

Town of Fairmont, North Carolina

Audited Financial Statements

**For the Fiscal Year Ended
June 30, 2015**

Town of Fairmont, North Carolina
Audited Financial Statements
For the Fiscal Year Ended June 30, 2015

Charles Townsend, Mayor

Board of Town Commissioners

Terry Evans

Carol Leak-McKenzie

Monte McCallum

Jeffrey J. McCree

Amelia Ann McLean

Wade Sealey

Linda Vause, Acting Town Manager/Finance Officer

Jenny Larson, Town Clerk

Town of Fairmont, North Carolina
Table of Contents
June 30, 2015

I. Financial Section	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	3
 II. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position.....	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	15
Statement of Net Position – Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18
Notes to Financial Statements.....	19
 III. Required Supplemental Financial Data:	
Other Postemployment Benefits – Schedule of Funding Progress and Schedule of Employer Contributions.....	41
Schedule of the Proportionate Share of the Net Position Asset - Local Government Employees' Retirement System	42
Schedule of Contributions – Local Government Employees' Retirement System	43
 IV. Individual Fund Statements and Schedules:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	44

Town of Fairmont, North Carolina
Table of Contents (continued)
June 30, 2015

IV. Individual Fund Financial Statements (continued)	Page
Combining Balance Sheets	50
Combining Statements of Revenues, Expenditures and Changes in Fund Balances	51
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Rural Business Enterprise Grant Fund.....	52
Cemetery Fund	53
Parks and Recreation Fund.....	54
Community Development	55
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) Water and Sewer Fund	56
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Water and Sewer Capital Projects Fund	59
V. Other Schedules	
Schedule of Cash and Investments	60
Schedule of Ad Valorem Taxes Receivable	61
Analysis of Current Year Tax Levy.....	62
VI. Compliance Section	
Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	63

Financial Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Fairmont, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Fairmont ABC Board were not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information of the Town of Fairmont, North Carolina as of June 30, 2015, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year ended in accordance with accounting principals generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 9, and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, on page 41, respectively, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 42 and 43 respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

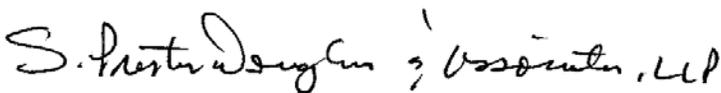
Supplementary and other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2015 on our consideration of the Town of Fairmont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Fairmont's internal control over financial reporting and compliance.



Lumberton, North Carolina
October 12, 2015

Town of Fairmont, North Carolina
Management's Discussion and Analysis
June 30, 2015

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, 2015. 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 of the Town of Fairmont exceeded its liabilities at the close of the fiscal year by \$7,029,080.

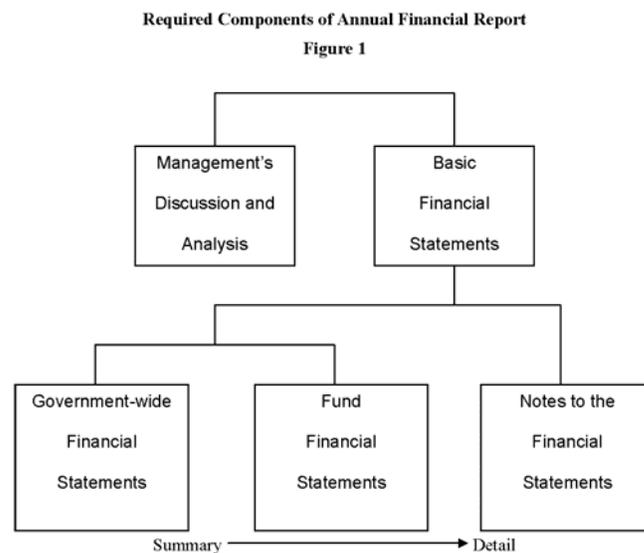
The government's total net position increased in the amount of \$470,744.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$417,650. Approximately 41.56% of this total amount, or \$173,566, is available for spending at the government's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$173,566 or 9.9% 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, 2015

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 gage the Town's financial condition.

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

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

Fund financial statements. The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Fairmont, like other state and local governments, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories, governmental funds and proprietary funds.

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

The Town of 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, 2015

Basic Financial Statements (continued)

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 maintains one type of proprietary fund called an Enterprise 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.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered a major fund of the Town.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-40 of this report.

Supplementary information. The combining statements, referred to earlier about non-major governmental funds and details of the enterprise fund, can be found on pages 44-59 of this report.

Government-wide Financial Analysis

The Town of Fairmont's Net Position

	Governmental Activities 2015	Governmental Activities 2014	Business-type Activities 2015	Business-type Activities 2014	Totals 2015	Totals 2014
Current and other assets	\$ 677,377	\$ 484,975	\$ 268,480	\$ 203,939	\$ 945,857	\$ 688,914
Non-current assets	1,013,203	1,015,341	8,868,351	8,731,576	9,881,554	9,746,917
Total assets	1,690,580	1,500,316	9,136,831	8,935,515	10,827,411	10,435,831
Deferred Outflows of Resources	38,112	-	12,966	-	51,078	-
Current liabilities	52,511	103,414	264,719	227,243	317,230	330,657
Non-current liabilities	390,148	324,324	2,906,504	3,073,832	3,296,652	3,398,156
Total liabilities	442,659	427,738	3,171,223	3,301,075	3,613,882	3,728,813
Deferred Inflows of Resources	235,527	-	-	-	235,527	-
Net position						
Net investment in capital assets	904,540	960,788	5,857,292	5,569,107	6,761,832	6,529,895
Restricted	244,084	218,505	-	-	244,084	218,505
Unrestricted	(98,118)	(106,715)	121,282	65,333	23,164	(41,382)
Total net position	\$ 1,050,506	\$ 1,072,578	\$ 5,978,574	\$ 5,634,440	\$ 7,029,080	\$ 6,707,018

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2015

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 \$7,029,080 at the close of the current fiscal year. By far the largest portion of the Town's net position, 96.20%, 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, 3.47%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$23,164 or 0.33% of the total. Also, the Town implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows and inflows of resources, and pension expense. A restatement to record the effects of these new reporting guidance decreased beginning net position by \$148,682. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Fairmont's management.

Town of Fairmont's Changes in Net Position

	Governmental Activities 2015	Governmental Activities 2014	Business-type Activities 2015	Business-type Activities 2014	Totals 2015	Totals 2014
Revenues:						
Program revenues						
Charges for services	\$ 242,055	\$ 246,295	\$ 1,160,553	\$ 1,152,525	\$ 1,402,608	\$ 1,398,820
Operating grants and contributions	138,812	145,062	-	-	138,812	145,062
Capital grants and contributions	-	-	364,013	124,509	364,013	124,509
General revenues						
Property taxes	768,380	777,221	-	-	768,380	777,221
Other taxes	711,036	632,660	-	-	711,036	632,660
Unrestricted revenues	35,432	28,008	-	-	35,432	28,008
Other	33,396	48,034	-	65	33,396	48,099
Total revenues	1,929,111	1,877,280	1,524,566	1,277,099	3,453,677	3,154,379
Expenses:						
General Government	394,220	448,971	-	-	394,220	448,971
Public Safety	817,374	981,103	-	-	817,374	981,103
Transportation	253,891	277,643	-	-	253,891	277,643
Environmental Protection	221,552	241,234	-	-	221,552	241,234
Economic Development	113,426	161,750	-	-	113,426	161,750
Interest on long-term debt	2,038	3,262	-	-	2,038	3,262
Water and Sewer	-	-	1,180,432	1,279,711	1,180,432	1,279,711
Total expenses	1,802,501	2,113,963	1,180,432	1,279,711	2,982,933	3,393,674
Change in net position	126,610	(236,683)	344,134	(2,612)	470,744	(239,295)
Net position - Beginning of year	1,072,578	1,058,168	5,634,440	588,145	6,707,018	1,646,313
Prior period adjustment	(148,682)	251,093	-	(251,093)	(148,682)	-
Net position - Beginning of year restated	923,896	1,309,261	5,634,440	5,637,052	6,558,336	6,946,313
Net position - End of year	\$ 1,050,506	\$ 1,072,578	\$ 5,978,574	\$ 5,634,440	\$ 7,029,080	\$ 6,707,018

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2015

Government-wide Financial Analysis (continued)

Ad Valorem taxes were the largest revenue contributor for the governmental funds with 39.83% of total revenues. Other taxes was the next largest at 36.86%.

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 physical development.

Business-type activities. Business-type activities increased the Town's net position by \$344,134. Key elements of this increase are as follows:

- User fees were \$1,160,553
- Capital contributions were \$364,013
- Total expenses decreased compared with the prior year

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported a combined fund balance of \$417,650 to include General and Capital Projects. Of this total amount, \$173,566 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that funds are not available for spending because these funds have already been committed 1) to liquidate contracts and purchase orders of the prior year, or 2) for a variety of other restricted purposes.

The General Fund is the principal operating fund of the Town of Fairmont. At the end of the fiscal year, unreserved fund balance for the general fund was \$173,566 with a total fund balance of \$351,238. 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. Unreserved fund balance represents 9.9% of total General Fund expenditures.

Proprietary Funds. The Town of Fairmont's proprietary fund provides the same type of information found in the governmental-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 \$121,282. 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, 2015

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:

- Amendments that adjust for the estimates that are prepared for the original budget ordinance, which reflect actual cost.
- Amendments that recognize new funding from external sources, such as federal and State grants.
- Amendments that appropriate increases that becomes necessary to maintain services and obligations from prior years not completed.

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, 2015, totals \$9,794,389 (net of accumulated depreciation). The investments in capital assets includes land, buildings, improvements, furniture and equipment, infrastructure (including distribution systems), and vehicles.

Town of Fairmont's Capital Assets

	Governmental Activities 2015	Governmental Activities 2014	Business-type Activities 2015	Business-type Activities 2014	Totals 2015	Totals 2014
Land	\$ 161,046	\$ 161,046	\$ 7,091	\$ 7,091	\$ 168,137	\$ 168,137
Buildings & infrastructure	2,153,601	2,153,601	12,755	12,755	2,166,356	2,166,356
Equipment	677,325	658,817	613,393	608,393	1,290,718	1,267,210
Vehicles	982,231	952,231	-	-	982,231	952,231
Construction in progress	-	-	873,587	471,240	873,587	471,240
Water & Sewer infrastructure	-	-	13,073,104	13,073,104	13,073,104	13,073,104
Total depreciable assets	3,813,157	3,764,649	14,572,839	14,165,492	18,385,996	17,930,141
Less – Accumulated dep.	3,048,165	2,910,354	5,711,579	5,441,007	8,759,744	8,351,361
Total depreciable assets, net	764,992	854,295	8,861,260	8,724,485	9,626,252	9,578,780
Total capital assets, net	\$926,038	\$1,015,341	\$8,868,351	\$8,731,576	\$9,794,389	\$9,746,917

Additional information on the Town's capital assets can be found in the notes on page 26 of this report.

**Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2015**

Long-term debt. At the end of the current fiscal year, the Town of Fairmont had total bonded debt outstanding of \$2,875,000.

**Town of Fairmont's Outstanding Debt
Water Serial & USDA Bonds**

	Governmental Activities 2015	Governmental Activities 2014	Business-type Activities 2015	Business-type Activities 2014	Totals 2015	Totals 2014
Water Serial & USDA Bonds	\$ -	\$ -	\$ 2,875,000	\$ 2,933,000	\$ 2,875,000	\$ 2,933,000
Total outstanding debt	\$ -	\$ -	\$ 2,875,000	\$ 2,933,000	\$ 2,875,000	\$ 2,933,000

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 \$5,449,865 (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 the notes on page 36 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town and surrounding area is 9.1% at June 30, 2015, which is a decrease from a rate of 9.3% a year ago. This comparison is higher than the state's rate of 5.8% and the national rate of 5.3%.

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, 2015

	<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	\$ 204,579	\$ 146,314	\$ 350,893	\$ 108,755
Taxes receivable (net)	228,714	-	228,714	-
Accounts receivable (net)	40,089	90,596	130,685	-
Due from other governments	89,739	-	89,739	-
Inventories	-	31,570	31,570	83,440
Prepaid items	-	-	-	1,367
Restricted cash and cash equivalents	114,256	-	114,256	35,914
Total current assets	<u>677,377</u>	<u>268,480</u>	<u>945,857</u>	<u>229,476</u>
Non-current assets:				
Net pension asset	87,165	-	87,165	-
Capital assets (Note 3)				
Land	161,046	7,091	168,137	26,500
Other capital assets, net of depreciation	764,992	8,861,260	9,626,252	10,331
Total capital assets	<u>926,038</u>	<u>8,868,351</u>	<u>9,794,389</u>	<u>36,831</u>
Total assets	<u>1,690,580</u>	<u>9,136,831</u>	<u>10,827,411</u>	<u>266,307</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Contributions to pension plan in current fiscal year				
	38,112	12,966	51,078	-
Total deferred outflows of resources	<u>38,112</u>	<u>12,966</u>	<u>51,078</u>	<u>-</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued expenses	31,013	42,117	73,130	70,177
Current portion of long-term liabilities	21,498	134,285	155,783	-
Deposits	-	88,317	88,317	-
Total current liabilities	<u>52,511</u>	<u>264,719</u>	<u>317,230</u>	<u>70,177</u>
Long-term liabilities:				
Compensated absences	62,453	29,730	92,183	-
Due in more than one year	327,695	2,876,774	3,204,469	-
Total liabilities	<u>442,659</u>	<u>3,171,223</u>	<u>3,613,882</u>	<u>70,177</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension deferrals				
	235,527	-	235,527	-
Total deferred inflows of resources	<u>235,527</u>	<u>-</u>	<u>235,527</u>	<u>-</u>
<u>NET POSITION</u>				
Net investment in capital assets	904,540	5,857,292	6,761,832	36,831
Restricted for:				
Stabilization by State Statute	129,828	-	129,828	-
Other functions	114,256	-	114,256	18,222
Unrestricted	(98,118)	121,282	23,164	141,077
Total net position	<u>\$ 1,050,506</u>	<u>\$ 5,978,574</u>	<u>\$ 7,029,080</u>	<u>\$ 196,130</u>

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

Town of Fairmont, North Carolina
Statement of Activities
June 30, 2015

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			Fairmont ABC Board
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities:								
General Government	\$ 394,220	\$ 3,105	\$ -	\$ 33,076	\$ (358,039)	\$ -	\$ (358,039)	\$ -
Public Safety	817,374	-	-	-	(817,374)	-	(817,374)	-
Transportation	253,891	-	-	91,292	(162,599)	-	(162,599)	-
Environmental Protection	221,552	238,950	-	-	17,398	-	17,398	-
Economic and Community Dev.	113,426	-	-	14,444	(98,982)	-	(98,982)	-
Interest on long-term debt	2,038	-	-	-	(2,038)	-	(2,038)	-
Total governmental activities	1,802,501	242,055	-	138,812	(1,421,634)	-	(1,421,634)	-
Business-type activities:								
Water and Sewer	1,180,432	1,160,553	364,013	-	-	344,134	344,134	-
Total business-type activities	1,180,432	1,160,553	364,013	-	-	344,134	344,134	-
Total primary government	\$ 2,982,933	\$ 1,402,608	\$ 364,013	\$ 138,812	(1,421,634)	344,134	(1,077,500)	-
Component unit								
Fairmont ABC Board	591,902	610,768	-	-	-	-	-	18,866
Total component unit	\$ 591,902	\$ 610,768	\$ -	\$ -	-	-	-	18,866
General revenues:								
					768,380	-	768,380	-
					711,036	-	711,036	-
					35,432	-	35,432	-
					27	-	27	39
					33,369	-	33,369	-
					-	-	-	-
Total general revenues and transfers					1,548,244	-	1,548,244	39
Change in net position					126,610	344,134	470,744	18,905
Net position - beginning of year					1,072,578	5,634,440	6,707,018	177,225
<i>Restatement</i>					(148,682)	-	(148,682)	-
Net position - beginning of year restated					923,896	5,634,440	6,558,336	177,225
Net position - end of year					\$ 1,050,506	\$ 5,978,574	\$ 7,029,080	\$ 196,130

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

Town of Fairmont, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 204,579	\$ -	\$ 204,579
Restricted cash	47,844	66,412	114,256
Taxes receivable - net	228,714	-	228,714
Due from other governments	89,739	-	89,739
Accounts receivable - net	40,089	-	40,089
Total assets	610,965	66,412	677,377
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	31,013	-	31,013
Total liabilities	31,013	-	31,013
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes receivable	228,714	-	228,714
Total deferred inflows of resources	228,714	-	228,714
<u>FUND BALANCES</u>			
Restricted			
Stabilization by State Statute	129,828	-	129,828
Streets	41,807	-	41,807
Public Safety	6,037	-	6,037
Economic Development	-	66,412	66,412
Unassigned	173,566	-	173,566
Total fund balances	351,238	66,412	417,650
Total liabilities, deferred inflows of resources, and fund balances	\$ 610,965	\$ 66,412	

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

Total Fund Balance, Governmental Funds		417,650
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$ 3,974,203	
Accumulated depreciation	(3,048,165)	926,038
Net pension asset		87,165
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		38,112
Earned revenues considered deferred inflows of resources in fund statements		228,714
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Other post employment benefit ARC after adjustments		(327,695)
Gross long-term debt	\$ (54,553)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	33,055	(21,498)
Pension related deferrals		(235,527)
Compensated absences not expected to be materially liquidated with expendable available resources		(62,453)
Net position of governmental activities		\$ 1,050,506

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, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 747,777	\$ -	\$ 747,777
Other taxes and licenses	711,036	-	711,036
Unrestricted intergovernmental revenues	35,432	-	35,432
Restricted intergovernmental revenues	127,473	14,444	141,917
Other general revenue	33,049	-	33,049
Sales and services	238,950	-	238,950
Interest earned on investments	-	27	27
Total revenues	<u>1,893,717</u>	<u>14,471</u>	<u>1,908,188</u>
Expenditures:			
General government	366,806	-	366,806
Public safety	728,916	-	728,916
Transportation	279,092	-	279,092
Environmental protection	236,163	-	236,163
Economic and physical development	107,026	6,400	113,426
Debt service			
Principal repayment	33,055	-	33,055
Interest	2,038	-	2,038
Total expenditures	<u>1,753,096</u>	<u>6,400</u>	<u>1,759,496</u>
Revenues over (under) expenditures	<u>140,621</u>	<u>8,071</u>	<u>148,692</u>
Other financing sources (uses)			
Transfer in	-	-	-
Loan proceeds	-	-	-
Fund balance appropriated	-	-	-
Net change in fund balances	140,621	8,071	148,692
Fund balance - beginning of year	<u>210,617</u>	<u>58,341</u>	<u>268,958</u>
Fund balance - end of year	<u>\$ 351,238</u>	<u>\$ 66,412</u>	<u>\$ 417,650</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, 2015

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

Net change in fund balances - total governmental funds	\$	148,692
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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	\$ 48,508	
Depreciation expense for governmental assets	<u>(137,811)</u>	(89,303)

Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities		38,112
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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		20,603
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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.

New long-term debt issued	-	
Principal payments on long-term debt	<u>33,055</u>	33,055

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	-	
Pension revenue	320	
Net pension obligation	<u>(24,869)</u>	<u>(24,549)</u>

Total change in net position of governmental activities	\$	<u>126,610</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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 761,150	\$ 706,658	\$ 747,777	\$ 41,119
Other taxes and licenses	638,060	702,023	711,036	9,013
Unrestricted intergovernmental revenues	22,750	35,431	35,432	1
Restricted intergovernmental revenues	129,400	127,469	127,473	4
Other general revenue	57,100	32,302	33,049	747
Sales and services	247,200	234,302	238,950	4,648
Total revenues	<u>1,855,660</u>	<u>1,838,185</u>	<u>1,893,717</u>	<u>55,532</u>
Expenditures:				
General government	349,311	377,415	366,806	10,609
Public safety	813,794	742,628	728,916	13,712
Transportation	279,778	300,171	279,092	21,079
Environmental protection	257,500	245,100	236,163	8,937
Economic and physical development	120,184	138,483	107,026	31,457
Debt service				
Principal repayment	35,093	35,093	33,055	2,038
Interest	-	-	2,038	(2,038)
Total expenditures	<u>1,855,660</u>	<u>1,838,890</u>	<u>1,753,096</u>	<u>85,794</u>
Revenues under expenditures	<u>-</u>	<u>(705)</u>	<u>140,621</u>	<u>141,326</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Loan proceeds	-	-	-	-
Fund balance appropriated	-	705	-	(56,800)
Total other financing sources (uses)	<u>-</u>	<u>705</u>	<u>-</u>	<u>(56,800)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>140,621</u>	<u>\$ 84,526</u>
Fund balance - beginning of year			<u>210,617</u>	
Fund balance - end of year			<u>\$ 351,238</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, 2015

	Enterprise Fund
	Water and Sewer Fund
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 146,314
Accounts receivable - net	90,596
Prepaid assets	-
Due from other governments	-
Inventories	31,570
Total current assets	268,480
Non-current assets:	
Net pension asset	-
Capital assets:	
Land	7,091
Other capital assets, net of depreciation	8,861,260
Total capital assets	8,868,351
Total assets	9,136,831
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Contributions to pension plan	12,966
Total deferred outflows of resources	12,966
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and accrued expenses	42,117
Current portion of long-term liabilities	134,285
Meter Deposits	88,317
Total current liabilities	264,719
Noncurrent liabilities:	
Compensated absences	29,730
Noncurrent portion of long-term debt	2,876,774
Total noncurrent liabilities	2,906,504
Total liabilities	3,171,223
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension deferrals	-
Total deferred inflows of resources	-
 <u>NET POSITION</u>	
Net investment in capital assets	5,857,292
Unrestricted	121,282
Total net position	\$ 5,978,574

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

Town of Fairmont, North Carolina
Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2015

	Enterprise Fund
	Water and Sewer Fund
Operating revenues	
Charges for services	\$ 1,160,553
Other operating revenue	-
Total operating revenues	1,160,553
 Operating expenses	
Administration	218,383
Operations - Water treatment	74,257
Operations - Water maintenance	83,215
Operations - Sewer treatment	319,494
Operations - Sewer maintenance	32,729
Operations - Sewer contract operations and maintenance	27,438
Non-departmental	29,703
Depreciation	270,572
Total operating expenses	1,055,791
 Operating income (loss)	104,762
 Non-operating revenues (expenses)	
Interest expense	(124,641)
Interest earned on investments	-
Total non-operating revenues (expenses)	(124,641)
 Net income (loss) before operating transfers	(19,879)
 Transfers	
Transfers in (out)	-
Capital contributions and grants	364,013
Total transfers	364,013
 Change in net position	344,134
 Total net position - beginning of year	5,634,440
 Total net position - end of year	\$ 5,978,574

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, 2015

	Enterprise Fund
	Water and Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 1,153,481
Cash paid for goods and services	(491,182)
Cash paid to employees	(281,652)
Increase (decrease) in meter deposits	(398)
Net cash provided (used) by operating activities	380,249
Cash flows from non-capital financing activities	
Transfers to other funds	-
Net cash provided (used) by non-capital financing activities	-
Cash flows from capital and related financing activities	
Acquisition and construction of assets	(407,347)
Capital contributions and grants	364,013
Payment of debt-related interest - all	(124,641)
Debt principal repayment	(151,410)
Net cash provided (used) by capital and related financing activities	(319,385)
Cash flows from investing activities	
Interest on investments	-
Net cash provided (used) by investing activities	-
Net increase (decrease) in cash	60,864
Cash and cash equivalents - Beginning of year	85,450
Cash and cash equivalents - End of year	\$ 146,314
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 91,796
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -	
Depreciation	270,572
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(7,072)
(Increase) decrease in inventory	778
(Increase) decrease in prepaid expenses	2,617
Increase (decrease) in accounts payable and accrued liabilities	21,956
Increase (decrease) in meter deposits	(398)
Increase (decrease) in compensated absences	-
Total adjustments	288,453
Net cash provided (used) by operating activities	\$ 380,249

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, 2015

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 - Fund Accounting

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 – government and proprietary – are presented. 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 funds:

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B - Basis of Presentation - Fund Accounting (continued)

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

The Town reports the following non-major Governmental funds

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

Proprietary Funds include the following fund type:

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

C - Measurement Focus and Basis of Accounting

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

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

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

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad Valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

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 revenue.

D - Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue Fund and the Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting.

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

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

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

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

Deposits and Investments

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

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

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deposits and Investments (continued)

The Town of Fairmont and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2 a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

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, 2015 in the Governmental Activities was \$114,256.

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, 2011. 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 are recorded at their estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2004, 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, 2015

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	2%
Improvements	10%
Equipment and vehicles	17%

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

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion - contributions made to the pension plan in the 2015 fiscal year. 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 two items that meet the criteria for this category – property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

Long-Term Debt

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, 2015

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 – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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.

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.

Pensions

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.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

There are no instances of noncompliance with North Carolina General Statutes.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A - Assets

Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the Federal Deposit Insurance Coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town or the ABC Board under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town and ABC Board have no policy regarding custodial risk for deposits.

Deposits

At June 30, 2015, the Town's deposits had a carrying amount of \$457,309, and a bank balance of \$470,839. Federal Deposit Insurance covered the bank balance of the Town. (Petty cash amounted to \$850.)

At June 30, 2015, the carrying amount of deposits for the ABC Board was \$144,669, and the bank balance was \$143,703. Federal Deposit Insurance covered all of the bank balance.

Investments

At June 30, 2015, the Town's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
North Carolina Capital Management Trust Cash Portfolio	<u>\$ 7,840</u>	n/a	AAAm

Interest Rate Risk. The Town has no policy regarding interest rate risk.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A – Assets (continued)

Investments (continued)

Credit Risk. The Town has no policy regarding credit risk. The Town's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2015.

Custodial Credit Risk. The Town has no policy on custodial credit risk.

Concentration of Credit Risk. The Town places no limit on the amount that the Town may invest in any one issuer.

At June 30, 2015, the Town had \$7,840 invested with the NC Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard & Poor's. The Town has no policy regarding credit risk.

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2015, 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	658,817	18,508	-	677,325
Vehicles/motorized equipment	952,231	30,000	-	982,231
	<u>\$ 3,925,695</u>	<u>\$ 48,508</u>	<u>\$ -</u>	<u>\$ 3,974,203</u>
Less -				
Accumulated depreciation				
Buildings and infrastructure	\$ 1,620,179	\$ 15,107	\$ -	\$ 1,635,286
Equipment	559,984	35,895	-	595,879
Vehicles/motorized equipment	730,191	86,809	-	817,000
	<u>2,910,354</u>	<u>\$ 137,811</u>	<u>\$ -</u>	<u>3,048,165</u>
Governmental activities -				
Capital assets - Net	<u>\$ 1,015,341</u>			<u>\$ 926,038</u>

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

General Government	\$ 12,377
Public Safety	123,572
Transportation	1,473
Environmental Protection	<u>389</u>
Total depreciation expense	<u>\$ 137,811</u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A – Assets (continued)

Capital Assets (continued)

Business-type activities -

Water and Sewer Fund -

Capital assets	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Land (non-depreciable)	\$ 7,091	\$ -	\$ -	\$ 7,091
Public works building	12,755	-	-	12,755
Water and sewer system	13,073,104	-	-	13,073,104
Equipment	608,393	5,000	-	613,393
Construction in progress	471,240	402,347	-	873,587
	<u>\$ 14,172,583</u>	<u>\$ 407,347</u>	<u>\$ -</u>	<u>\$ 14,579,930</u>
Less -				
Accumulated depreciation				
Public works building	\$ 12,758	\$ -	\$ -	\$ 12,758
Water and sewer system	4,893,171	243,852	-	5,137,023
Equipment	535,078	26,720	-	561,798
	<u>5,441,007</u>	<u>\$ 270,572</u>	<u>\$ -</u>	<u>5,711,579</u>
Business-type activities				
Capital assets - Net	<u>\$ 8,731,576</u>			<u>\$ 8,868,351</u>

The following is a summary of Proprietary Fund type fixed assets for the ABC Board at June 30, 2015:

Land	\$ 26,500
Buildings and equipment	<u>187,067</u>
	213,567
Less - Accumulated depreciation	<u>(176,736)</u>
Total ABC fixed assets	<u>\$ 36,831</u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (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, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Fairmont were \$51,078 for the year ended June 30, 2015.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities

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, 2015, the Town reported an asset of \$87,165 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset 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, 2014, the Town's proportion was 0.015%, which was a decrease of 0.002% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense (revenue) of \$(320). At June 30, 2015, 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	\$ -	\$ 9,524
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	202,917
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	23,086
Town contributions subsequent to the measurement date	51,078	-
Total	<u>\$ 51,078</u>	<u>\$ 235,527</u>

\$51,078 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (58,902)
2017	(58,902)
2018	(58,902)
2019	(58,821)
2020	-
Thereafter	-
	<u>\$ (235,527)</u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities

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, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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, 2014 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	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100.0%	

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities

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 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town’s proportionate share of the net pension asset to changes in the discount rate. The following presents the Town’s proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 295,874	\$ (87,165)	\$(409,671)

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

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities

Pension Plan and Postemployment Obligations (continued)

Law Enforcement Officers' Special Separation Allowance

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. The Separation Allowance is equal to .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 increase 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. The annual pension cost for the Town is immaterial.

The Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	12
Total	12

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 and refunds 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 following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Method Used to Value Instruments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

Since no formal plan exists at this time, actuarial information is unavailable.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities

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 the 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 annual pension cost for the Town is immaterial.

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. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015, were \$35,432, which consisted of \$20,601 from the Town and \$14,831 from the law enforcement officers.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end is comprised of contributions to the pension plan in current fiscal year of \$51,078.

Deferred inflows of resources at year-end is comprised of property taxes receivable of \$228,714 and pension deferrals of \$235,527.

Other Postemployment Benefits

According to a Town resolution, the Town provides post-employment 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. Currently, 4 retirees participate in the post retirement health benefits. For the fiscal year ended June 30, 2015, the Town made payments for post-retirement health benefit premiums of \$39,438.

Membership of the Plan consisted of the following at June 30, 2015:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	3	1
Terminated plan members entitled to, but not yet receiving benefits	-	-
Active plan members	17	12
Total	20	13

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities

Pension Plan and Postemployment Obligations (continued)

Other Postemployment Benefits (continued)

Funding policy: The Town pays 100% of the cost of the coverage for the health care benefits paid to qualified retirees under a Town resolution that can be amended by the Town Council. The Town's retirees pay the current active employee rate for dependent coverage, if the retiree elects to purchase the coverage. The Town has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 7.44% of annual covered payroll. For the current year the Town contributed \$39,438 or 4.74% of annual covered payroll. The Town purchases insurance from a private carrier for health care coverage. There were no contributions made by the employees except for dependent coverage. The Town's obligation to contribute to the Plan is established and may be amended by the Town Council.

Annual OPEB Cost and Net Obligation. The Town's annual OPEB cost (expense) is calculated based on the annual required contribution of the (ARC), an amount determined in accordance with the parameters of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table show the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the health care benefits:

	Governmental Activities
Annual required contribution	\$ 61,834
Interest on net OPEB obligation	2,473
Adjustments to annual required	-
Annual OPEB cost (expense)	\$ 64,307
Contributions made	(39,438)
Increase (decrease) in net OPEB	24,869
Net OPEB obligation beginning of year	302,826
Net OPEB obligation, end of year	\$ 327,695

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contrib.	Net OPEB Obligation
2015	\$64,307	61.32%	\$24,869
2014	80,151	47.49%	42,085
2013	103,817	20.54%	82,488
2012	93,279	29.99%	65,305

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities

Pension Plan and Postemployment Obligations (continued)

Other Postemployment Benefits (continued)

Fund Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$618,587. The covered payroll (annual payroll) of active employees covered by the plan was \$831,379 and the ratio of the UAAL to the covered payroll was 74.4%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about the actuarial accrued liabilities for benefit.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 to 5.00 percent annually. The investment rate included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 26 years.

As of December 31, 2014, management has not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service prioritized by the Town Council.

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.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

Long-Term Obligations

On September 2, 2006 the town entered into a loan of \$86,350 from the USDA for a used fire truck. Payments are made annually in the amount of \$11,880, including interest at the rate of 4.5% for the next nine years.

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 11,880	\$ 11,369	\$ 511
Total	<u>\$ 11,880</u>	<u>\$ 11,369</u>	<u>\$ 511</u>

During the 2010-2011 year, the town borrowed \$46,500 from the USDA pertaining to a vehicle purchase, payable in five annual installments of \$10,373, including interest at the rate of 3.75%.

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 10,373	\$ 10,129	\$ 244
Total	<u>\$ 10,373</u>	<u>\$ 10,129</u>	<u>\$ 244</u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

Long-Term Obligations (continued)

Summary of activity - Governmental activities	Beginning Balances	Increase (Decrease)	Ending Balance	Current Portion
BB&T bank loan	\$ 12,480	\$ (12,480)	\$ -	\$ -
USDA loan	22,247	(10,878)	11,369	11,369
New USDA Loan	19,826	(9,697)	10,129	10,129
	<u>\$ 54,553</u>	<u>\$ (33,055)</u>	<u>\$ 21,498</u>	<u>\$ 21,498</u>
 OPEB	 <u>\$ 302,826</u>	 <u>\$ 24,869</u>	 <u>\$ 327,695</u>	 <u>\$ -</u>
 Compensated absences	 <u>\$ 62,453</u>	 <u>\$ -</u>	 <u>\$ 62,453</u>	 <u>\$ -</u>

General Obligation Indebtedness

General obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which 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. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2015, are comprised of the following issues:

General Obligation Bonds – Serviced by the Water and Sewer Fund

\$1,250,000 - 2002A Water Serial Bonds due in annual installments ranging from \$14,000 to \$56,000, beginning in 2004 through 2041; interest at 4.5%	\$ 1,043,500
\$1,750,000 - 2002B Water Serial Bonds due in annual installments ranging from \$19,000 to \$76,000, beginning in 2004 through 2041; interest at 4.5%	1,458,500
\$385,000 – 2014 Water Serial Bonds due in various annual installments through 2053; interest at 2.25%	<u>373,000</u>
Total	<u>\$ 2,875,000</u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

General Obligation Indebtedness (continued)

Annual debt service requirements to maturity for general obligation bonds, including interest of \$1,945,416 on the Water and Sewer bonds, are as follows:

2002A & 2002B Bonds

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 167,590	\$ 55,000	\$ 112,590
2017	167,615	57,500	110,115
2018	167,528	60,000	107,528
2019	167,327	62,500	104,827
2020	167,015	65,000	102,015
2021-2025	835,477	370,000	465,477
2026-2030	836,602	463,000	373,602
2031-2035	834,761	579,000	255,761
2036-2040	779,710	658,000	121,710
2041	137,940	132,000	5,940
Total	<u>\$ 4,261,565</u>	<u>\$ 2,502,000</u>	<u>\$ 1,759,562</u>

2014 Bonds

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 14,393	\$ 6,000	\$ 8,393
2017	14,258	6,000	8,258
2018	15,123	7,000	8,123
2019	14,965	7,000	7,965
2020	14,808	7,000	7,808
2021-2025	73,653	37,000	36,653
2026-2030	73,288	41,000	32,288
2031-2035	73,450	46,000	27,450
2036-2040	74,028	52,000	22,028
2041-2045	73,908	58,000	15,908
2046-2050	73,090	64,000	9,090
2051-2053	43,890	42,000	1,890
Total	<u>\$ 558,854</u>	<u>\$ 373,000</u>	<u>\$ 185,854</u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

On October 30, 2006 the town entered in to a Financing Agreement with a bank to purchase a flusher truck for \$233,987 plus interest. The payments began on December 30, 2006, and will be made monthly thereafter for the next nine years, ending October 30, 2015.

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 10,607	\$ 10,512	\$ 95
Total	<u>\$ 10,607</u>	<u>\$ 10,512</u>	<u>\$ 95</u>

The Town is repaying a grant from the NC Department of Commerce. The Town will make four annual payments of \$62,773, non-interest bearing.

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 62,773	\$ 62,773	\$ -
2017	62,774	62,774	-
Total	<u>\$ 125,547</u>	<u>\$ 125,547</u>	<u>\$ -</u>

At June 30, 2015, 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 \$5,449,865.

Summary of activity -	<u>Beginning</u>	<u>Increase</u>	<u>Ending</u>	<u>Current</u>
Business-type activities	<u>Balances</u>	<u>(Decrease)</u>	<u>Balance</u>	<u>Portion</u>
Bank loan	\$ 41,149	\$ (30,637)	\$ 10,512	\$ 10,512
2002 Bonds	2,554,000	(52,000)	2,502,000	55,000
2014 Bonds	379,000	(6,000)	373,000	6,000
NC Department of Commerce	188,320	(62,773)	125,547	62,773
	<u>\$ 3,162,469</u>	<u>\$ (151,410)</u>	<u>\$3,011,059</u>	<u>\$ 134,285</u>
Compensated absences	<u>\$ 29,730</u>	<u>\$ -</u>	<u>\$ 29,730</u>	<u>\$ -</u>

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.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2015

NOTE 6 – FUND BALANCE

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

Total fund balance-General Fund	\$ 351,238
Less:	
Stabilization by State Statute	129,828
Streets-Powell Bill	41,807
Public Safety	6,037
Remaining Fund Balance	173,566

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events were evaluated through October 12, 2015, which is the date the financial statements were available to be issued.

NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental decreased by \$148,682.

Required Supplementary Financial Data

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

- Schedule of Funding Progress for Other Post Employment Benefits.
- Schedule of Employer Contributions for Other Post Employment Benefits.
- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

**Town of Fairmont, North Carolina
Other Postemployment Benefits
Required Supplementary Information**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
06/30/15	-	618,587	618,587	0.00%	831,379	74.00%
06/30/14	-	736,990	736,990	0.00%	932,110	79.00%
06/30/13	-	854,520	854,520	0.00%	1,017,309	84.00%
06/30/12	-	807,048	807,048	0.00%	965,105	84.00%
06/30/11	-	732,398	732,398	0.00%	908,967	81.00%
06/30/10	-	625,844	625,844	0.00%	920,032	68.00%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2015	64,307	61.32%
2014	80,151	47.49%
2013	103,817	20.54%
2012	93,279	29.99%
2011	90,361	29.25%
2010	78,773	37.77%

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

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Fairmont's proportion of the net pension liability (asset) (%)	0.00015%	0.00017%
Fairmont's proportion of the net pension liability (asset) (\$)	\$ (87,165)	\$ 208,531
Fairmont's covered-employee payroll	\$ 708,639	\$ 835,741
Fairmont's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(12.30%)	24.95%
Plan fiduciary net position as a percentage of the total pension liability.	102.64%	94.35%

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

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 51,078	\$ 59,849
Contributions in relation to the contractually required contribution	<u>51,078</u>	<u>59,849</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Fairmont's covered-employee payroll	\$ 708,639	\$ 835,741
Contributions as a percentage of covered-employee payroll	7.21%	7.16%

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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Ad valorem taxes				
Current year			\$ 702,383	
Prior years			36,328	
Tax discounts			(6,634)	
Tax penalties			15,700	
Foreclosure fees			-	
Total	<u>761,150</u>	<u>706,658</u>	<u>747,777</u>	<u>41,119</u>
Other taxes and licenses				
Utility franchise tax			139,896	
Local sales tax			542,440	
Privilege and gaming license			11,612	
Cable tax revenue and franchise fees			16,258	
Zoning permits			830	
Total	<u>638,060</u>	<u>702,023</u>	<u>711,036</u>	<u>9,013</u>
Unrestricted intergovernmental				
Beer and wine tax			12,682	
ABC profit distribution			22,750	
Total	<u>22,750</u>	<u>35,431</u>	<u>35,432</u>	<u>1</u>
Restricted intergovernmental				
Powell Bill allocation			91,292	
Court fees			3,105	
Grants			33,076	
Total	<u>129,400</u>	<u>127,469</u>	<u>127,473</u>	<u>4</u>
Other general revenues				
Lot cutting			1,100	
Fire inspections			-	
Park and recreation fees			1,050	
Miscellaneous			544	
Sale of fixed assets			11,660	
Net equipment and building rental			18,695	
Total	<u>\$ 57,100</u>	<u>\$ 32,302</u>	<u>\$ 33,049</u>	<u>\$ 747</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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues (continued)				
Miscellaneous revenue				
Sales and service - sanitation fees	\$	\$	\$ 238,950	\$
Investment earnings			-	
Total	<u>247,200</u>	<u>234,302</u>	<u>238,950</u>	<u>4,648</u>
Total revenues	<u>1,855,660</u>	<u>1,838,185</u>	<u>1,893,717</u>	<u>55,532</u>
Expenditures:				
General government-				
Governing body				
Salaries and employee benefits			12,050	
Departmental supplies			389	
Postage			187	
Travel			181	
Dues and subscriptions			302	
Total	<u>13,359</u>	<u>13,150</u>	<u>13,109</u>	<u>41</u>
Administration				
Salaries and employee benefits			76,367	
Postage			387	
Auto			2,400	
Departmental supplies			121	
Total	<u>75,162</u>	<u>79,655</u>	<u>79,275</u>	<u>380</u>
Clerk				
Salaries and employee benefits			52,257	
Training			50	
Postage			187	
Repairs and maintenance			300	
Departmental supplies			643	
Dues and subscriptions			221	
Total	<u>56,542</u>	<u>54,225</u>	<u>53,658</u>	<u>567</u>
Elections - supplies				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Finance				
Salaries and employee benefits			25,979	
Professional services			13,400	
Postage			503	
Maintenance and repairs /rental			5,511	
Advertising			1,815	
Departmental supplies			1,720	
Dues and subscriptions			50	
Total	<u>\$ 55,913</u>	<u>\$ 53,240</u>	<u>\$ 48,978</u>	<u>\$ 4,262</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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued)				
General government (continued)				
Tax listing				
Salaries and employee benefits	\$	\$	\$ -	\$
Robeson County collections fee			19,044	
Training			-	
Postage			161	
Maintenance and repairs - Equipment			-	
Advertising			-	
Departmental supplies			24	
Total	<u>19,070</u>	<u>21,190</u>	<u>19,229</u>	<u>1,961</u>
Legal				
Professional services	<u>13,000</u>	<u>11,050</u>	<u>10,588</u>	<u>462</u>
Planning				
Professional services			592	
Postage			-	
Noise abatement			-	
Total	<u>1,950</u>	<u>700</u>	<u>592</u>	<u>108</u>
Public building				
Salaries and employee benefits			42,428	
Telephone			23,650	
Utilities			30,964	
Maintenance and repairs - Buildings			35,480	
Uniforms			356	
Departmental supplies			8,499	
Total	<u>114,315</u>	<u>144,205</u>	<u>141,377</u>	<u>2,828</u>
Total general government	<u>\$ 349,311</u>	<u>\$ 377,415</u>	<u>\$ 366,806</u>	<u>\$ 10,609</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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued)				
Public safety				
Police department				
Salaries and employee benefits	\$	\$	\$ 495,517	\$
Robeson County communications			39,870	
Training			8,794	
Postage			9,291	
Maintenance and repairs - equipment			14,071	
Maintenance agreements			18,109	
Maintenance and repairs - vehicles			9,756	
Equipment rental			3,689	
Auto supplies			31,917	
Departmental supplies			11,744	
Uniforms			10,897	
Medical exams			2,760	
Dues and subscriptions			169	
Miscellaneous			150	
Capital outlay			11,260	
Grant-related expenditures			3,195	
Total	<u>758,764</u>	<u>680,673</u>	<u>671,189</u>	<u>9,484</u>
Fire department				
Salaries and employee benefits			26,626	
Training			338	
Postage			466	
Maintenance and repairs - equipment			10,629	
Maintenance and repairs - vehicles			13,494	
Auto supplies			1,402	
Departmental supplies			2,920	
Uniforms			1,112	
Dues			740	
Total	<u>55,030</u>	<u>61,955</u>	<u>57,727</u>	<u>4,228</u>
Total public safety	<u>813,794</u>	<u>742,628</u>	<u>728,916</u>	<u>13,712</u>
Transportation				
Powell Bill				
Salaries and employee benefits			44,607	
Repairs and maintenance			9,350	
Capital outlay			15,000	
Total	<u>\$ 77,594</u>	<u>\$ 78,386</u>	<u>\$ 68,957</u>	<u>\$ 9,429</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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued)				
Transportation (continued)				
Garage				
Salaries and employee benefits	\$	\$	\$ 53,145	\$
Uniforms			501	
Total	<u>53,635</u>	<u>53,930</u>	<u>53,646</u>	<u>284</u>
Streets				
Salaries and employee benefits			27,116	
Professional			3,200	
Utilities			72,003	
Maintenance and repairs - equipment			12,407	
Maintenance and repairs - vehicles			2,565	
Auto supplies			13,257	
Departmental supplies			9,854	
Uniforms			596	
Training			23	
Mosquito spraying			8,220	
Capital outlay			7,248	
Total	<u>148,549</u>	<u>167,855</u>	<u>156,489</u>	<u>11,366</u>
Total transportation	<u>279,778</u>	<u>300,171</u>	<u>279,092</u>	<u>21,079</u>
Environmental protection				
Sanitation				
Maintenance and repairs - equipment			3,393	
Maintenance and repairs - vehicles			2,286	
Auto supplies			2,850	
Departmental supplies			1,168	
Contracted services			181,466	
Landfill			30,000	
Capital outlay			15,000	
Total environmental protection	<u>257,500</u>	<u>245,100</u>	<u>236,163</u>	<u>8,937</u>
Economic and community development				
Community service				
Salaries and employee benefits			8,327	
Maintenance and repairs			1,046	
Departmental supplies			662	
Dues and subscriptions			4,345	
Insurance			68,756	
Activities			3,081	
Grant-related expenditures			10,000	
Miscellaneous			10,809	
Total economic and community development	<u>\$ 120,184</u>	<u>\$ 138,483</u>	<u>\$ 107,026</u>	<u>\$ 31,457</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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued)				
Debt Service				
Principal repayment	\$ -	\$ -	\$ 33,055	\$ -
Interest			2,038	
Total debt service	<u>35,093</u>	<u>35,093</u>	<u>35,093</u>	<u>-</u>
Total expenditures	<u>1,855,660</u>	<u>1,838,890</u>	<u>1,753,096</u>	<u>85,794</u>
 Total revenues	 1,855,660	 1,838,185	 1,893,717	 55,532
 Total expenditures	 <u>1,855,660</u>	 <u>1,838,890</u>	 <u>1,753,096</u>	 <u>85,794</u>
 Revenues over (under) expenditures	 <u>-</u>	 <u>(705)</u>	 <u>140,621</u>	 <u>141,326</u>
 Other financing sources (uses)				
Transfers in	-	-	-	-
Loan proceeds	-	-	-	-
Fund balance appropriated	-	705	-	(705)
Total other financing sources (uses)	<u>-</u>	<u>705</u>	<u>-</u>	<u>(705)</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>\$ -</u>	 140,621	 <u>\$ 140,621</u>
 Fund balance				
Beginning of year			<u>210,617</u>	
End of year			<u>\$ 351,238</u>	

Town of Fairmont, North Carolina
Non-Major Governmental Funds
Combining Balance Sheets
June 30, 2015
(With Comparative Totals for June 30, 2014)

	Rural Business Enterprise Grant Fund	Cemetery Fund	Parks and Recreation Fund	Community Development Fund	Totals	
					2015	2014
<u>Assets</u>						
Cash and investments	\$ 47,603	\$ 18,809	\$ -	\$ -	\$ 66,412	\$ 58,341
Grant receivable	-	-	-	-	-	-
Total assets	\$ 47,603	\$ 18,809	\$ -	\$ -	\$ 66,412	\$ 58,341
<u>Liabilities and Fund Balances</u>						
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances	47,603	18,809	-	-	66,412	58,341
Total liabilities and fund balances	\$ 47,603	\$ 18,809	\$ -	\$ -	\$ 66,412	\$ 58,341

Town of Fairmont, North Carolina
Non-Major Governmental Funds
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	Rural Business Enterprise Grant Fund	Cemetery Fund	Parks and Recreation Fund	Community Development Fund	Totals	
					2015	2014
Revenues						
Interest income	\$ -	\$ 27	\$ -	\$ -	\$ 27	\$ 34
Loan repayments	14,444	-	-	-	14,444	11,222
Total revenues	<u>14,444</u>	<u>27</u>	<u>-</u>	<u>-</u>	<u>14,471</u>	<u>11,256</u>
Expenditures						
Community service	6,400	-	-	-	6,400	48,204
Total expenditures	<u>6,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,400</u>	<u>48,204</u>
Revenue over (under) expenditures	8,044	27	-	-	8,071	(36,948)
Operating transfer (out)	-	-	-	-	-	-
Fund balances						
Beginning of year	<u>39,559</u>	<u>18,782</u>	<u>-</u>	<u>-</u>	<u>58,341</u>	<u>95,289</u>
End of year	<u>\$ 47,603</u>	<u>\$ 18,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,412</u>	<u>\$ 58,341</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, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>		Variance Favorable (Unfavorable)	<u>2014</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Interest	\$ -	\$ -	\$ -	\$ -
USDA Loan		-		-
Loan repayments		14,444		11,222
Total revenues	<u>8,840</u>	<u>14,444</u>	<u>5,604</u>	<u>11,222</u>
Expenditures:				
Other		-		-
Loans to businesses		6,400		48,204
Total expenditures	<u>48,204</u>	<u>6,400</u>	<u>41,804</u>	<u>48,204</u>
Revenues over (under) expenditures	(39,364)	8,044	47,408	(36,982)
Other financing sources (uses)				
Fund balance appropriated	<u>39,364</u>	-	<u>(39,364)</u>	-
Net change in fund balance	<u>\$ -</u>	8,044	<u>\$ 8,044</u>	(36,982)
Fund balance				
Beginning of year		<u>39,559</u>		<u>76,541</u>
End of year		<u>\$ 47,603</u>		<u>\$ 39,559</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, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>		Variance Favorable (Unfavorable)	<u>2014</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Interest income	\$	27	\$	\$ 34
Total revenues	<u>-</u>	<u>27</u>	<u>27</u>	<u>34</u>
Expenditures:				
Administration		-		-
Total expenditures	<u>18,775</u>	<u>-</u>	<u>18,775</u>	<u>-</u>
Revenues over (under) expenditures	(18,775)	27	18,802	34
Other financing sources (uses)				
Fund balance appropriated	<u>18,775</u>	<u>-</u>	<u>(18,775)</u>	<u>-</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>27</u>	<u><u>\$ 27</u></u>	<u>34</u>
Fund balance				
Beginning of year		<u>18,782</u>		<u>18,748</u>
End of year		<u><u>\$ 18,809</u></u>		<u><u>\$ 18,782</u></u>

Town of Fairmont, North Carolina
Special Revenue Fund – Parks and Recreation Fund
Schedules of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>		Variance Favorable (Unfavorable)	<u>2014</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Interest income	\$	\$ -	\$	\$ -
Golden Leaf Grant		-		-
Local funds		-		-
Contributions		-		-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Community service		-		-
Community service - Golden Leaf Funds		-		-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Fund balance appropriated	-	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	-	<u>\$ -</u>	-
Fund balance				
Beginning of year		<u>-</u>		<u>-</u>
End of year		<u>\$ -</u>		<u>\$ -</u>

Town of Fairmont, North Carolina
Special Revenue Fund – Community Development
Schedules of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
From Inception and for the Year Ended June 30, 2015

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues:	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

Town of Fairmont, North Carolina
Water and Sewer Fund
Schedule of Revenues, Expenditures
Budget and Actual (Non – GAAP)
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Operating revenue				
Water sales	\$ -	\$ 385,719	\$ 385,719	\$
Sewer sales		710,100	710,100	
Late fees		21,723	21,723	
Reconnection fees		6,071	6,071	
Other operating revenue		36,940	36,940	
Total operating revenues	<u>1,129,100</u>	<u>1,147,664</u>	<u>1,160,553</u>	<u>12,889</u>
Non-operating revenues				
Interest income			-	
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,129,100</u>	<u>1,147,664</u>	<u>1,160,553</u>	<u>12,889</u>
Expenditures:				
Water and sewer administration				
Salaries and employee benefits			161,703	
Training			186	
Postage and telephone			10,975	
Utilities			12,224	
Maintenance and repairs - equipment			8,571	
Maintenance and repairs - vehicles			5,866	
Equipment rental			5,082	
Advertising			193	
Auto supplies			5,914	
Departmental supplies			13,604	
Uniforms			1,578	
Medical exams			216	
Other			-	
Total water and sewer administration	<u>\$ 209,505</u>	<u>\$ 243,871</u>	<u>\$ 226,112</u>	<u>\$ 17,759</u>

Town of Fairmont, North Carolina
Water and Sewer Fund
Schedule of Revenues, Expenditures
Budget and Actual (Non – GAAP) (continued)
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued)				
Water treatment				
Salaries and employee benefits	\$	\$	\$ 5,340	\$
Professional services			2,953	
Training			1,342	
Telephone			8,739	
Utilities			18,820	
Maintenance and repairs - equipment			30,503	
Departmental supplies			5,829	
Uniforms			262	
Dues			725	
Total water treatment	<u>125,628</u>	<u>81,727</u>	<u>74,513</u>	<u>7,214</u>
Water maintenance				
Salaries and employee benefits			37,884	
Maintenance and repairs - equipment			4,611	
Maintenance and repairs - vehicles			9,870	
Auto supplies			19,305	
Departmental supplies			12,883	
Uniforms			570	
Total water maintenance	<u>82,637</u>	<u>93,091</u>	<u>85,123</u>	<u>7,968</u>
Sewage treatment				
Salaries and employee benefits			66,013	
Professional services			48,635	
Training			544	
Telephone			13,710	
Utilities			115,332	
Maintenance and repairs - equipment			64,324	
Departmental supplies			12,667	
Uniforms			821	
Total sewage treatment	<u>291,545</u>	<u>334,976</u>	<u>322,046</u>	<u>12,930</u>
Non-departmental				
Insurance and bonds			22,531	
Vacation			-	
Bad debt expense			1,753	
Building maintenance			2,921	
Professional services			2,498	
Total non-departmental	<u>\$ 31,627</u>	<u>\$ 46,720</u>	<u>\$ 29,703</u>	<u>\$ 17,017</u>

Town of Fairmont, North Carolina
Water and Sewer Fund
Schedule of Revenues, Expenditures
Budget and Actual (Non – GAAP) (continued)
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued)				
Sewer maintenance				
Salaries and employee benefits	\$	\$	\$ 10,712	\$
Maintenance and repairs - equipment			2,506	
Maintenance and repairs - vehicles			4,437	
Auto supplies			8,646	
Departmental supplies			6,787	
Uniforms			162	
Total sewer maintenance	<u>78,005</u>	<u>36,776</u>	<u>33,250</u>	<u>3,526</u>
Sewer contract operations and maintenance				
Other operating expenses	<u>34,100</u>	<u>29,450</u>	<u>27,438</u>	<u>2,012</u>
Total operating expenditures	<u>853,047</u>	<u>866,611</u>	<u>798,185</u>	<u>68,426</u>
Net capital outlay				
Capital outlay			5,000	
Net capital outlay	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Debt Service				
Principal repayment			151,410	
Interest			124,641	
Total debt service	<u>276,053</u>	<u>276,053</u>	<u>276,051</u>	<u>2</u>
Total expenditures	<u>1,129,100</u>	<u>1,147,664</u>	<u>1,079,236</u>	<u>68,428</u>
Revenues over (under) expenditures	-	-	81,317	81,317
Other financing sources (uses)				
Appropriated retained earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,317</u>	<u>\$ 81,317</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Revenues over (under) expenditures			\$ 81,317	
Reconciling items:				
Principal retirement			151,410	
Capital outlay			5,000	
Deferred outflows of resources for contributions made to pension plan in current fiscal year			12,966	
Depreciation			(270,572)	
Capital contributions			364,013	
Total reconciling items			<u>262,817</u>	
Change in net position			<u>\$ 344,134</u>	

Town of Fairmont, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues, Expenditures
Budget and Actual (Non – GAAP) (continued)
From Inception and for the Year Ended June 30, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Sewer line rehabilitation project					
CWMTF State Grant	\$ 600,000	\$ 173,769	\$ 364,013	\$ 537,782	\$ 62,218
Interest income	-	65	-	65	(65)
Total revenues	<u>600,000</u>	<u>173,834</u>	<u>364,013</u>	<u>537,847</u>	<u>62,153</u>
Expenditures:					
Sewer line rehabilitation project	985,000	520,500	402,347	922,847	(62,153)
Total expenditures	<u>985,000</u>	<u>520,500</u>	<u>402,347</u>	<u>922,847</u>	<u>(62,153)</u>
Revenues over (under) expenditures	<u>(385,000)</u>	<u>(346,666)</u>	<u>(38,334)</u>	<u>(385,000)</u>	<u>-</u>
Other financing sources:					
Transfers from Water and Sewer Fund	-		-	-	-
USDA revenue bonds	385,000	385,000	-	385,000	-
Total other sources	<u>385,000</u>	<u>385,000</u>	<u>-</u>	<u>385,000</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 38,334</u>	<u>\$ (38,334)</u>	<u>\$ -</u>	<u>\$ -</u>

Other Schedules

Town of Fairmont, North Carolina
Schedule of Cash and Investments
June 30, 2015

	<u>Cost and Market Values</u>
Cash	
Petty cash	\$ 850
Demand deposit - First Bank	1,183
Demand deposits - Branch Banking & Trust	387,650
Savings account - Branch Banking & Trust	50,000
Certificate of deposit - First Bank	<u>17,625</u>
Total cash	<u><u>457,308</u></u>
 Investments	
North Carolina Capital Management Trust	<u>7,841</u>
Total investments	<u><u>7,841</u></u>
Total cash and investments	<u><u>\$ 465,149</u></u>
 Distribution by fund:	
General Fund	\$ 252,423
Special Revenue Funds -	
Cemetery Fund	18,809
USDA - RBEG Program	47,603
Enterprise Fund	<u>146,314</u>
Total	<u><u>\$ 465,149</u></u>

Town of Fairmont, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2015

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2015</u>
2014-2015	\$ -	\$ 774,021	\$ 702,383	\$ 71,638
2013-2014	68,519	-	23,681	44,838
2012-2013	61,580	-	7,599	53,981
2011-2012	39,788	-	3,459	36,329
2010-2011	29,775	-	4,870	24,905
2009-2010	17,759	-	2,515	15,244
2008-2009	14,358	-	2,260	12,098
2007-2008	12,272	-	1,609	10,663
2006-2007	8,109	-	411	7,698
2005-2006	6,354	-	582	5,772
2004-2005	4,050	-	4,050	-
Prior years	-	-	-	-
	<u>\$ 262,564</u>	<u>\$ 774,021</u>	<u>\$ 753,419</u>	283,166

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

Ad valorem taxes receivable - net \$ 228,713

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 747,777
Penalties collected on ad valorem taxes	(15,700)
Reconciling items:	
Discounts allowed	6,634
Taxes written off	4,050
Other	<u>10,658</u>
Total collections and credits	<u><u>\$ 753,419</u></u>

**Town of Fairmont, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2015**

	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	\$ 106,030,274	0.73	\$ 774,021	\$ 683,830	\$ 90,191
Releases			-	-	-
Net levy			774,021	683,830	90,191
Less - uncollected taxes at June 30, 2014			71,638	71,548	90
Current year's taxes collected			<u>\$ 702,383</u>	<u>\$ 612,282</u>	<u>\$ 90,101</u>
Current levy collection percentage			<u>90.74%</u>	<u>89.54%</u>	<u>99.90%</u>

Compliance Section

S. Preston Douglas & Associates, LLP

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

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, 2015, and the related notes to the financial statements, which collectively comprises the Town of Fairmont's basic financial statements and have issued our report thereon dated October 12, 2015. The financial statements of the Fairmont ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Fairmont's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Fairmont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 were not 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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.

S. Preston Douglas & Associates, LLP

Lumberton, North Carolina
October 12, 2015