

Town of Fairmont, North Carolina

Audited Financial Statements

**For the Year Ended
June 30, 2023**

Town of Fairmont, North Carolina

Audited Financial Statements

For the Year Ended June 30, 2023

Charles Kemp, Mayor

Board of Town Commissioners

Terry Evans

Clarence McNeill, Jr.

Melvin Ellison

Jeffrey J. McCree

Jan Tedder-Rogers

Heather Seibles

Jerome Chestnut, Town Manager

Jenny Larson, Finance Officer and Town Clerk

Town of Fairmont, North Carolina
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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 Audit of Financial Statements

Opinion

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, 2023, and the related notes to the financial statements, which collectively comprise the Town of Fairmont, North Carolina's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 component unit, each major fund, and the aggregate remaining fund information of the Town of Fairmont, North Carolina, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Fairmont, North Carolina, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of Town of Fairmont's ABC Board was not audited in accordance with Governmental Auditing Standards.

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Governmental Auditing Standards will always detect material statement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Governmental Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Fairmont, North Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Fairmont, North Carolina's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 10, respectively, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 46 and 47 respectively, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 48 and 49, and the Schedule of Changes in the Total Other Post Employment Benefits Liability and Related Ratios on page 50 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.

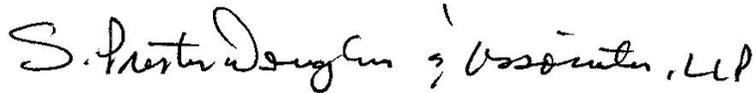
Supplementary and Other Information

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 and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund financial statements and budgetary schedules, 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 February 16, 2024 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.

A handwritten signature in black ink that reads "S. Peter Douglas & Associates, LLP". The signature is written in a cursive, flowing style.

Lumberton, North Carolina
February 16, 2024

Town of Fairmont, North Carolina
Management's Discussion and Analysis
June 30, 2023

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, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

The assets and deferred outflows of the Town of Fairmont exceeded its liabilities and deferred inflows at the close of the fiscal year by \$7,808,096.

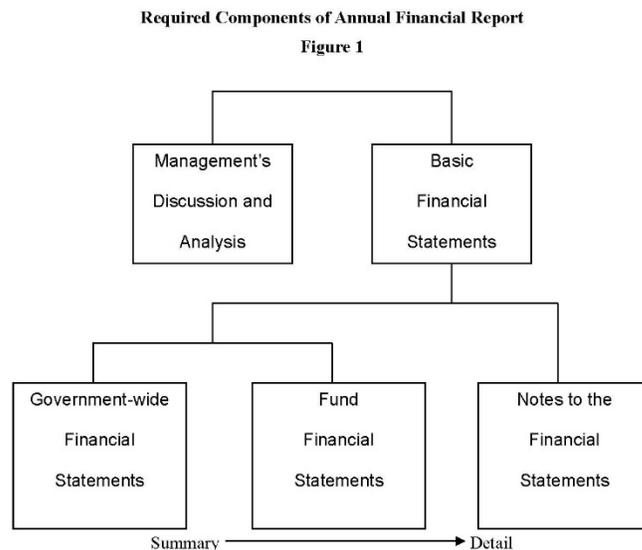
The government's total net position increased in the amount of \$716,852, primarily due an increase in current and non-current assets in the Governmental Activities.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,301,008. Approximately 61.29% of this total amount, or \$797,388, is available for spending at the government's discretion.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$797,388 or 32.95% 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, 2023

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 11 and 12 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, 2023

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 21-45 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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 2,166,664	\$ 1,844,752	\$ 501,251	\$ 465,570	\$ 2,667,915	\$ 2,310,322
Non-current assets	1,866,995	1,256,338	9,145,715	9,054,827	11,012,710	10,311,165
Total assets	<u>4,033,659</u>	<u>3,101,090</u>	<u>9,646,966</u>	<u>9,520,397</u>	<u>13,680,625</u>	<u>12,621,487</u>
Deferred Outflows of Resources	735,549	647,047	262,338	217,909	997,887	864,956
Current liabilities	166,824	50,755	350,535	239,459	517,359	290,214
Non-current liabilities	2,265,338	2,180,039	3,014,662	3,045,583	5,280,000	5,225,622
Total liabilities	<u>2,432,162</u>	<u>2,230,794</u>	<u>3,365,197</u>	<u>3,285,042</u>	<u>5,797,359</u>	<u>5,515,836</u>
Deferred Inflows of Resources	928,221	736,924	144,836	142,439	1,073,057	879,363
Net position:						
Net investment in capital assets	1,746,604	1,129,028	6,838,961	6,658,087	8,585,565	7,787,115
Restricted	571,543	827,909	-	-	571,543	827,909
Unrestricted	(909,322)	(1,176,518)	(439,690)	(347,262)	(1,349,012)	(1,523,780)
Total net position	<u>\$ 1,408,825</u>	<u>\$ 780,419</u>	<u>\$ 6,399,271</u>	<u>\$ 6,310,825</u>	<u>\$ 7,808,096</u>	<u>\$ 7,091,244</u>

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

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 \$7,808,096 at the close of the current fiscal year. By far the largest portion of the Town's net position, 109.96%, 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, \$571,543, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance, (\$1,349,012), is unrestricted.

The Town of Fairmont's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 311,270	\$ 235,157	\$ 1,503,103	\$ 1,260,048	\$ 1,814,373	\$ 1,495,205
Operating grants and contributions	4,912	253,639	-	-	4,912	253,639
Capital grants and contributions	915,394	234,380	318,064	61,700	1,233,458	296,080
General revenues:						
Property taxes	923,181	814,759	-	-	923,181	814,759
Other taxes	240	225	-	-	240	225
Unrestricted revenues	1,037,563	1,007,342	-	-	1,037,563	1,007,342
Other	93,847	57,344	-	52,372	93,847	109,716
Total revenues	3,286,407	2,602,846	1,821,167	1,374,120	5,107,574	3,976,966
Expenses:						
General government	601,617	484,012	-	-	601,617	484,012
Public safety	1,216,053	1,095,719	-	-	1,216,053	1,095,719
Transportation	339,245	332,988	-	-	339,245	332,988
Environmental protection	237,553	316,907	-	-	237,553	316,907
Economic development	122,862	62,169	-	-	122,862	62,169
Non-departmental	135,823	174,733	-	-	135,823	174,733
Water and sewer	4,848	1,278	1,732,721	1,584,704	1,737,569	1,585,982
Total expenses	2,658,001	2,467,806	1,732,721	1,584,704	4,390,722	4,052,510
Transfers	-	-	-	-	-	-
Change in net position	628,406	135,040	88,446	(210,584)	716,852	(75,544)
Net position, beginning	780,417	645,377	6,310,825	6,521,409	7,091,242	7,166,786
Net position, ending	\$ 1,408,823	\$ 780,417	\$ 6,399,271	\$ 6,310,825	\$ 7,808,094	\$ 7,091,242

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

Governmental activities. Governmental activities increased the Town's net position by \$628,406. The increase in net position was primarily due to an increase in revenues compared to the prior year. Operating expenditures increased compared to the prior year. Unrestricted intergovernmental revenues were the largest revenue contributor for the governmental funds with 31.57% of total revenues. Ad valorem tax revenues were the next largest at 28.09%.

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 increased the Town's net position by \$88,446. Key elements of this increase are as follows:

- A increase in the total revenues compared to the previous year, primarily due to charges for services and capital grants and contributions.

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 \$1,301,008. Of this total amount, \$797,388 constitutes unassigned 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 \$797,388 with a total fund balance of \$1,229,870. 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 32.95% 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 (\$439,690). 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, 2023

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, 2023, totals \$11,012,710 (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	
	2023	2022	2023	2022	2023	2022
	Land	\$ 161,046	\$ 161,046	\$ 7,091	\$ 7,091	\$ 168,137
Buildings & infrastructure	2,153,601	2,153,601	12,755	12,755	2,166,356	2,166,356
Equipment	1,650,877	1,128,979	844,203	844,203	2,495,080	1,973,182
Vehicles	1,595,943	1,357,597	-	-	1,595,943	1,357,597
Construction in progress	-	-	613,132	208,750	613,132	208,750
Water & Sewer infrastructure	-	-	15,732,651	15,732,651	15,732,651	15,732,651
Total depreciable assets	5,400,421	4,640,177	17,202,741	16,798,359	22,603,162	21,438,536
Less - accumulated depreciation	3,694,472	3,544,885	8,064,117	7,750,623	11,758,589	11,295,508
Total depreciable assets, net	1,705,949	1,095,292	9,138,624	9,047,736	10,844,573	10,143,028
Total capital assets, net	\$ 1,866,995	\$ 1,256,338	\$ 9,145,715	\$ 9,054,827	\$11,012,710	\$ 10,311,165

Additional information on the Town's capital assets can be found in Note 3, beginning on page 28.

**Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023**

Long-term debt. As of June 30, 2023, the Town of Fairmont had total bonded debt outstanding of \$2,306,754.

The Town of Fairmont's Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ -	\$ -	\$ 2,306,754	\$ 2,396,740	\$ 2,306,754	\$ 2,396,740
Direct placement						
installment debt	104,182	127,310	-	-	104,182	127,310
Compensated absences	50,455	39,667	17,071	13,349	67,526	53,016
OPEB	1,373,181	1,682,264	560,877	687,122	1,934,058	2,369,386
Pension related debt (LGERS)	596,642	145,994	228,699	44,632	825,341	190,626
Pension related debt (LEO)	180,960	207,932	-	-	180,960	207,932
Total	\$ 2,305,420	\$ 2,203,167	\$ 3,113,401	\$ 3,141,843	\$ 5,418,821	\$ 5,345,010

Town of Fairmont's Outstanding Debt

The Town of Fairmont's total debt increased by \$73,811 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 \$9,442,038 (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 42.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town and surrounding area is 4.80% at June 30, 2023, which is a decrease from a rate of 6.60% a year ago. This comparison is higher than the State's rate of 3.50% and the national rate of 3.70%.

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, 2023

	<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	\$ 1,365,719	\$ 164,706	\$ 1,530,425	\$ 35,886
Taxes receivable (net)	229,402	-	229,402	-
Accounts receivable (net)	23,789	179,124	202,913	-
Due from other governments	277,799	-	277,799	-
Inventories	-	61,441	61,441	145,856
Prepaid items	-	-	-	6,980
Restricted cash and cash equivalents	269,955	95,980	365,935	5,358
Total current assets	<u>2,166,664</u>	<u>501,251</u>	<u>2,667,915</u>	<u>194,080</u>
Non-current assets:				
Capital assets (Note 3)				
Land	161,046	7,091	168,137	26,500
Other capital assets, net of depreciation	1,705,949	9,138,624	10,844,573	188,919
Total capital assets	<u>1,866,995</u>	<u>9,145,715</u>	<u>11,012,710</u>	<u>215,419</u>
Total assets	<u>4,033,659</u>	<u>9,646,966</u>	<u>13,680,625</u>	<u>409,499</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension deferrals	497,977	165,302	663,279	-
OPEB deferrals	237,572	97,036	334,608	-
Total deferred outflows of resources	<u>735,549</u>	<u>262,338</u>	<u>997,887</u>	<u>-</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued expenses	126,742	119,759	246,501	104,404
Deferred revenue	-	36,057	36,057	-
Current portion of long-term liabilities	40,082	98,739	138,821	-
Customer deposits	-	95,980	95,980	-
Total current liabilities	<u>166,824</u>	<u>350,535</u>	<u>517,359</u>	<u>104,404</u>
Long-term liabilities:				
Net pension liability	596,642	228,699	825,341	-
Total pension liability	180,960	-	180,960	-
Total OPEB liability	1,373,181	560,877	1,934,058	-
Compensated absences	34,246	17,071	51,317	-
Due in more than one year	80,309	2,208,015	2,288,324	147,368
Total liabilities	<u>2,432,162</u>	<u>3,365,197</u>	<u>5,797,359</u>	<u>251,772</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unspent grant proceeds	509,512	-	509,512	-
Pension deferrals	74,869	4,395	79,264	-
OPEB deferrals	343,840	140,441	484,281	-
Total deferred inflows of resources	<u>928,221</u>	<u>144,836</u>	<u>1,073,057</u>	<u>-</u>
<u>NET POSITION</u>				
Net investment in capital assets	1,746,604	6,838,961	8,585,565	68,051
Restricted for:				
Stabilization by State Statute	301,588	-	301,588	-
Other functions	269,955	-	269,955	33,704
Unrestricted	(909,322)	(439,690)	(1,349,012)	55,972
Total net position	<u>\$ 1,408,825</u>	<u>\$ 6,399,271</u>	<u>\$ 7,808,096</u>	<u>\$ 157,727</u>

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

Town of Fairmont, North Carolina
Statement of Activities
For Year Ended June 30, 2023

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Primary Government Governmental Activities	Primary Government Business-type Activities	Total	Fairmont ABC Board
Primary Government								
Governmental activities:								
General government	\$ 601,617	\$ 1,099	\$ -	\$ -	\$ (600,518)	\$ -	\$ (600,518)	\$ -
Public safety	1,216,053	-	4,912	812,112	(399,029)	-	(399,029)	-
Transportation	339,245	-	-	101,576	(237,669)	-	(237,669)	-
Environmental protection	237,553	310,171	-	1,706	74,324	-	74,324	-
Economic and community dev.	122,862	-	-	-	(122,862)	-	(122,862)	-
Non-departmental	135,823	-	-	-	(135,823)	-	(135,823)	-
Interest on long-term debt	4,848	-	-	-	(4,848)	-	(4,848)	-
Total governmental activities	<u>2,658,001</u>	<u>311,270</u>	<u>4,912</u>	<u>915,394</u>	<u>(1,426,425)</u>	<u>-</u>	<u>(1,426,425)</u>	<u>-</u>
Business-type activities:								
Water and sewer	1,732,721	1,503,103	318,064	-	-	88,446	88,446	-
Total business-type activities	<u>1,732,721</u>	<u>1,503,103</u>	<u>318,064</u>	<u>-</u>	<u>-</u>	<u>88,446</u>	<u>88,446</u>	<u>-</u>
Total primary government	<u>\$ 4,390,722</u>	<u>\$ 1,814,373</u>	<u>\$ 322,976</u>	<u>\$ 915,394</u>	<u>(1,426,425)</u>	<u>88,446</u>	<u>(1,337,979)</u>	<u>-</u>
Component unit								
Fairmont ABC Board	\$ 1,145,131	\$ 1,132,647	\$ -	\$ -	-	-	-	(12,484)
Total component unit	<u>\$ 1,145,131</u>	<u>\$ 1,132,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,484)</u>
General revenues:								
Taxes:								
Ad valorem taxes					923,181	-	923,181	-
Other taxes and licenses					240	-	240	-
Grants and contributions not restricted to specific programs					1,037,563	-	1,037,563	-
Investment earnings					7,541	-	7,541	4
Miscellaneous					86,306	-	86,306	-
Total general revenues not including transfers					<u>2,054,831</u>	<u>-</u>	<u>2,054,831</u>	<u>4</u>
Transfers					-	-	-	-
Total general revenues and transfers					<u>2,054,831</u>	<u>-</u>	<u>2,054,831</u>	<u>4</u>
Change in net position					<u>628,406</u>	<u>88,446</u>	<u>716,852</u>	<u>(12,480)</u>
Net position, beginning					<u>780,419</u>	<u>6,310,825</u>	<u>7,091,244</u>	<u>170,207</u>
Net position, ending					<u>\$ 1,408,825</u>	<u>\$ 6,399,271</u>	<u>\$ 7,808,096</u>	<u>\$ 157,727</u>

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

Town of Fairmont, North Carolina
Balance Sheet
Governmental Funds
June 30, 2023

	<u>Major Funds</u>			<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>ARPA Fund</u>	<u>SCIF Library Project</u>		
<u>ASSETS</u>					
Cash and cash equivalents	\$ 865,719	\$ -	\$ 500,000	\$ -	\$ 1,365,719
Restricted cash	111,344	78,197	-	80,414	269,955
Taxes receivable - net	229,402	-	-	-	229,402
Accounts receivable - net	23,789	-	-	-	23,789
Due from other governments	277,799	-	-	-	277,799
Total assets	\$ 1,508,053	\$ 78,197	\$ 500,000	\$ 80,414	\$ 2,166,664
<u>LIABILITIES</u>					
Accounts payable and accrued liabilities	\$ 48,781	\$ 68,685	\$ -	\$ 9,276	\$ 126,742
Total liabilities	48,781	68,685	-	9,276	126,742
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unspent grant proceeds	-	9,512	500,000	-	509,512
Property taxes receivable	229,402	-	-	-	229,402
Total deferred inflows of resources	229,402	9,512	500,000	-	738,914
<u>FUND BALANCES</u>					
Restricted:					
Stabilization by State Statute	301,588	-	-	-	301,588
Streets	105,584	-	-	-	105,584
Public Safety	5,760	-	-	-	5,760
Economic Development	-	-	-	71,138	71,138
Assigned - subsequent year's expenditures	19,550	-	-	-	19,550
Unassigned	797,388	-	-	-	797,388
Total fund balances	1,229,870	-	-	71,138	1,301,008
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,508,053	\$ 78,197	\$ 500,000	\$ 80,414	

Amounts reported for governmental activities in the Statement of Net Position (Page 11) are different because:

Total Fund Balance, Governmental Funds	1,301,008
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	
Gross capital assets at historical cost	\$ 5,561,467
Accumulated depreciation	<u>(3,694,472)</u>
Deferred outflows of resources related to pensions are not reported in the funds	497,977
Deferred outflows of resources related to OPEB are not reported in the funds	237,572
Earned revenues considered deferred inflows of resources in fund statements	229,402
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Gross long-term debt, beginning	\$ (166,977)
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	12,340
Net pension liability	(596,642)
Total pension liability	(180,960)
OPEB liability	<u>(1,373,181)</u>
Deferred inflows of resources related to pensions are not reported in the funds	(74,869)
Deferred inflows of resources related to OPEB are not reported in the funds	(343,840)
Net position of governmental activities	<u>\$ 1,408,825</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
Governmental Funds
For the Year Ended June 30, 2023

	<u>Major Funds</u>			<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>ARPA Fund</u>	<u>SCIF Library Project</u>		
Revenues:					
Ad valorem taxes	\$ 904,539	\$ -	\$ -	\$ -	\$ 904,539
Other taxes and licenses	240	-	-	-	240
Unrestricted intergovernmental revenues	1,037,563	-	-	-	1,037,563
Restricted intergovernmental revenues	156,249	760,244	-	4,912	921,405
Permits and fees	2,845	-	-	-	2,845
Sales and services	310,171	-	-	-	310,171
Investment earnings	7,514	-	-	27	7,541
Miscellaneous	79,561	-	-	3,900	83,461
Total revenues	<u>2,498,682</u>	<u>760,244</u>	<u>-</u>	<u>8,839</u>	<u>3,267,765</u>
Expenditures:					
General government	565,596	-	-	-	565,596
Public safety	1,071,590	760,244	-	-	1,831,834
Transportation	311,607	-	-	-	311,607
Environmental protection	221,495	-	-	-	221,495
Economic and community development	86,270	-	-	36,592	122,862
Non-departmental	135,823	-	-	-	135,823
Debt service:					
Principal	23,128	-	-	-	23,128
Interest	4,848	-	-	-	4,848
Total expenditures	<u>2,420,357</u>	<u>760,244</u>	<u>-</u>	<u>36,592</u>	<u>3,217,193</u>
Revenues over (under) expenditures	<u>78,325</u>	<u>-</u>	<u>-</u>	<u>(27,753)</u>	<u>50,572</u>
Net change in fund balances	78,325	-	-	(27,753)	50,572
Fund balance - beginning of year	<u>1,151,545</u>	<u>-</u>	<u>-</u>	<u>98,891</u>	<u>1,250,436</u>
Fund balance - end of year	<u>\$ 1,229,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,138</u>	<u>\$ 1,301,008</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, 2023

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

Net change in fund balances - total governmental funds	\$	50,572
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay expenditures which were capitalized	\$	760,244	
Depreciation expense for governmental assets		<u>(149,587)</u>	610,657

Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities		154,516
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue for tax revenues		18,642
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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.

Principal payments on long-term debt		<u>23,128</u>	23,128
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		(10,788)	
Pension expense		(207,582)	
OPEB plan expense		<u>(10,739)</u>	<u>(229,109)</u>

Total change in net position of governmental activities	\$	<u>628,406</u>
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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, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 914,420	\$ 904,538	\$ 904,539	\$ 1
Other taxes and licenses	195	240	240	-
Unrestricted intergovernmental	958,535	1,037,563	1,037,563	-
Restricted intergovernmental	115,117	175,683	156,249	(19,434)
Permits and fees	3,000	2,715	2,845	130
Sales and services	295,300	310,562	310,171	(391)
Investment earnings	-	7,513	7,514	1
Miscellaneous	98,500	66,016	79,561	13,545
Total revenues	<u>2,385,067</u>	<u>2,504,830</u>	<u>2,498,682</u>	<u>(6,148)</u>
Expenditures:				
General government	548,644	569,119	565,596	3,523
Public safety	1,013,248	1,085,348	1,071,590	13,758
Transportation	327,787	314,521	311,607	2,914
Environmental protection	247,374	246,500	221,495	25,005
Economic and community development	47,314	87,760	86,270	1,490
Non-departmental	172,700	173,606	135,823	37,783
Debt service				
Principal	23,200	23,128	23,128	-
Interest	4,800	4,848	4,848	-
Total expenditures	<u>2,385,067</u>	<u>2,504,830</u>	<u>2,420,357</u>	<u>84,473</u>
Revenues under expenditures	<u>-</u>	<u>-</u>	<u>78,325</u>	<u>78,325</u>
Other financing sources (uses):				
Transfers to another fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>78,325</u>	<u>\$ 78,325</u>
Fund balance, beginning			<u>1,151,545</u>	
Fund balance, ending			<u>\$ 1,229,870</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
ARPA Fund
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Grant revenues	\$	\$	\$ 760,244	\$
Total revenues	<u>827,657</u>	<u>827,657</u>	<u>760,244</u>	<u>(67,413)</u>
Expenditures:				
Public safety			760,244	
Total expenditures	<u>827,657</u>	<u>827,657</u>	<u>760,244</u>	<u>67,413</u>
Revenues over (under) expenditures	-	-	-	-
Appropriated fund balance	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning			-	
Fund balance, ending			<u>\$ -</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, 2023

	Enterprise Fund
	Water and Sewer Fund
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 164,706
Restricted cash	95,980
Accounts receivable - net	179,124
Inventories	61,441
Total current assets	501,251
Non-current assets:	
Capital assets:	
Land	7,091
Other capital assets, net of depreciation	9,138,624
Total capital assets	9,145,715
Total assets	9,646,966
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension deferrals	165,302
OPEB deferrals	97,036
Total deferred outflows of resources	262,338
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and accrued expenses	119,759
Deferred revenue	36,057
Current portion of long-term liabilities	98,739
Customer deposits	95,980
Total current liabilities	350,535
Noncurrent liabilities:	
Net pension liability	228,699
Total OPEB liability	560,877
Compensated absences	17,071
Noncurrent portion of long-term debt	2,208,015
Total noncurrent liabilities	3,014,662
Total liabilities	3,365,197
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension deferrals	4,395
OPEB deferrals	140,441
Total deferred inflows of resources	144,836
<u>NET POSITION</u>	
Net investment in capital assets	6,838,961
Unrestricted	(439,690)
Total net position	\$ 6,399,271

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, 2023

	Enterprise Fund
	Water and Sewer Fund
Operating revenues	
Charges for services	\$ 1,503,103
Total operating revenues	1,503,103
 Operating expenses	
Administration	415,145
Water treatment	323,676
Water maintenance	155,793
Sewer treatment	286,174
Sewer maintenance	93,906
Sewer contract operations and maintenance	30,581
Non-departmental	47,464
Depreciation	313,494
Total operating expenses	1,666,232
 Operating income (loss)	(163,129)
 Non-operating revenues (expenses)	
Interest expense	(66,489)
Total non-operating revenues (expenses)	(66,489)
 Income (loss) before contributions and transfers	(229,618)
 Transfers in (out)	-
Capital contributions	318,064
Total Contributions and Transfers	318,064
 Change in net position	88,446
 Total net position, beginning	6,310,825
 Total net position, ending	\$ 6,399,271

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, 2023

	Enterprise Fund
	Water and Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 1,578,761
Cash paid for goods and services	(817,919)
Cash paid to employees	(540,497)
Net cash provided (used) by operating activities	220,345
Cash flows from capital and related financing activities	
Acquisition and construction of assets	(404,382)
Capital contributions and grants	318,064
Payment of debt-related interest - all	(156,475)
Net cash provided (used) by capital and related financing activities	(242,793)
Net increase (decrease) in cash	(22,448)
Cash and cash equivalents - Beginning of year	283,134
Cash and cash equivalents - End of year	\$ 260,686
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (163,129)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -	
Depreciation	313,494
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	58,129
(Increase) decrease in deferred outflows of resources - pensions	(70,018)
(Increase) decrease in deferred outflows of resources - OPEB	25,589
Increase (decrease) in accounts payable and accrued liabilities	(11,387)
Increase (decrease) in deferred revenues	18,266
Increase (decrease) in meter deposits	(737)
Increase (decrease) in compensated absences	3,722
Increase (decrease) in net pension liability	184,067
Increase (decrease) in OPEB liability	(126,245)
Increase (decrease) in deferred inflows of resources - pensions	(94,415)
Increase (decrease) in deferred inflows of resources - OPEB	83,009
Total adjustments	383,474
Net cash provided (used) by operating activities	\$ 220,345

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, 2023

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, 2023

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.

ARPA Fund - This fund is a special revenue fund used to account for the American Rescue Plan Act grant monies received and spent during the year.

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 four Special Revenue Funds - the Rural Business Enterprise Grant Fund, the Cemetery Fund, the Library Project Grant Fund, and the AFG Fire Grant Fund.

The Town reports the following major enterprise fund:

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations. The Town has two capital project funds within its proprietary fund types used to account for financial resources restricted for the improvement of the water and sewer treatment plants.

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, 2023

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). The Town's and the ABC Board's investments are reported at fair value.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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 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, 2023, 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, 2023 was \$269,955 and \$95,980 for governmental activities and business-type activities, respectively.

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, 2022. 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, 2023

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	50 years
Improvements	10 years
Equipment and vehicles	6 years

Capital assets 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, and unspent grant proceeds.

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, 2023

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, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

I. Noncompliance with North Carolina General Statutes

N.C. General Statute 159-34(a) states the Town should have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant. The deadline to submit June 30 year end audits to the Local Government Commission is October 31. The June 30, 2023 audit which was due October 31, 2023, was submitted late on February 19, 2024.

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

N.C. General Statute 159-13(b)(2) states that if the Town has any deficit in fund balance, the fund balance should be appropriated. The Town had deficit in fund balance in the AFG Fire Grant Fund of \$6,851 and NC Youth Violence Prevention fund of \$1,088. The Town plans to review the budget for next year to eliminate the deficit in fund balance.

C - Excess of Expenditures over Appropriations

None

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

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

Deposits (continued)

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. At June 30, 2023, the Town's deposits had a carrying amount of \$1,669,812, and a bank balance of \$1,731,380. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2023, the Town's petty cash fund totaled \$850.

At June 30, 2023, the carrying amount of deposits for the ABC Board was \$41,244, and the bank balance was \$51,144. Federal Deposit Insurance covered all of the bank balance.

Investments

At June 30, 2023, the Town of Fairmont had \$225,698 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, 2023 are net of the following allowances for doubtful accounts: General Fund – Taxes receivable: \$54,453.

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2023, 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	1,128,979	521,898	-	1,650,877
Vehicles/motorized equipment	1,357,597	238,346	-	1,595,943
Total capital assets	4,801,223	760,244	-	5,561,467
Less accumulated depreciation for:				
Buildings and infrastructure	1,732,200	12,902	-	1,745,102
Equipment	752,446	66,423	-	818,869
Vehicles/motorized equipment	1,060,239	70,262	-	1,130,501
Total accumulated depreciation	3,544,885	\$ 149,587	\$ -	3,694,472
Governmental activities capital assets, net	\$ 1,256,338			\$ 1,866,995

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

General Government	\$ 25,677
Public Safety	85,659
Transportation	22,193
Environmental Protection	16,058
Total depreciation expense	\$ 149,587

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

Capital Assets (continued)

Business-type activities:

Water and Sewer Fund

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets				
Land (non-depreciable)	\$ 7,091	\$ -	\$ -	\$ 7,091
Public works building	12,755	-	-	12,755
Water and sewer system	15,732,651	-	-	15,732,651
Equipment	844,203	-	-	844,203
Construction in progress (non-depreciable)	208,750	404,382	-	613,132
Total capital assets	<u>16,805,450</u>	<u>404,382</u>	<u>-</u>	<u>17,209,832</u>
Less accumulated depreciation for:				
Public works building	12,758	-	-	12,758
Water and sewer system	7,038,010	295,022	-	7,333,032
Equipment	699,855	18,472	-	718,327
Total accumulated depreciation	<u>7,750,623</u>	<u>\$ 313,494</u>	<u>\$ -</u>	<u>8,064,117</u>
Business-type activities capital assets, net	<u>\$ 9,054,827</u>			<u>\$ 9,145,715</u>

Activity for the ABC Board for the year ending June 30, 2023, was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
ABC Board Capital assets				
Land (non-depreciable)	\$ 26,500	\$ -	\$ -	\$ 26,500
Buildings	101,945	-	-	101,945
Building improvements	12,906	157,293	-	170,199
Parking lot improvements	10,875	-	-	10,875
Equipment	102,944	4,266	-	107,210
Total capital assets	<u>255,170</u>	<u>161,559</u>	<u>-</u>	<u>416,729</u>
Less accumulated depreciation for:				
Buildings	101,945	-	-	101,945
Building improvements	-	1,290	-	1,290
Parking lot improvements	3,796	2,110	-	5,906
Equipment	82,272	9,897	-	92,169
Total accumulated depreciation	<u>188,013</u>	<u>\$ 13,297</u>	<u>\$ -</u>	<u>201,310</u>
ABC Board capital assets, net	<u>\$ 67,157</u>			<u>\$ 215,419</u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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, 2023, 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 \$141,651 for the year ended June 30, 2023.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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, 2023, the Town reported a liability of \$825,341 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022, the Town's proportion was 0.01463%, which was an increase of 0.0022% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$256,953. At June 30, 2023, 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	\$ 35,563	\$ 3,487
Changes of assumptions	82,351	-
Net difference between projected and actual earnings on pension plan investments	272,784	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	61,941	9,111
Town contributions subsequent to the measurement date	141,651	-
Total	\$ 594,290	\$ 12,598

\$141,651 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ 141,399
2025	127,059
2026	41,623
2027	129,959
2028	-
Thereafter	-
	\$ 440,040

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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, 2021 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	6.50 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, 2021 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, 2022 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, 2023

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 2021 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 6.50%. 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 1,489,634	\$ 825,341	\$ 277,925

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, 2023

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 Town law enforcement officers are covered by the Separation Allowance. At December 31, 2021, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	10
Total	10

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, 2021 valuation. The total pension liability in the December 31, 2021 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	4.31 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, 2021.

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, 2023

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, 2023, the Town reported a total pension liability of \$180,960. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$25,148.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,430	\$ 23,028
Changes of assumptions	26,559	43,638
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 68,989	\$ 66,666

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

Year ended June 30:		
2024	\$	3,467
2025		3,171
2026		1,375
2027		1,296
2028		(1,595)
Thereafter		(5,391)
		\$ 2,323

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	1% Decrease (3.31%)	Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$ 200,885	\$ 180,960	\$ 163,100

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

	2023
Beginning balance	\$ 207,932
Service cost	17,283
Interest on the total pension liability	4,678
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(5,436)
Changes of assumptions of other inputs	(43,497)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 180,960

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, 2021 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, 2023

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	\$ 256,953	\$ 25,148	\$ 282,101
Pension Liability	825,341	180,960	1,006,301
Proportionate share of the net pension liability	0.01463	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	35,563	42,430	77,993
Changes of assumptions	82,351	26,559	108,910
Net difference between projected and actual earnings on plan investments	272,784	-	272,784
Changes in proportion and differences between contributions and proportionate share of contributions	61,941	-	61,941
Benefit payments and administrative costs paid subsequent to the measurement date	141,651	-	141,651
Deferred Inflows of Resources			
Differences between expected and actual experience	3,487	23,028	26,515
Changes of assumptions	-	43,638	43,638
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	9,111	-	9,111

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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, 2023, 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, 2021, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	9	-
Terminated plan members entitled to, but not yet receiving benefits	-	-
Active plan members	12	10
Total	21	10

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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 \$1,934,058 was measured as of June 30, 2022 and was determined by an actuarial valuation date of June 30, 2021.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 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	3.25 to 8.41 percent, including inflation
Discount rate	3.54 percent
Healthcare cost trend rates	Pre-Medicare 7.00 percent Medicare 5.125 percent Dental 3.50 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 6/30/21	\$ 2,369,386
Service cost	28,606
Interest on the total pension liability	50,980
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(3,224)
Changes of assumptions of other inputs	(435,712)
Benefit payments	(75,978)
Other changes	-
Balance at 6/30/22	<u><u>\$ 1,934,058</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54%.

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

The actuarial assumptions used in the June 30, 2021 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, 2023

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 (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	\$ 2,235,650	\$ 1,934,058	\$ 1,692,148

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	\$ 1,669,937	\$ 1,934,058	\$ 2,264,548

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

For the year ending June 30, 2023, the Town recognized OPEB expense of \$15,125. At June 30, 2023, 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	\$ -	\$ 106,619
Changes of assumptions	334,608	377,662
Benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 334,608	\$ 484,281

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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:	
2024	\$ (34,373)
2025	(17,020)
2026	(15,775)
2027	(23,929)
2028	(58,576)
Thereafter	-
	<u>\$ (149,673)</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 employee's 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 \$663,279 and OPEB deferrals of \$334,608.

Deferred inflows of resources at year-end are comprised of pension deferrals of \$79,264, OPEB deferrals of \$484,281, and unspent grant proceeds of \$509,512.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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 \$425,000 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 2022 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 four years.

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 27,976	\$ 24,842	\$ 3,334
2025	27,976	25,637	2,540
2026	27,976	26,456	1,720
2027	27,976	27,247	873
Total	<u>\$ 111,904</u>	<u>\$ 104,182</u>	<u>\$ 8,467</u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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, 2023, are comprised of the following issues:

General Obligation Bonds – Serviced by the Water and Sewer Fund

On August 25, 2021 the Town refinanced the prior USDA bonds through First Bank for a total of \$2,160,000. Payments on this new bond are quarterly totaling \$35,535 including interest at 2.9%. The balance of the bond at June 30, 2023 was \$1,987,755.

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

Go Refunding Bond, Series 2021

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 142,140	\$ 85,419	\$ 56,721
2025	142,140	87,923	54,217
2026	142,140	90,501	51,639
2027	142,140	93,154	48,986
2028	142,140	95,885	46,255
2029-2033	710,700	523,275	187,425
2034-2038	710,700	604,610	106,090
2039-2041	426,420	406,988	19,432
Total	<u>\$ 2,558,520</u>	<u>\$ 1,987,755</u>	<u>\$ 570,765</u>

\$385,000 - 2014 General Obligation Bond due in various annual installments through 2053; interest at 2.25%. The balance of the revenue bonds at June 30, 2023 was \$319,000.

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

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 15,178	\$ 8,000	\$ 7,178
2025	14,998	8,000	6,998
2026	14,818	8,000	6,818
2027	14,638	8,000	6,638
2028	14,458	8,000	6,458
2029-2033	73,453	44,000	29,453
2034-2038	73,278	49,000	24,278
2039-2043	74,450	56,000	18,450
2044-2048	73,902	62,000	11,902
2049-2052	58,342	54,000	4,342
2053	14,315	14,000	315
Total	<u>\$ 441,830</u>	<u>\$ 319,000</u>	<u>\$ 122,830</u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

Long-Term Obligations (continued)

Changes in Long Term Debt

At June 30, 2023, 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 \$9,442,038.

Summary of activity - Governmental activities	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Direct Placement					
Installment purchases	\$ 127,310	\$ -	\$ 23,128	\$ 104,182	\$ 23,873
Compensated absences	39,667	16,209	5,421	50,455	16,209
Total OPEB liability	1,682,264	-	309,083	1,373,181	-
Net pension liability (LGERS)	145,994	450,648	-	596,642	-
Total pension liability (LEO)	207,932	-	26,972	180,960	-
Total	<u>\$ 2,203,167</u>	<u>\$ 466,857</u>	<u>\$ 364,604</u>	<u>\$ 2,305,420</u>	<u>\$ 40,082</u>
Business-type activities					
Compensated absences	\$ 13,349	\$ 6,320	\$ 2,598	\$ 17,071	\$ 6,320
Total OPEB liability	687,122	-	126,245	560,877	-
Net pension liability (LGERS)	44,632	184,067	-	228,699	-
Go refunding bond 2021	2,070,740	-	82,986	1,987,754	85,419
General obligation bonds 2014	326,000	-	7,000	319,000	7,000
Total	<u>\$ 3,141,843</u>	<u>\$ 190,387</u>	<u>\$ 218,829</u>	<u>\$ 3,113,401</u>	<u>\$ 98,739</u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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	\$ 1,229,870
Less:	
Stabilization by State Statute	301,588
Streets-Powell Bill	105,584
Public Safety	5,760
Assigned - subsequent year's expenditures	19,550
Remaining Fund Balance	797,388

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events were evaluated through February 16, 2024, 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 Ten Fiscal Years

Local Government Employees' Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Fairmont's proportion of the net pension liability (asset) (%)	0.01463%	0.01243%	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) (\$)	\$ 825,341	\$ 190,626	\$ 370,922	\$ 362,940	\$ 254,078	\$ 172,022	\$ 246,615	\$ 59,824	\$ (87,165)	\$ 208,531
Fairmont's covered-employee payroll	\$ 1,068,909	\$ 943,512	\$ 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	77.21%	20.20%	41.54%	39.08%	28.38%	20.27%	32.10%	8.44%	-10.43%	24.95%
Plan fiduciary net position as a percentage of the total pension liability.	91.63%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%	96.45%

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

Local Government Employees' Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 141,651	\$ 123,566	\$ 92,009	\$ 80,732	\$ 73,636	\$ 69,601	\$ 62,845	\$ 53,341	\$ 51,078	\$ 59,849
Contributions in relation to the contractually required contribution	141,651	123,566	92,009	80,732	73,636	69,601	62,845	53,341	51,078	59,849
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fairmont's covered-employee payroll	\$ 1,156,150	\$ 1,068,909	\$ 943,512	\$ 892,975	\$ 928,617	\$ 895,262	\$ 848,630	\$ 768,387	\$ 708,639	\$ 835,741
Contributions as a percentage of covered-employee payroll	12.25%	11.56%	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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 207,932	\$ 144,821	\$ 103,542	\$ 99,372	\$ 54,985	\$ 67,068	\$ 58,727
Service cost	17,283	20,774	9,111	11,500	9,080	4,880	9,052
Interest on the total pension liability	4,678	2,795	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	(5,436)	47,142	(15,059)	(15,098)	37,718	(23,999)	-
Changes of assumptions or other inputs	(43,497)	(7,600)	43,852	4,151	(4,149)	4,447	(2,808)
Benefit payments	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 180,960</u>	<u>\$ 207,932</u>	<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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 180,960	\$ 207,932	\$ 144,821	\$ 103,542	\$ 99,372	\$ 54,985	\$ 67,068
Covered payroll	447,043	444,410	258,074	442,836	336,798	249,660	333,955
Total pension liability as a percentage of covered payroll	40.48%	46.79%	56.12%	23.38%	29.50%	22.02%	20.08%

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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability					
Service cost	\$ 28,606	\$ 46,655	\$ 29,585	\$ 39,505	\$ 42,092
Interest	50,980	51,823	65,878	71,812	67,554
Change of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(3,224)	(117,188)	(17,974)	(37,348)	(12,751)
Changes of assumptions or other inputs	(435,712)	132,577	443,765	(5,031)	(99,967)
Benefit payments	(75,978)	(85,035)	(66,150)	(58,560)	(38,516)
Net change in total OPEB liability	<u>(435,328)</u>	<u>28,832</u>	<u>455,104</u>	<u>10,378</u>	<u>(41,588)</u>
Total OPEB liability - beginning	<u>2,369,386</u>	<u>2,340,554</u>	<u>1,885,450</u>	<u>1,875,072</u>	<u>1,916,660</u>
Total OPEB liability - ending	<u>\$ 1,934,058</u>	<u>\$ 2,369,386</u>	<u>\$ 2,340,554</u>	<u>\$ 1,885,450</u>	<u>\$ 1,875,072</u>
Covered payroll	\$ 775,581	\$ 775,581	\$ 738,842	\$ 738,842	\$ 664,632
Total OPEB liability as a percentage of covered payroll	249.37%	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>
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%

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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 904,539	\$
Total	<u>904,538</u>	<u>904,539</u>	<u>1</u>
Other taxes and licenses:			
Privilege and gaming license	<u>240</u>	<u>240</u>	<u>-</u>
Unrestricted intergovernmental:			
Local option sales taxes		864,005	
Utilities franchise tax		137,087	
Video franchise fee		10,009	
Beer and wine tax		9,921	
ABC profit distribution		16,541	
Total	<u>1,037,563</u>	<u>1,037,563</u>	<u>-</u>
Restricted intergovernmental:			
Powell Bill allocation		84,798	
Court fees		1,099	
Solid waste disposal tax		1,706	
Governor's Hwy Safety Program		16,778	
Grants		51,007	
State drug funds		861	
Total	<u>175,683</u>	<u>156,249</u>	<u>(19,434)</u>
Permits and fees:			
Fire inspection fees		1,290	
Zoning permits		1,555	
Total	<u>2,715</u>	<u>2,845</u>	<u>130</u>
Sales and services:			
Sanitation fees	<u>310,562</u>	<u>310,171</u>	<u>(391)</u>
Investment earnings:			
	<u>7,513</u>	<u>7,514</u>	<u>1</u>
Miscellaneous:			
Miscellaneous		27,876	
Sale of assets		22,290	
Net equipment and building rental		29,395	
Total	<u>66,016</u>	<u>79,561</u>	<u>13,545</u>
Total revenues	<u>\$ 2,504,830</u>	<u>\$ 2,498,682</u>	<u>\$ (6,148)</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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Salaries and employee benefits	\$	\$ 16,587	\$
Other operating expenditures		836	
Total	<u>17,463</u>	<u>17,423</u>	<u>40</u>
Administration:			
Salaries and employee benefits		99,236	
Other operating expenditures		1,545	
Total	<u>100,826</u>	<u>100,781</u>	<u>45</u>
Clerk:			
Salaries and employee benefits		66,860	
Other operating expenditures		1,759	
Total	<u>68,781</u>	<u>68,619</u>	<u>162</u>
Finance:			
Salaries and employee benefits		98,023	
Professional services		27,070	
Other operating expenditures		10,163	
Total	<u>135,458</u>	<u>135,256</u>	<u>202</u>
Taxes:			
Robeson County collection fee		31,768	
Total	<u>31,768</u>	<u>31,768</u>	<u>-</u>
Legal:			
Contracted services	11,500	11,318	182
Planning:			
Other operating expenditures		55,117	
Total	<u>\$ 55,500</u>	<u>\$ 55,117</u>	<u>\$ 383</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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public buildings:			
Salaries and employee benefits	\$	\$ 65,574	\$
Utilities and telephone		30,732	
Maintenance and repairs		29,184	
Other operating expenditures		19,824	
Total	<u>147,823</u>	<u>145,314</u>	<u>2,509</u>
Total general government	<u>569,119</u>	<u>565,596</u>	<u>3,523</u>
Public safety:			
Police and police dispatch:			
Salaries and employee benefits		759,967	
Robeson County communications		43,820	
Vehicle maintenance		9,209	
Maintenance and repairs		21,982	
Auto supplies		81,745	
Other operating expenditures		53,688	
Total	<u>972,637</u>	<u>970,411</u>	<u>2,226</u>
Fire:			
Salaries and employee benefits		26,712	
Vehicle maintenance		4,236	
Other operating expenditures		70,231	
Total	<u>112,711</u>	<u>101,179</u>	<u>11,532</u>
Total public safety	<u>\$ 1,085,348</u>	<u>\$ 1,071,590</u>	<u>\$ 13,758</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, 2023

	Budget	Actual	Variance Positive (Negative)
Transportation:			
Powell Bill:			
Salaries and employee benefits	\$	\$ 33,055	\$
Maintenance and repairs		31,743	
Total	64,798	64,798	-
Streets:			
Salaries and employee benefits		129,471	
Street lights		60,230	
Vehicle maintenance		15,909	
Maintenance and repairs		18,229	
Auto supplies		10,766	
Other operating expenditures		12,204	
Total	249,723	246,809	2,914
Total transportation	314,521	311,607	2,914
Environmental protection:			
Sanitation:			
Contracted services		175,070	
Vehicle maintenance		9,060	
Maintenance and repairs		5,239	
Landfill		25,000	
Other operating expenditures		7,126	
Capital outlay		-	
Total environmental protection	\$ 246,500	\$ 221,495	\$ 25,005

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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Economic and community development:			
Community Service:			
Salaries and employee benefits	\$	\$ 24,705	\$
Activities		42,668	
Library		12,285	
Other operating expenditures		6,112	
Special projects		500	
Total economic and community development	<u>87,760</u>	<u>86,270</u>	<u>1,490</u>
Debt service:			
Principal		23,128	
Interest		4,848	
Total debt service	<u>27,976</u>	<u>27,976</u>	<u>-</u>
Non-departmental:			
Retiree insurance		54,504	
Other operating expenditures		25,727	
Insurance and bonds		55,592	
Total non-departmental	<u>173,606</u>	<u>135,823</u>	<u>37,783</u>
Total expenditures	<u>2,504,830</u>	<u>2,420,357</u>	<u>84,473</u>
Appropriated Fund Balance	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>78,325</u>	<u>\$ 78,325</u>
Fund balance, beginning		<u>1,151,545</u>	
Fund balance, ending		<u>\$ 1,229,870</u>	

Town of Fairmont, North Carolina
ARPA Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Grant revenues	\$	\$ 760,244	\$
Total revenues	<u>827,657</u>	<u>760,244</u>	<u>(67,413)</u>
Expenditures:			
Public safety		760,244	
Total expenditures	<u>827,657</u>	<u>760,244</u>	<u>67,413</u>
 Revenues over (under) expenditures	 -	 -	 -
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

Town of Fairmont, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheets
June 30, 2023

	<u>Rural Business Enterprise Grant Fund</u>	<u>SCIF Grant Fund</u>	<u>AFG Fire Grant Fund</u>	<u>Cemetary Fund</u>	<u>NC Youth Violence Prevention Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets</u>						
Cash and investments	\$ 25,149	\$ 36,245	\$ -	\$ 19,020	\$ -	\$ 80,414
Total assets	<u>\$ 25,149</u>	<u>\$ 36,245</u>	<u>\$ -</u>	<u>\$ 19,020</u>	<u>\$ -</u>	<u>\$ 80,414</u>
<u>Liabilities and Fund Balances</u>						
Liabilities	\$ -	\$ 1,337	\$ 6,851	\$ -	\$ 1,088	\$ 9,276
Fund balances	<u>25,149</u>	<u>34,908</u>	<u>(6,851)</u>	<u>19,020</u>	<u>(1,088)</u>	<u>71,138</u>
Total liabilities and fund balances	<u>\$ 25,149</u>	<u>\$ 36,245</u>	<u>\$ -</u>	<u>\$ 19,020</u>	<u>\$ -</u>	<u>\$ 80,414</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, 2023

	Rural Business Enterprise Grant Fund	SCIF Grant Fund	AFG Fire Grant Fund	Cemetery Fund	NC Youth Violence Prevention Fund	Total Nonmajor Governmental Funds
Revenues:						
Interest income	\$ -	\$ -	\$ -	\$ 27	\$ -	\$ 27
Grant income	-	-	-	-	4,912	4,912
Other	3,900	-	-	-	-	3,900
Total revenues	<u>3,900</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u>4,912</u>	<u>8,839</u>
Expenditures:						
Community service	15,500	-	-	-	6,000	21,500
Library	-	15,092	-	-	-	15,092
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>15,500</u>	<u>15,092</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>36,592</u>
Revenues over (under) expenditures	(11,600)	(15,092)	-	27	(1,088)	(27,753)
Fund balance, beginning	36,749	50,000	(6,851)	18,993	-	98,891
Fund balance, ending	<u>\$ 25,149</u>	<u>\$ 34,908</u>	<u>\$ (6,851)</u>	<u>\$ 19,020</u>	<u>\$ (1,088)</u>	<u>\$ 71,138</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, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other	\$	\$ 3,900	\$
Total revenues	15,500	3,900	(11,600)
Expenditures:			
Loans to businesses		12,500	
Other		3,000	
Total expenditures	15,500	15,500	-
Revenues over (under) expenditures	-	(11,600)	(11,600)
Appropriated fund balance	-	-	-
Net change in fund balance	\$ -	(11,600)	\$ (11,600)
Fund balance, beginning		36,749	
Fund balance, ending		\$ 25,149	

Town of Fairmont, North Carolina
Capital Project Fund – SCIF Fund
Schedules of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
From Inception and For the Year Ended June 30, 2023

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Grant revenues	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Expenditures:					
Grant expenditures	50,000	-	15,092	15,092	34,908
Total expenditures	<u>50,000</u>	<u>-</u>	<u>15,092</u>	<u>15,092</u>	<u>34,908</u>
Revenues over (under) expenditures	<u>-</u>	<u>50,000</u>	<u>(15,092)</u>	<u>34,908</u>	<u>(34,908)</u>
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(15,092)</u>	<u>\$ 34,908</u>	<u>\$ (34,908)</u>
Fund balance, beginning			<u>50,000</u>		
Fund balance, ending			<u>\$ 34,908</u>		

Town of Fairmont, North Carolina
Special Revenue Fund – AFG Fire Grant Fund
Schedules of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
From Inception and For the Year Ended June 30, 2023

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues:					
Grant revenues	\$ 217,000	\$ 203,639	\$ -	\$203,639	\$ (13,361)
Total revenues	<u>217,000</u>	<u>203,639</u>	<u>-</u>	<u>203,639</u>	<u>(13,361)</u>
Expenditures:					
Grant expenditures	217,000	210,490	-	210,490	6,510
Total expenditures	<u>217,000</u>	<u>210,490</u>	<u>-</u>	<u>210,490</u>	<u>6,510</u>
Revenues over (under) expenditures	<u>-</u>	<u>(6,851)</u>	<u>-</u>	<u>(6,851)</u>	<u>(6,851)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (6,851)</u>	<u>\$ -</u>	<u>\$ (6,851)</u>	<u>\$ (6,851)</u>
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ (6,851)</u>	<u>\$ (6,851)</u>
Fund balance, beginning			<u>(6,851)</u>		
Fund balance, ending			<u>\$ (6,851)</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, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest income	\$	\$ 27	\$
Total revenues	19,020	27	(18,993)
Expenditures:			
Other operating expenditures		-	
Total expenditures	19,020	-	19,020
Revenues over (under) expenditures	-	27	27
Appropriated fund balance	-	-	-
Net change in fund balance	\$ -	27	\$ 27
Fund balance, beginning		18,993	
Fund balance, ending		\$ 19,020	

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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenue:			
Water sales	\$	\$ 517,686	\$
Sewer sales		932,472	
Late fees		23,255	
Other operating revenue		29,690	
Total operating revenues	<u>1,502,571</u>	<u>1,503,103</u>	<u>532</u>
Nonoperating revenues:			
Grants		36,421	
Total nonoperating revenues	<u>36,420</u>	<u>36,421</u>	<u>1</u>
Total revenues	<u>1,538,991</u>	<u>1,539,524</u>	<u>533</u>
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits		339,344	
Telephone		8,721	
Utilities		14,757	
Maintenance and repairs - equipment		3,397	
Maintenance and repairs - vehicles		6,390	
Equipment rental		6,858	
Auto supplies		11,703	
Departmental supplies		18,880	
Other operating expenditures		3,499	
Total water and sewer administration	<u>\$ 421,579</u>	<u>\$ 413,549</u>	<u>\$ 8,030</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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued):			
Water treatment:			
Salaries and employee benefits	\$	\$ 86,341	\$
Training		2,828	
Telephone		166,351	
Utilities		29,149	
Maintenance and repairs - equipment		29,902	
Other operating expenditures		7,919	
Total water treatment	<u>329,526</u>	<u>322,490</u>	<u>7,036</u>
Water maintenance:			
Salaries and employee benefits		64,271	
Maintenance and repairs - equipment		6,167	
Maintenance and repairs - vehicles		9,967	
Auto supplies		38,427	
Departmental supplies		35,398	
Other operating expenditures		889	
Total water maintenance	<u>165,172</u>	<u>155,119</u>	<u>10,053</u>
Sewage treatment:			
Salaries and employee benefits		25,528	
Professional services		41,663	
Telephone		14,756	
Utilities		125,349	
Maintenance and repairs - equipment		39,445	
Departmental supplies		37,868	
Other operating expenditures		143	
Total sewage treatment	<u>284,778</u>	<u>284,752</u>	<u>26</u>
Nondepartmental:			
Insurance and bonds		30,347	
Professional services		16,865	
Total nondepartmental	<u>\$ 51,347</u>	<u>\$ 47,212</u>	<u>\$ 4,135</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, 2023

	Budget	Actual	Variance Positive (Negative)
Expenditures (continued):			
Sewer maintenance:			
Salaries and employee benefits	\$	\$ 25,013	\$
Maintenance and repairs - equipment		35,908	
Maintenance and repairs - vehicles		6,927	
Auto supplies		16,878	
Departmental supplies		8,796	
Total sewer maintenance	97,014	93,522	3,492
Sewer contract operations and maintenance:			
Other operating expenses		30,385	
Total sewer contract operations and maintenance	33,100	30,385	2,715
Total operating expenditures	1,382,516	1,347,029	35,487
Capital outlay	-	-	-
Debt Service:			
Principal repayment		89,986	
Interest		66,489	
Total debt service	156,475	156,475	-
Total expenditures	1,538,991	1,503,504	35,487
Revenues over (under) expenditures	-	36,020	36,020
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 36,020	\$ 36,020
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over (under) expenditures		\$ 36,020	
Reconciling items:			
Principal retirement		89,986	
Increase in deferred outflows of resources - pensions		70,018	
Decrease in deferred outflows of resources - OPEB		(25,589)	
Increase in net pension liability		(184,067)	
Decrease in OPEB liability		126,245	
Decrease in deferred inflows of resources - pensions		94,415	
Increase in deferred inflows of resources - OPEB		(83,009)	
Depreciation		(313,494)	
Increase in compensated absences		(3,722)	
Capital contributions		281,643	
Total reconciling items		52,426	
Change in net position		\$ 88,446	

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, 2023

	<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 water mapping	\$ 150,000	\$ -	\$ 60,863	\$ 60,863	\$ 89,137
CDBG	2,000,000	61,700	194,280	255,980	1,744,020
Golden Leaf	435,000	159,000	-	159,000	-
Strap Streamflow Rehab Project	-	-	26,500	26,500	(26,500)
LISC RVCRI Grant	-	-	-	-	-
Total revenues	<u>2,585,000</u>	<u>220,700</u>	<u>281,643</u>	<u>502,343</u>	<u>1,806,657</u>
Expenditures:					
AIA water mapping	150,000	11,000	71,612	82,612	67,388
CDBG	2,000,000	61,700	194,280	255,980	1,744,020
Golden Leaf	435,000	61,250	26,750	88,000	347,000
Strap Streamflow Rehab Project	-	-	105,500	105,500	(105,500)
LISC RVCRI Grant	-	-	6,240	6,240	(6,240)
Total expenditures	<u>2,585,000</u>	<u>133,950</u>	<u>404,382</u>	<u>538,332</u>	<u>2,046,668</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 86,750</u>	<u>\$ (122,739)</u>	<u>\$ (35,989)</u>	<u>\$ (240,011)</u>

Other Schedules

Town of Fairmont, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2023

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2022</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2023</u>
2022-2023	\$ -	\$ 900,428	\$ 821,068	\$ 79,360
2021-2022	65,532	-	25,725	39,807
2020-2021	34,441	-	6,962	27,479
2019-2020	34,486	-	3,253	31,233
2018-2019	32,461	-	7,405	25,056
2017-2018	21,439	-	2,738	18,701
2016-2017	21,842	-	3,705	18,137
2015-2016	19,944	-	3,709	16,235
2014-2015	16,968	-	2,344	14,624
2013-2014	15,004	-	1,781	13,223
2012-2013	3,097	-	3,097	-
	<u>\$ 265,214</u>	<u>\$ 900,428</u>	<u>\$ 881,787</u>	<u>283,855</u>

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

Ad valorem taxes receivable - net \$ 229,402

Reconciliation to revenues:

Ad valorem taxes - General Fund \$ 904,539
 Reconciling items:
 Other (22,752)

Total collections and credits \$ 881,787

Town of Fairmont, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2023

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 122,618,767	0.73	\$ 895,117	\$ 774,084	\$ 121,033
Discoveries			<u>14,838</u>	<u>14,838</u>	<u>-</u>
Releases			<u>(9,527)</u>	<u>(9,527)</u>	<u>-</u>
Net levy			900,428	779,395	121,033
Less - uncollected taxes at June 30, 2023			<u>79,360</u>	<u>79,360</u>	<u>-</u>
Current year's taxes collected			<u>\$ 821,068</u>	<u>\$ 700,035</u>	<u>\$ 121,033</u>
Current levy collection percentage			<u>91.19%</u>	<u>89.82%</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, 2023, 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 February 16, 2024. The financial statements of the Fairmont ABC Board were not audited in accordance with *Government Auditing Standards*.

Report on 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

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 is described in the schedule of findings and responses as item 2023-002.

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.

A handwritten signature in black ink that reads "S. Preston Douglas, CPA". The signature is written in a cursive style.

Lumberton, North Carolina
February 16, 2024

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Fairmont, North Carolina, compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Fairmont's major federal programs for the year ended June 30, 2023. The Town of Fairmont's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Fairmont complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Fairmont's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Fairmont federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Fairmont's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Fairmont's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did not identify certain deficiencies in internal control.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Lumberton, North Carolina
February 16, 2024

Town of Fairmont, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

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

Federal Awards

Internal control over major federal programs		
• Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
• Significant deficiency(s) identified that are not considered to be material weaknesses	<u> </u> Yes	<u> X </u> None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified.	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	<u> </u> Yes	<u> X </u> No

Identification of major federal programs:

<u>Names of Federal Programs of Clusters</u>	<u>Assistance Listing Numbers</u>
• Coronavirus State Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
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Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> No
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Town of Fairmont, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2023

Section II. Financial Statement Findings

MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE

Finding: 2023 - 001 Late Audit

Criteria: N.C. General Statute 159-34(a) states the Town should have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant. The deadline to submit June 30 year end audits to the Local Government Commission is October 31. The October 31 deadline includes a grace period from November 1 to December 1, in which there are no additional documents or notifications needed.

Condition: The June 30, 2023 audit which was due October 31, 2023, was submitted late on February 19, 2024.

Effect: By submitting the audit late, the board or other agencies such as the Local Government Commission do not have the opportunity to receive important, timely feedback from the independent auditor such as internal control deficiencies or financial statement trends.

Cause: The County did not provide the ad valorem collection schedules until January 23, 2024.

Recommendation: The Town should make the necessary adjustments to meet the October 31 audit deadline.

View of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the corrective action plan on page 74.

TOWN OF FAIRMONT

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Corrective Action Plan For the Year Ended June 30, 2023

Section II. Financial Statement Findings

MATERIAL WEAKNESS / MATERIAL NONCOMPLIANCE

Finding: 2023 – 001 Late Audit

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

Corrective Action: The County's unusual delay was out of the Town's control. The Town will prepare their information in a timely manner in order to meet the auditing firm's schedule.

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, 2023

There were no prior year audit findings.

Town of Fairmont, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2023

Grantor/Pass-through Grant/Program Title	Federal Assistance Listing Number	Award Number/State Pass-through Grantor's Number	Federal (Direct Pass- through) Expenditures	State Expenditures
Federal Grants:				
Direct Programs:				
<u>US Department of the Treasury</u>				
Coronavirus State Local Fiscal Recovery Funds	21.027		\$ 760,244	\$ -
Pass Through:				
<u>US Department of Housing and Urban Development</u>				
N.C. Department of Environmental Quality				
Community Development Block Grant	14.228		255,143	-
<u>US Department of the Treasury</u>				
N.C. Department of Commerce				
Rural Economic Development Division	21.027		26,750	-
Total federal assistance			<u>1,042,137</u>	<u>-</u>
State Grants:				
Cash Assistance:				
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-4	-	64,798
Total state assistance			<u>-</u>	<u>64,798</u>
Total assistance			<u>\$ 1,042,137</u>	<u>\$ 64,798</u>

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Fairmont under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Fairmont, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Fairmont.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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