall adopt the budget ordinance.

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

Deposits and Investments

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

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

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Deposits and Investments (continued)

The Town's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2 a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating, and is measured at fair value. As of June 30, 2021, 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.

In accordance with State law, the Town of Fairmont has invested in securities that are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

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. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Restricted Assets

Money in the Rural Business Enterprise Grant Fund and Cemetery Fund are classified as restricted assets because its use is restricted to those funds. Powell Bill funds are 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. Restricted cash at June 30, 2021 in the Governmental Activities was \$182,849.

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 other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. 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 that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenue is reported net of such discounts.

Inventory

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. The inventories of the Town's Enterprise Funds and those of the Town of Fairmont ABC Board consist of materials and supplies held for consumption. The cost of these inventories is recorded as an expense as the inventories are consumed.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain threshold and an estimated life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair market value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. 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.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Capital Assets (continued)

Capital assets of the Town are depreciated on a class life basis at the following rates:

Buildings and infrastructure	2%
Improvements	10%
Equipment and vehicles	17%

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

	<u>Useful Life</u>
Buildings	25 years
Furniture and equipment	10 years

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 two items that meet this criterion – pension and OPEB related 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 meet the criteria for this category – property taxes receivable, pension and OPEB related deferrals.

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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related 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 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.

Compensated Absences

The vacation policies of the Town and the ABC Board provide for the accumulation of up to thirty days of earned vacation leave with such leave being fully vested when earned. For the Town’s government-wide and proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned – when material. The Town has assumed a first-in, first-out method of using accumulated compensated time.

Both the Town and the ABC Board’s sick leave policies provide for an unlimited accumulation of earned sick leave. 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 neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Net Position / Fund Balances

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

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

The governmental fund types classify fund balances as follows:

Restricted fund balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

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 the total unexpended Powell Bill funds.

Restricted for Public Safety – portion of fund balance that is restricted by revenue from asset forfeiture funds.

Restricted for Economic Development - portion of fund balance restricted for economic development [G.S. Chapter 159, Article 3, Part 2].

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

The Town of Fairmont 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.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, 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 (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Fairmont's employer contributions are recognized when due and the Town of Fairmont has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A - Significant violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

None

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

None

C - Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2021, expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for public safety by \$190. Additionally, the expenditures made in the Town's water and sewer fund exceeded the authorized appropriations made by the governing board in the water treatment department by \$3,618, the water maintenance department by \$5,031, the sewage treatment department by \$56,437, and the sewer contract operations and maintenance department by \$6,313. Management and the Board will more closely review the budget reports to ensure compliance in future years.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A - Assets

Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the Federal Deposit Insurance Coverage level are collateralized with securities held by the Town's or the ABC Board'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 and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board'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 or the ABC Board under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town and ABC Board have no policy regarding custodial risk for deposits.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

Deposits (continued)

At June 30, 2021, the Town's deposits had a carrying amount of \$997,195, and a bank balance of \$1,068,095. 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 \$850.

At June 30, 2021, the carrying amount of deposits for the ABC Board was \$55,091, and the bank balance was \$62,652. Federal Deposit Insurance covered all of the bank balance.

Investments

At June 30, 2021, the Town of Fairmont had \$218,681 invested with the North Carolina Capital Management Trust's Governmental Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts: General Fund – Taxes receivable: \$243,006.

Capital Assets

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

Governmental activities:	Beginning			Ending
Capital assets	Balances	Increases	Decreases	Balances
Land (non-depreciable)	\$ 161,046	\$ -	\$ -	\$ 161,046
Buildings and infrastructure	2,153,601	-	-	2,153,601
Equipment	848,588	-	-	848,588
Vehicles/motorized equipment	1,092,132	265,465	-	1,357,597
	<u>4,255,367</u>	<u>265,465</u>	<u>-</u>	<u>4,520,832</u>
Total capital assets				
Less accumulated depreciation for:				
Buildings and infrastructure	1,704,596	14,702	-	1,719,298
Equipment	704,228	20,313	-	724,541
Vehicles/motorized equipment	997,442	17,955	-	1,015,397
	<u>3,406,266</u>	<u>\$ 52,970</u>	<u>\$ -</u>	<u>3,459,236</u>
Total accumulated depreciation				
Governmental activities capital assets, net	<u>\$ 849,101</u>			<u>\$ 1,061,596</u>

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

General Government	\$ 14,702
Public Safety	16,367
Transportation	12,707
Environmental Protection	9,194
	<u>52,970</u>
Total depreciation expense	<u>\$ 52,970</u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

Capital Assets (continued)

Business-type activities:				
<i>Water and Sewer Fund</i>	Beginning			Ending
Capital assets	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Land (non-depreciable)	\$ 7,091	\$ -	\$ -	\$ 7,091
Public works building	12,755	-	-	12,755
Water and sewer system	15,725,530	-	-	15,725,530
Equipment	757,400	86,803	-	844,203
Construction in progress (non-depreciable)	110,250	98,500	-	208,750
	<u>16,613,026</u>	<u>185,303</u>	<u>-</u>	<u>16,798,329</u>
Total capital assets				
Less accumulated depreciation for:				
Public works building	12,758	-	-	12,758
Water and sewer system	6,447,785	292,600	-	6,740,385
Equipment	662,585	18,635	-	681,220
	<u>7,123,128</u>	<u>\$ 311,235</u>	<u>\$ -</u>	<u>7,434,363</u>
Total accumulated depreciation				
Business-type activities capital assets, net	<u>\$ 9,489,898</u>			<u>\$ 9,363,966</u>

Activity for the ABC Board for the year ending June 30, 2021, was as follows:

ABC Board				
Capital assets	Beginning			Ending
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Land (non-depreciable)	\$ 26,500	\$ -	\$ -	\$ 26,500
Buildings	101,945	-	-	101,945
Parking lot improvements	10,875	-	-	10,875
Equipment	100,548	1,649	-	102,197
	<u>239,868</u>	<u>1,649</u>	<u>-</u>	<u>241,517</u>
Total capital assets				
Less accumulated depreciation for:				
Buildings	101,945	-	-	101,945
Parking lot improvements	3,256	540	-	3,796
Equipment	77,011	5,261	-	82,272
	<u>182,212</u>	<u>\$ 5,801</u>	<u>\$ -</u>	<u>188,013</u>
Total accumulated depreciation				
ABC Board capital assets, net	<u>\$ 57,656</u>			<u>\$ 53,504</u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities

Pension Plan and Postemployment Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town of Fairmont 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). 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 (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) 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. Town of Fairmont 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 of Fairmont's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% 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 of Fairmont were \$92,009 for the year ended June 30, 2021.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Local Governmental Employees' Retirement System (continued)

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 a liability of \$370,922 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, the Town's proportion was 0.01038%, which was a decrease of 0.00291% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$127,597. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,841	\$ -
Changes of assumptions	27,604	-
Net difference between projected and actual earnings on pension plan investments	52,197	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	23,240	27,337
Town contributions subsequent to the measurement date	92,009	-
Total	\$ 241,891	\$ 27,337

\$92,009 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease 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:

Year ended June 30:		
2022	\$	35,968
2023		46,449
2024		24,679
2025		15,448
2026		-
Thereafter		-
	\$	122,544

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

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

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 pension 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

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

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 LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the Town’s proportionate share of the net pension asset to changes in the discount rate. The following presents the Town’s proportionate share of the net pension liability 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)	\$ 752,560	\$ 370,922	\$ 53,754

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

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The Town of Fairmont administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	6
Total	6

2. Summary of Significant Accounting Policies

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2019 valuation. 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	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Law Enforcement Officers Special Separation Allowance (continued)

3. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

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

At June 30, 2021, the Town reported a total pension liability of \$144,821. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$17,268.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,228	\$ 34,040
Changes of assumptions	42,169	3,104
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 62,397	\$ 37,144

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2022	\$	4,782
2023		4,782
2024		5,062
2025		4,766
2026		2,970
Thereafter		2,891
	\$	25,253

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

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

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 161,968	\$ 144,821	\$ 129,513

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	2021
Beginning balance	\$ 103,542
Service cost	9,111
Interest on the total pension liability	3,375
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(15,059)
Changes of assumptions of other inputs	43,852
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 144,821

The plan currently uses mortality tables that vary by age, 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.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

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

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 127,598	\$ 17,268	\$ 144,866
Pension Liability	370,922	144,821	515,743
Proportionate share of the net pension liability	0.01038%	n/a	
 Deferred Outflows of Resources			
Differences between expected and actual experience	46,841	20,228	67,069
Changes of assumptions	27,604	42,169	69,773
Net difference between projected and actual earnings on plan investments	52,197	-	52,197
Changes in proportion and differences between contributions and proportionate share of contributions	23,240	-	23,240
Benefit payments and administrative costs paid subsequent to the measurement date	92,009	-	92,009
 Deferred Inflows of Resources			
Differences between expected and actual experience	-	34,040	34,040
Changes of assumptions	-	3,104	3,104
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	27,337	-	27,337

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021, were \$26,215, which consisted of \$17,120 from the Town and \$9,095 from the law enforcement officers.

Other Postemployment Benefits

According to a Town resolution, the Town provides postemployment health care benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and have at least five years of creditable service with the Town. In addition, the Town pays the full cost of these benefits with a minimum of twenty years of creditable service with the Town. Retirees who do not meet the aforementioned criteria have the option to purchase coverage themselves and their dependents through the Town for eighteen months. The entire cost of this insurance is borne by the retirees. The Town maintains health care coverage through private insurers.

Membership of the Plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	8	-
Terminated plan members entitled to, but not yet receiving benefits	-	-
Active plan members	11	10
Total	19	10

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Other Postemployment Benefits (continued)

Total OPEB Liability

The Town's total OPEB liability of \$2,340,554 was measured as of June 30, 2020 and was determined by an actuarial valuation date of June 30, 2019.

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	2.50 percent
Salary increases	3.50 to 7.75 percent, including inflation
Discount rate	2.21 percent
Healthcare cost trend rates	Pre-Medicare 7.00 percent Medicare 5.00 percent Dental 4.00 percent

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

	<u>Total OPEB Liability</u>
Balance at 6/30/19	\$ 1,885,450
Service cost	29,585
Interest on the total pension liability	65,878
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(17,974)
Changes of assumptions of other inputs	443,765
Benefit payments	(66,150)
Other changes	-
Balance at 6/30/20	<u>\$ 2,340,554</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

Mortality rates were based on the RP-2014 Total Date Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period of January 1, 2010 through December 31, 2014.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Other Postemployment Benefits (continued)

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	\$ 2,799,634	\$ 2,340,554	\$ 1,984,739

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	\$ 1,945,357	\$ 2,340,554	\$ 2,860,729

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

For the year ending June 30, 2021, the Town recognized OPEB expense of \$101,602. At June 30, 2021, the Town reported deferred outflows or 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	\$ -	\$ 48,504
Changes of assumptions	378,505	111,782
Benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 378,505	\$ 160,286

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Other Postemployment Benefits (continued)

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2022	\$	6,139
2023		8,944
2024		39,032
2025		56,385
2026		57,630
Thereafter		50,089
	\$	<u>218,219</u>

Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multi-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 employees death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of the contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end are comprised of pension related deferrals of \$304,288 and OPEB deferrals of \$378,705.

Deferred inflows of resources at year-end are comprised of pension deferrals of \$64,481, and OPEB deferrals of \$160,286.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

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. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

In accordance with G.S. 159-29, the finance officer and tax collector are individually bonded for \$50,000 and \$10,000, respectively. The remaining employees that have access to cash are covered under a blanket insurance policy. The Town carries commercial coverage for all other risks of loss. Settled claims have not exceeded coverage in any of the past three fiscal years. The Town does not carry flood insurance for the simple fact none of its buildings are located in a designated flood area. The Fairmont ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years.

Long-Term Obligations

Installment Purchase

During the 2018 fiscal year, the Town entered into a direct placement loan of \$133,882 with First Bank for the purchase of two pieces of equipment. The equipment is pledged as collateral for the debt while the debt is outstanding. Payments are made annually in the amount of \$29,255, including interest at the rate of 2.9% for the next five years. In the event of default, the interest rate shall be increased by 5.0%.

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 29,255	\$ 27,705	\$ 1,550
2023	29,255	28,702	553
Total	<u>\$ 58,510</u>	<u>\$ 56,407</u>	<u>\$ 2,103</u>

During the 2021 fiscal year, the Town entered into a direct placement loan of \$176,973 with Santander Bank for the purchase of a streetsweeper. The equipment is pledged as collateral for the debt while the debt is outstanding. Payments are made annually in the amount of \$27,976, including interest at the rate of 3.22% for the next six years.

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 27,976	\$ 23,128	\$ 4,848
2023	27,976	23,873	4,103
2024	27,976	24,642	3,334
2025	27,976	25,437	2,540
2026	27,976	26,256	1,720
2027	27,976	27,102	873
Total	<u>\$ 167,856</u>	<u>\$ 150,438</u>	<u>\$ 17,418</u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Long-Term Obligations (continued)

General Obligation Indebtedness

General obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. The general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. The Revenue Bond is secured by and payable from a pledge of sewer system revenues, only. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2021, are comprised of the following issues:

General Obligation Bonds – Serviced by the Water and Sewer Fund

\$1,250,000 - 2002A Sanitary Sewer Bonds due in annual installments ranging from \$14,000 to \$56,000, beginning in 2004 through 2041; interest at 4.5%	\$ 890,500
\$1,750,000 - 2002B Sanitary Serial Bonds due in annual installments ranging from \$19,000 to \$76,000, beginning in 2004 through 2041; interest at 4.5%	1,243,500

Revenue Bond – Serviced by the Water and Sewer Fund

\$385,000 - 2014 Revenue Serial Bonds due in various annual installments through 2053; interest at 2.25%	<u>333,000</u>
Total	<u>\$ 2,467,000</u>

Annual debt service requirements to maturity for general obligation bonds and the revenue bond follows immediately below:

2002A & 2002B Sanitary Sewer Bonds

Years ending June 30:	Total	Principal	Interest
2022	\$ 167,030	\$ 69,000	\$ 98,030
2023	166,835	74,000	92,835
2024	167,005	77,500	89,505
2025	167,517	81,500	86,017
2026	166,850	84,500	82,350
2027-2031	836,767	484,000	352,767
2032-2036	836,296	603,500	232,796
2037-2041	749,100	660,000	121,710
Total	\$ 3,257,400	\$ 2,134,000	\$ 1,156,010

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

General Obligation Indebtedness (continued)

2014 Revenue Bond

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 14,493	\$ 7,000	\$ 7,493
2023	14,335	7,000	7,335
2024	15,178	8,000	7,178
2025	14,998	8,000	6,998
2026	14,818	8,000	6,818
2027-2031	73,365	42,000	31,365
2032-2036	73,415	47,000	26,415
2037-2041	73,858	53,000	20,858
2042-2046	73,603	59,000	14,603
2047-2051	73,650	66,000	7,650
2052-2053	28,945	28,000	945
Total	<u><u>\$ 470,658</u></u>	<u><u>\$ 333,000</u></u>	<u><u>\$ 137,658</u></u>

At June 30, 2021, the Town of Fairmont had a legal debt margin (computed as 8% of assessed property valuations after senior exemptions less any outstanding structured debt) of \$6,786,193.

Summary of activity - Governmental activities	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Direct Placement					
Installment purchases	\$ 83,150	\$ 176,972	\$ 53,277	\$ 206,845	\$ 50,833
Compensated absences	34,138	-	3,738	30,400	-
Total OPEB liability	1,395,233	196,324	-	1,591,557	-
Net pension liability (LGERS)	268,576	5,428	-	274,004	-
Total pension liability (LEO)	103,542	41,279	-	144,821	-
Total	<u><u>\$ 1,884,639</u></u>	<u><u>\$ 420,003</u></u>	<u><u>\$ 57,015</u></u>	<u><u>\$2,247,627</u></u>	<u><u>\$ 50,833</u></u>
Business-type activities					
Compensated absences	\$ 14,434	\$ -	\$ -	\$ 14,434	\$ -
Total OPEB liability	490,217	258,780	-	748,997	-
Net pension liability (LGERS)	94,364	2,554	-	96,918	-
General obligation bonds 2002	2,202,000	-	68,000	2,134,000	69,000
General obligation bonds 2014	340,000	-	7,000	333,000	7,000
Total	<u><u>\$ 3,141,015</u></u>	<u><u>\$ 261,334</u></u>	<u><u>\$ 75,000</u></u>	<u><u>\$3,327,349</u></u>	<u><u>\$ 76,000</u></u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 4 - RELATED ORGANIZATION

The mayor of the Town of Fairmont appoints the three-member board of the Town of Fairmont Housing Authority. The Town is accountable for the Housing Authority because it appoints the governing board; however, the Town is not financially accountable for the Housing Authority. The Town of Fairmont is also disclosed as a related organization in the notes to the financial statements for the Town of Fairmont Housing Authority.

NOTE 5 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 6 - FUND BALANCE

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

Total fund balance-General Fund	\$ 1,193,285
Less:	
Stabilization by State Statute	264,147
Streets-Powell Bill	113,558
Public Safety	7,076
Assigned - subsequent year's expenditures	19,550
Remaining Fund Balance	788,954

NOTE 7 - SUBSEQUENT EVENTS

Subsequent events were evaluated through October 20, 2021, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll
- Schedule of Changes in the Total OPEB Liability and Related Ratios

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

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Fairmont's proportion of the net pension liability (asset) (%)	0.01038%	0.01329%	0.01071%	0.01126%	0.01162%	0.01333%	0.00015%	0.00017%
Fairmont's proportion of the net pension liability (asset) (\$)	\$ 370,922	\$ 362,940	\$ 254,078	\$ 172,022	\$ 246,615	\$ 59,824	\$ (87,165)	\$ 208,531
Fairmont's covered-employee payroll	\$ 892,975	\$ 928,617	\$ 895,262	\$ 848,630	\$ 768,386	\$ 708,639	\$ 835,741	\$ 835,741
Fairmont's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.08%	39.08%	28.38%	20.27%	32.10%	7.79%	(12.30%)	24.95%
Plan fiduciary net position as a percentage of the total pension liability.	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

Town of Fairmont, North Carolina
Town of Fairmont's Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 92,009	\$ 80,732	\$ 73,636	\$ 69,601	\$ 62,845	\$ 53,341	\$ 51,078	\$ 59,849
Contributions in relation to the contractually required contribution	92,009	80,732	73,636	69,601	62,845	53,341	51,078	59,849
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fairmont's covered-employee payroll	\$ 943,512	\$ 892,975	\$ 928,617	\$ 895,262	\$ 848,630	\$ 768,387	\$ 708,639	\$ 835,741
Contributions as a percentage of covered-employee payroll	9.75%	9.04%	7.92%	7.78%	6.94%	6.94%	7.21%	7.16%

Town of Fairmont, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	2021	2020	2019	2018	2017
Beginning balance	\$ 103,542	\$ 99,372	\$ 54,985	\$ 67,068	\$ 58,727
Service cost	9,111	11,500	9,080	4,880	9,052
Interest on the total pension liability	3,375	3,617	1,738	2,589	2,097
Change of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(15,059)	(15,098)	37,718	(23,999)	-
Changes of assumptions or other inputs	43,852	4,151	(4,149)	4,447	(2,808)
Benefit payments	-	-	-	-	-
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 144,821</u>	<u>\$ 103,542</u>	<u>\$ 99,372</u>	<u>\$ 54,985</u>	<u>\$ 67,068</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31

Town of Fairmont, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	2021	2020	2019	2018	2017
Total pension liability	\$ 144,821	\$ 103,542	\$ 99,372	\$ 54,985	\$ 67,068
Covered payroll	258,074	442,836	336,798	249,660	333,955
Total pension liability as a percentage of covered payroll	56.12%	23.38%	29.50%	22.02%	20.083%

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Town of Fairmont, North Carolina
Schedule of Changes in Total OPEB Liability and Related Ratios
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 29,585	\$ 39,505	\$ 42,092	\$ 48,001
Interest	65,878	71,812	67,554	60,667
Change of benefit terms	-	-	-	-
Differences between expected and actual experience	(17,974)	(37,348)	(12,751)	(1,648)
Changes of assumptions or other inputs	443,765	(5,031)	(99,967)	(182,585)
Benefit payments	(66,150)	(58,560)	(38,516)	(46,206)
Net change in total OPEB liability	455,104	10,378	(41,588)	(121,771)
Total OPEB liability - beginning	1,885,450	1,875,072	1,916,660	2,038,431
Total OPEB liability - ending	<u>\$ 2,340,554</u>	<u>\$ 1,885,450</u>	<u>\$ 1,875,072</u>	<u>\$ 1,916,660</u>
Covered payroll	\$ 738,842	\$ 738,842	\$ 664,632	\$ 664,632
Total OPEB liability as a percentage of covered payroll	316.79%	255.19%	282.12%	288.38%

Notes to the schedules:

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

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

Individual Fund Statements and Schedules

Town of Fairmont, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 899,071	\$
Total	<u>907,737</u>	<u>899,071</u>	<u>(8,666)</u>
Other taxes and licenses:			
Privilege and gaming license	<u>195</u>	<u>195</u>	<u>-</u>
Unrestricted intergovernmental:			
Local option sales taxes		812,680	
Utilities franchise tax		135,644	
Video franchise fee		12,524	
Beer and wine tax		10,775	
ABC profit distribution		27,890	
Total	<u>972,858</u>	<u>999,513</u>	<u>26,655</u>
Restricted intergovernmental:			
Powell Bill allocation		80,039	
Court fees		1,345	
Solid waste disposal tax		1,920	
Governor's Hwy Safety Program		34,797	
Lead for NC		12,116	
NC Cares Act		87,194	
State drug funds		204	
Total	<u>238,428</u>	<u>217,615</u>	<u>(20,813)</u>
Permits and fees:			
Fire inspection fees		965	
Zoning permits		1,755	
Total	<u>2,685</u>	<u>2,720</u>	<u>35</u>
Sales and services:			
Sanitation fees	<u>231,912</u>	<u>231,947</u>	<u>35</u>
Investment earnings:			
	<u>-</u>	<u>59</u>	<u>59</u>
Miscellaneous:			
Lot cutting		1,000	
Insurance reimbursement		-	
Miscellaneous		21,302	
Sale of assets		10,250	
Net equipment and building rental		12,134	
Total	<u>43,661</u>	<u>44,686</u>	<u>1,025</u>
Total revenues	<u>\$ 2,397,476</u>	<u>\$ 2,395,806</u>	<u>\$ (1,670)</u>

Town of Fairmont, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Salaries and employee benefits	\$	\$ 12,067	\$
Other operating expenditures		1,359	
Total	<u>13,426</u>	<u>13,426</u>	<u>-</u>
Administration:			
Salaries and employee benefits		89,155	
Auto		3,206	
Other operating expenditures		2,256	
Total	<u>94,617</u>	<u>94,617</u>	<u>-</u>
Clerk:			
Salaries and employee benefits		52,342	
Other operating expenditures		1,632	
Total	<u>54,197</u>	<u>53,974</u>	<u>223</u>
Finance:			
Salaries and employee benefits		91,530	
Professional services		28,217	
Other operating expenditures		10,014	
Total	<u>129,677</u>	<u>129,761</u>	<u>(84)</u>
Taxes:			
Robeson County collection fee		23,368	
Other operating expenditures		-	
Total	<u>31,976</u>	<u>23,368</u>	<u>8,608</u>
Legal:			
Contracted services	<u>10,020</u>	<u>10,808</u>	<u>(788)</u>
Planning:			
Other operating expenditures		802	
Total	<u>\$ 802</u>	<u>\$ 802</u>	<u>\$ -</u>

Town of Fairmont, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public buildings:			
Salaries and employee benefits	\$	\$ 55,657	\$
Utilities and telephone		43,535	
Maintenance and repairs		17,653	
Other operating expenditures		14,290	
Total	<u>131,219</u>	<u>131,135</u>	<u>84</u>
Total general government	<u>465,934</u>	<u>457,891</u>	<u>8,043</u>
Public safety:			
Police and police dispatch:			
Salaries and employee benefits		625,569	
Robeson County communications		39,870	
Vehicle maintenance		15,250	
Maintenance and repairs		14,078	
Auto supplies		46,287	
Other operating expenditures		68,593	
Capital outlay		38,493	
Total	<u>847,893</u>	<u>848,140</u>	<u>(247)</u>
Fire:			
Salaries and employee benefits		25,497	
Vehicle maintenance		6,556	
Other operating expenditures		30,704	
Capital outlay		50,000	
Total	<u>112,814</u>	<u>112,757</u>	<u>57</u>
Total public safety	<u>\$ 960,707</u>	<u>\$ 960,897</u>	<u>\$ (190)</u>

Town of Fairmont, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Powell Bill:			
Salaries and employee benefits	\$	\$ 32,377	\$
Maintenance and repairs		34,325	
Capital outlay		176,972	
Total	<u>243,676</u>	<u>243,674</u>	<u>2</u>
Garage:			
Salaries and employee benefits		55,321	
Other operating expenditures		628	
Total	<u>55,949</u>	<u>55,949</u>	<u>-</u>
Streets:			
Salaries and employee benefits		50,219	
Street lights		57,474	
Vehicle maintenance		12,469	
Maintenance and repairs		19,014	
Auto supplies		11,693	
Other operating expenditures		20,912	
Total	<u>172,322</u>	<u>171,781</u>	<u>541</u>
Total transportation	<u>471,947</u>	<u>471,404</u>	<u>543</u>
Environmental protection:			
Sanitation:			
Contracted services		166,707	
Vehicle maintenance		4,015	
Maintenance and repairs		4,397	
Landfill		30,000	
Other operating expenditures		5,525	
Total environmental protection	<u>\$ 210,802</u>	<u>\$ 210,644</u>	<u>\$ 158</u>

Town of Fairmont, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Economic and community development:			
Community Service:			
Salaries and employee benefits	\$	\$ 15,092	\$
Activities		11,260	
Library		9,345	
Other operating expenditures		2,598	
Total economic and community development	<u>41,035</u>	<u>38,295</u>	<u>2,740</u>
Debt service:			
Principal		53,277	
Interest		3,954	
Total debt service	<u>57,231</u>	<u>57,231</u>	<u>-</u>
Non-departmental:			
Retiree insurance		83,555	
NC Cares Act expenditures		87,194	
Other operating expenditures		15,710	
Insurance and bonds		51,830	
Total non-departmental	<u>317,983</u>	<u>238,289</u>	<u>79,694</u>
Total expenditures	<u>2,525,639</u>	<u>2,434,651</u>	<u>90,988</u>
Revenues over (under) expenditures	(128,163)	(38,845)	89,318
Other financing sources (uses):			
Loan proceeds	176,972	176,972	-
Transfers to another fund	(60,000)	(60,000)	-
Total other financing sources (uses):	<u>116,972</u>	<u>116,972</u>	<u>-</u>
Appropriated Fund Balance	11,191	-	(11,191)
Net change in fund balance	<u>\$ -</u>	<u>78,127</u>	<u>\$ 78,127</u>
Fund balance, beginning		<u>1,115,158</u>	
Fund balance, ending		<u>\$ 1,193,285</u>	

Town of Fairmont, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheets
June 30, 2021

	<u>Rural Business Enterprise Grant Fund</u>	<u>Cemetery Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets</u>			
Cash and investments	\$ 43,262	\$ 18,953	\$ 62,215
Total assets	<u>\$ 43,262</u>	<u>\$ 18,953</u>	<u>\$ 62,215</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances	<u>43,462</u>	<u>18,953</u>	<u>62,415</u>
Total liabilities and fund balances	<u>\$ 43,462</u>	<u>\$ 18,953</u>	<u>\$ 62,415</u>

Town of Fairmont, North Carolina
Nonmajor Governmental Funds
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2021

	Rural Business Enterprise Grant Fund	Cemetery Fund	Total Nonmajor Governmental Funds
Revenues:			
Interest income	\$ -	\$ 1	\$ 1
Other	10,000	-	10,000
Total revenues	<u>10,000</u>	<u>1</u>	<u>10,001</u>
Expenditures:			
Community service	3,488	-	3,488
Total expenditures	<u>3,488</u>	<u>-</u>	<u>3,488</u>
Revenues over (under) expenditures	6,512	1	6,513
Fund balance, beginning	36,750	18,952	55,702
Fund balance, ending	<u>\$ 43,262</u>	<u>\$ 18,953</u>	<u>\$ 62,215</u>

Town of Fairmont, North Carolina
Special Revenue Fund – Rural Business Enterprise Grant Fund
Schedules of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other	\$	\$ 10,000	\$
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>-</u>
 Expenditures:			
Loans to businesses		200	
Other		3,288	
Total expenditures	<u>10,000</u>	<u>3,488</u>	<u>6,512</u>
 Revenues over (under) expenditures	 -	 6,512	 6,512
 Apropriated fund balance	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Net change in fund balance	 <u>\$ -</u>	 6,512	 <u>\$ 6,512</u>
 Fund balance, beginning		<u>36,750</u>	
Fund balance, ending		<u>\$ 43,262</u>	

Town of Fairmont, North Carolina
Special Revenue Fund – Cemetery Fund
Schedules of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest income	\$ -	\$ 1	\$ 1
Total revenues	-	1	1
Expenditures:			
Labor, supplies, etc	18,939	-	18,939
Total expenditures	18,939	-	18,939
Revenues over (under) expenditures	(18,939)	1	18,940
Appropriated fund balance	18,939	-	(18,939)
Net change in fund balance	\$ -	1	\$ 1
Fund balance, beginning		18,952	
Fund balance, ending		\$ 18,953	

Town of Fairmont, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non – GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenue:			
Water sales	\$	\$ 438,776	\$
Sewer sales		887,289	
Late fees		19,451	
Other operating revenue		40,934	
Total operating revenues	<u>1,386,612</u>	<u>1,386,450</u>	<u>(162)</u>
Nonoperating revenues:			
Insurance reimbursement		-	
Grants		-	
Total nonoperating revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,386,612</u>	<u>1,386,450</u>	<u>(162)</u>
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits		224,333	
Telephone		9,958	
Utilities		13,716	
Maintenance and repairs - equipment		5,880	
Maintenance and repairs - vehicles		2,666	
Equipment rental		4,516	
Auto supplies		4,420	
Departmental supplies		20,550	
Other operating expenditures		2,785	
Total water and sewer administration	<u>\$ 289,404</u>	<u>\$ 288,824</u>	<u>\$ 580</u>

Town of Fairmont, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non – GAAP) (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued):			
Water treatment:			
Salaries and employee benefits	\$	\$ 53,679	\$
Training		1,613	
Telephone		53,342	
Utilities		21,500	
Maintenance and repairs - equipment		50,050	
Other operating expenditures		11,970	
Total water treatment	<u>188,536</u>	<u>192,154</u>	<u>(3,618)</u>
Water maintenance:			
Salaries and employee benefits		50,987	
Maintenance and repairs - equipment		1,649	
Maintenance and repairs - vehicles		5,845	
Auto supplies		14,775	
Departmental supplies		29,435	
Other operating expenditures		1,012	
Total water maintenance	<u>98,672</u>	<u>103,703</u>	<u>(5,031)</u>
Sewage treatment:			
Salaries and employee benefits		149,032	
Professional services		56,777	
Telephone		12,540	
Utilities		134,463	
Maintenance and repairs - equipment		54,723	
Departmental supplies		35,777	
Other operating expenditures		684	
Total sewage treatment	<u>387,559</u>	<u>443,996</u>	<u>(56,437)</u>
Nondepartmental:			
Insurance and bonds		28,002	
Professional services		1,203	
Total nondepartmental	<u>\$ 35,357</u>	<u>\$ 29,205</u>	<u>\$ 6,152</u>

Town of Fairmont, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non – GAAP) (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued):			
Sewer maintenance:			
Salaries and employee benefits	\$	\$ 38,672	\$
Maintenance and repairs - equipment		35,908	
Maintenance and repairs - vehicles		9,713	
Auto supplies		13,514	
Departmental supplies		12,259	
Professional services		36,850	
Total sewer maintenance	<u>147,530</u>	<u>146,916</u>	<u>614</u>
Sewer contract operations and maintenance:		37,324	
Other operating expenses	31,011	37,324	(6,313)
Total operating expenditures	<u>1,178,069</u>	<u>1,242,122</u>	<u>(64,053)</u>
Capital outlay	<u>86,803</u>	<u>86,803</u>	<u>-</u>
Debt Service:			
Principal repayment		75,000	
Interest		106,740	
Total debt service	<u>181,740</u>	<u>181,740</u>	<u>-</u>
Total expenditures	<u>1,446,612</u>	<u>1,510,665</u>	<u>(64,053)</u>
Revenues over (under) expenditures	(60,000)	(124,215)	(64,215)
Transfers from General Fund	60,000	60,000	-
Appropriated fund balance	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (64,215)</u>	<u>\$ (64,215)</u>

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues over (under) expenditures \$ (64,215)

Reconciling items:

Transfers in from other funds	60,000
Principal retirement	75,000
Capital outlay	86,803
Increase in deferred outflows of resources - pensions	(507)
Increase in deferred outflows of resources - OPEB	121,122
Increase in net pension liability	(2,554)
Increase in OPEB liability	(258,780)
Decrease in deferred inflows of resources - pensions	(8,327)
Increase in deferred inflows of resources - OPEB	(1,801)
Depreciation	(311,235)
Other	1,362
Capital contributions	130,500
Total reconciling items	<u>(108,417)</u>
Change in net position	<u>\$ (172,632)</u>

Town of Fairmont, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non – GAAP)
From Inception and for the Year Ended June 30, 2021

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
AIA sewer project - grant E-AIA-W-18-0117	\$ 150,000	\$ 88,500	\$ 61,500	\$ 150,000	\$ -
Local match	7,500	7,500	-	7,500	-
Golden Leaf	90,000	90,000	-	90,000	-
Golden Leaf	345,000	-	69,000	69,000	276,000
Total revenues	<u>592,500</u>	<u>186,000</u>	<u>130,500</u>	<u>316,500</u>	<u>276,000</u>
Expenditures:					
AIA sewer project	157,500	101,750	55,750	157,500	-
Golden Leaf	90,000	16,000	39,250	55,250	34,750
Golden Leaf	345,000	-	3,500	3,500	341,500
Total expenditures	<u>592,500</u>	<u>117,750</u>	<u>98,500</u>	<u>216,250</u>	<u>376,250</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 68,250</u>	<u>\$ 32,000</u>	<u>\$ 100,250</u>	<u>\$ (100,250)</u>

Other Schedules

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

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2021</u>
2020-2021	\$ -	\$ 861,586	\$ 815,066	\$ 46,520
2019-2020	58,580	-	14,975	43,605
2018-2019	42,139	-	2,625	39,514
2017-2018	27,312	-	(66)	27,378
2016-2017	24,842	-	(1,433)	26,275
2015-2016	20,845	-	(3,201)	24,046
2014-2015	18,386	-	(2,503)	20,889
2013-2014	13,210	-	(3,904)	17,114
2012-2013	31,127	-	722	30,405
2011-2012	19,471	-	758	18,713
2010-2011	15,186	-	15,186	-
	<u>\$ 271,098</u>	<u>\$ 861,586</u>	<u>\$ 838,225</u>	<u>294,459</u>

Less: allowance for uncollectible accounts - General Fund 54,453

Ad valorem taxes receivable - net \$ 240,006

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 899,071
Penalties collected on ad valorem taxes	(22,168)
Reconciling items:	
Discounts allowed	8,608
Taxes written off	15,186
Other	<u>(62,472)</u>

Total collections and credits \$ 838,225

**Town of Fairmont, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2021**

	<u>Town-Wide Levy</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy					
Property taxed at current year's rate	\$ 118,025,479	0.73	\$ 861,586	\$ 748,575	\$ 113,011
Releases			-	-	-
Net levy			861,586	748,575	113,011
Less - uncollected taxes at June 30, 2021			46,520	46,520	-
Current year's taxes collected			<u>\$ 815,066</u>	<u>\$ 702,055</u>	<u>\$ 113,011</u>
Current levy collection percentage			<u>94.60%</u>	<u>93.79%</u>	<u>100.00%</u>

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Honorable Mayor and
Board of Town Commissioners
Town of Fairmont, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Fairmont, 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 Fairmont's basic financial statements and have issued our report thereon dated October 20, 2021. The financial statements of the Fairmont ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Fairmont's internal control over financial reporting 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 Fairmont'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 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. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses that we consider to be material weaknesses (item 2021-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Fairmont'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2021-001.

Town of Fairmont's Response to Findings

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

Purpose of this Report

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

Handwritten signature of S. Porter Douglas, Jr., CPA. The signature is written in cursive and includes the text "S. Porter Douglas, Jr., CPA".

Lumberton, North Carolina
October 20, 2021

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

Section I. Summary of Auditor's Results
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Financial Statements

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
• Material weakness(es) identified?	<u> X </u> yes <u> </u> no
• Significant deficiency(s) identified that are not considered to be material weaknesses	<u> </u> yes <u> X </u> none reported
• Noncompliance material to financial statements	<u> X </u> yes <u> </u> no

Town of Fairmont, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2021

Section II. Financial Statement Findings

MATERIAL WEAKNESS / MATERIAL NONCOMPLIANCE

Finding 2020-001 Material Noncompliance
Excess of Expenditures over Appropriations

Criteria: N.C. General Statute 159-8(a) states that all moneys received and expended by a local government should be included in the budget ordinance.

Condition: The Town expended more than appropriated in the annual budget ordinance in multiple departments in the General Fund and Water and Sewer Fund. The amount of expenditures that exceeded appropriations by department are presented in Note 2 on page 25.

Effect: Expenditures were incurred that had not been budgeted.

Cause: The Town did not monitor reports at frequent intervals to ensure budgetary compliance.

Repeat Finding: This is not a repeat finding.

Recommendation: Management should closely monitor the budget versus actual statements to ensure actual expenditures are within budgetary constraints.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 68.

TOWN OF FAIRMONT

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Corrective Action Plan For the Year Ended June 30, 2021

Section II. Financial Statement Findings

MATERIAL WEAKNESS / MATERIAL NONCOMPLIANCE

Finding 2021-001

Excess of Expenditures over Appropriations

Name of Contact Person: Jenny Larson, Finance Officer and Town Clerk

Corrective Action: The Town will monitor the budget and expenditures and make amendments accordingly.

Proposed Completion Date: The Town will implement the above procedures immediately.

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

There were no prior year audit findings.