

**Town of Fairmont, North Carolina**

**Audited Financial Statements**

**For the Fiscal Year Ended  
June 30, 2010**

COPY

**Town of Fairmont, North Carolina**  
**Audited Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

**Charles Kemp, Mayor**

**Board of Town Commissioners**

**Perry Ashley**

**Carol Leak-McKenzie**

**Wayland Lennon, III**

**Jeffrey J. McCree**

**Wade Sealey**

**Charles Townsend**

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**H. Blake Proctor, Town Manager**

**Linda Vause, Finance Officer**

**Jenny Larson, Town Clerk**

**Town of Fairmont, North Carolina**  
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**June 30, 2010**

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# S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## MEMBERS

American Institute of CPAs  
N.C. Association of CPAs

### INDEPENDENT AUDITOR'S REPORT

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

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, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Fairmont's management. Our responsibility is to express an opinion 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 ABC Board of the Town of Fairmont were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregating remaining fund information of the Town of Fairmont, North Carolina, as of June 30, 2010, and the respective changes in financial position and cash flows, where appropriate, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 12, 2010, on our consideration of the Town of Fairmont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements that collectively comprise the the Town of Fairmont, North Carolina's basic financial statements. The individual fund financial statements and the other schedules and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Lumberton, North Carolina  
August 12, 2010



**Town of Fairmont, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2010**

**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, 2010. 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 \$8,294,776.

The government's total net assets decreased in the amount of \$375,772.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$480,749. Approximately 73.41% of this total amount, or \$352,899, 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 \$244,977 or 13.04% of total General Fund expenditures.

The Town's total debt decreased in the amount of \$52,421 during the current fiscal year. The primary reason was incurring a new loan in connection with a drainage project less routine payments made on long term debt.

**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 the 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to present readers with a broad overview of the Town's finances, in a manner similar to the private-sector business.

The Statement of Net Assets represents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Fairmont is improving or deteriorating.

The Statement of Activities represents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**Town of Fairmont, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2010**

**Overview of the Financial Statements (continued)**

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, transportation, environmental protection, and economic and physical development. The business-type activities of the Town are confined to water and sewer services.

The government-wide financial statements include not only the Town of Fairmont itself but also the ABC Board, which is legally separate from the Town. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 9 and 10 of this report.

***Fund financial statements.*** 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 demonstrate compliance with finance-related legal requirements. 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. However, unlike the government-wide financial statements, governmental fund financial statements 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. It is useful to compare the information presented in the governmental funds with similar information presented in the governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

The Town of Fairmont maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is a major fund. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Fairmont adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11-14 of this report.



**Town of Fairmont, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2010**

**Overview of the Financial Statements (continued)**

*Proprietary funds.* The Town of Fairmont maintains one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-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.

The basic proprietary fund financial statements can be found on pages 15-17 of this report.

*Notes to 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 18-32 of this report.

*Other information.* The combining statements, referred to earlier about non-major governmental funds and details of the enterprise fund can be found on pages 33-49 of this report.

**Government-wide Financial Analysis**

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board. GASB Statement 34 dictated the changes you see in the Town of Fairmont's financial reports as well as those of many other units of government. The Town was required to implement these changes for the fiscal year ended June 30, 2004.

**The Town of Fairmont's Net Assets**

	Governmental Activities 2010	Governmental Activities 2009	Business-type Activities 2010	Business-type Activities 2009	Totals 2010	Totals 2009
<b>Assets</b>						
Current and other assets	\$ 727,189	\$ 785,447	\$ 122,988	\$ 167,089	\$ 850,177	\$ 952,536
Capital assets	1,376,977	1,481,325	9,373,189	9,594,675	10,750,166	11,076,000
<b>Total assets</b>	<b>2,104,166</b>	<b>2,266,772</b>	<b>9,496,177</b>	<b>9,761,764</b>	<b>11,600,343</b>	<b>12,028,536</b>
<b>Liabilities</b>						
Long-term liabilities outstanding	175,623	155,034	2,823,967	2,893,219	2,999,590	3,048,253
Other liabilities	108,343	109,177	197,634	200,558	305,977	309,735
<b>Total liabilities</b>	<b>283,966</b>	<b>264,211</b>	<b>3,021,601</b>	<b>3,093,777</b>	<b>3,305,567</b>	<b>3,357,988</b>
<b>Net assets</b>						
Invested in capital (net of related debt)	1,221,943	1,298,895	6,479,970	6,635,298	7,701,913	7,934,193
Restricted	5,278	4,263	-	-	5,278	4,263
Unrestricted	592,979	699,403	(5,394)	32,689	587,585	732,092
<b>Total net assets</b>	<b>\$ 1,820,200</b>	<b>\$ 2,002,561</b>	<b>\$ 6,474,576</b>	<b>\$ 6,667,987</b>	<b>\$ 8,294,776</b>	<b>\$ 8,670,548</b>

**Town of Fairmont, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2010**

**Government-wide Financial Analysis (continued)**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The assets of the Town exceeded liabilities by \$8,294,776 at the close of the current fiscal year.

By far the largest portion of the Town's net assets (91.80%) 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 assets (0.06%) represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is \$674,684 or 8.13% of the total.

**Governmental activities.** Governmental activities decreased the Town of Fairmont's net assets by \$182,361. The key element of this decrease was higher operating costs.

**Town of Fairmont's Changes in Net Assets**

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Totals	Totals
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 225,049	\$ 227,609	\$ 1,064,810	\$ 1,197,140	\$ 1,289,859	\$ 1,424,749
Operating grants and contributions	365,292	324,299	-	-	365,292	324,299
General revenues						
Property taxes	687,147	672,227	-	-	687,147	672,227
Other taxes and licenses	631,858	597,398	-	-	631,858	597,398
Unrestricted revenues	13,924	48,184	-	-	13,924	48,184
Other revenues	52,812	154,072	79,610	308,689	132,422	462,761
Total revenues	<u>1,976,082</u>	<u>2,023,789</u>	<u>1,144,420</u>	<u>1,505,829</u>	<u>3,120,502</u>	<u>3,529,618</u>
<b>Expenses</b>						
General Government	467,928	410,317	-	-	467,927	410,317
Public Safety	889,582	981,059	-	-	889,582	981,059
Transportation	252,343	287,412	-	-	252,343	287,412
Environmental Prot.	243,460	238,170	-	-	243,460	238,170
Economic Dev.	305,131	140,759	-	-	305,131	140,759
Water and Sewer	-	-	1,337,831	1,342,864	1,337,831	1,342,864
Total expenses	<u>2,158,443</u>	<u>2,057,717</u>	<u>1,337,831</u>	<u>1,342,864</u>	<u>3,496,274</u>	<u>3,400,581</u>
Change in net assets	(182,361)	(33,928)	(193,411)	162,965	(375,772)	129,037
Net assets -						
Beginning of year	<u>2,002,561</u>	<u>2,036,489</u>	<u>6,667,987</u>	<u>6,505,022</u>	<u>8,670,548</u>	<u>8,541,511</u>
Net assets -						
End of year	<u>\$ 1,820,200</u>	<u>\$ 2,002,561</u>	<u>\$ 6,474,576</u>	<u>\$ 6,667,987</u>	<u>\$ 8,294,776</u>	<u>\$ 8,670,548</u>

Charges for services are continuing to be the largest revenue contributor with 41.33% of total revenues. Ad valorem taxes was the next largest at 22.02%.

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.

**Town of Fairmont, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2010**

**Government-wide Financial Analysis (continued)**

**Business-type activities.** Business-type activities decreased the Town's net assets by \$193,411. Key elements of this decrease are as follows:

- User fees were increased to \$1,337,831
- High levels of depreciation expense associated with infrastructure enhancements of \$292,539
- Interest expense associated with bonds in the amount of \$132,421

**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 \$480,748 to include General and Capital Projects. Of this total amount, \$352,899 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 \$244,977 with a total fund balance of \$372,826. 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 13.04% 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 assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$32,688. Other factors concerning this fund have been discussed in the Town's business-type activities.

**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.

**Town of Fairmont, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2010**

**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, 2010, totals \$10,750,165 (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	Governmental	Business-type	Business-type	Totals	Totals
	Activities	Activities	Activities	Activities	2010	2009
	2010	2009	2010	2009		
Land	\$ 161,046	\$ 161,046	\$ 7,091	\$ 7,091	\$ 168,137	\$ 168,137
Buildings and certain infrastructure	641,867	671,784	1,465	1,848	643,332	673,632
Equipment	260,197	279,860	171,682	200,850	431,879	480,710
Vehicles	313,867	368,635	-	-	313,867	368,635
Water & sewer system infrastructure	-	-	9,192,950	9,384,886	9,192,950	9,384,886
<b>Total capital assets</b>	<b>\$ 1,376,977</b>	<b>\$ 1,481,325</b>	<b>\$ 9,373,188</b>	<b>\$ 9,594,675</b>	<b>\$ 10,750,165</b>	<b>\$ 11,076,000</b>

Additional information on the Town's capital assets can be found in the notes on page 24 of this report.

**Long-term debt.** At the end of the current fiscal year, the Town of Fairmont had total bonded debt outstanding of \$2,742,000.

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

	Governmental	Governmental	Business-type	Business-type	Totals	Totals
	Activities	Activities	Activities	Activities	2010	2009
	2010	2009	2010	2009		
Water serial bonds	\$ -	\$ -	\$ 2,742,000	\$ 2,783,500	\$ 2,742,000	\$ 2,783,500
<b>Total outstanding debt</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,742,000</b>	<b>\$ 2,783,500</b>	<b>\$ 2,742,000</b>	<b>\$ 2,783,500</b>

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 \$ 4,982,935 (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 28 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the Town and surrounding area is 12.2% at June 30, 2010, which is a increase from a rate of 8.6% a year ago. This comparison is higher than the state's rate of 10.0% and the national rate of 9.5%.

**Town of Fairmont, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2010**

**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.

**Section II.**

**Basic Financial Statements**

**Town of Fairmont, North Carolina**

**Statement of Net Assets**

**June 30, 2010**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>ABC Board</u>
<b><u>ASSETS</u></b>				
Current assets:				
Cash and cash equivalents	\$ 391,073	\$ 8,250	\$ 399,323	\$ 78,563
Taxes receivable - Net	214,037	-	214,037	-
Accounts receivable - Net	122,079	80,802	202,881	-
Internal balances	-	-	-	-
Inventories	-	33,936	33,936	80,194
Prepaid items	-	-	-	2,226
<b>Total current assets</b>	<u>727,189</u>	<u>122,988</u>	<u>850,177</u>	<u>160,983</u>
Non-current assets:				
Capital assets:				
Land	161,046	7,091	168,137	26,500
Other capital assets, net of depreciation	1,215,931	9,366,098	10,582,029	11,306
<b>Total capital assets</b>	<u>1,376,977</u>	<u>9,373,189</u>	<u>10,750,166</u>	<u>37,806</u>
<b>Total assets</b>	<u>2,104,166</u>	<u>9,496,177</u>	<u>11,600,343</u>	<u>198,789</u>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable and accrued expenses	32,403	12,814	45,217	34,074
Current portion of long-term debt	28,428	69,252	97,680	-
Deposits	-	85,838	85,838	-
Compensated absences	47,512	29,730	77,242	-
<b>Total current liabilities</b>	<u>108,343</u>	<u>197,634</u>	<u>305,977</u>	<u>34,074</u>
Long-term liabilities:				
Non-current portion of long-term debt	175,623	2,823,967	2,999,590	-
<b>Total liabilities</b>	<u>283,966</u>	<u>3,021,601</u>	<u>3,305,567</u>	<u>34,074</u>
<b><u>NET ASSETS</u></b>				
Investments in capital assets, net of related debt	1,221,943	6,479,970	7,701,913	37,806
Restricted for:				
Working capital	-	-	-	16,778
Transportation	5,278	-	5,278	-
Capital improvement	-	-	-	-
Unrestricted	592,979	(5,394)	587,585	110,131
<b>Total net assets</b>	<u>\$ 1,820,200</u>	<u>\$ 6,474,576</u>	<u>\$ 8,294,776</u>	<u>\$ 164,715</u>

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

**Town of Fairmont, North Carolina**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total		ABC Board
<b>Primary Government</b>									
<b>Governmental activities:</b>									
General Government	\$ 467,927	\$ 5,027	-	\$ 105,958	\$ (356,942)	\$ -	\$ (356,942)	\$ -	
Public Safety	889,582	-	-	-	(889,582)	-	(889,582)	-	
Transportation	252,343	-	-	88,533	(163,810)	-	(163,810)	-	
Environmental Protection	243,460	220,022	-	-	(23,438)	-	(23,438)	-	
Economic and Community Dev.	305,131	-	-	170,801	(134,330)	-	(134,330)	-	
<b>Total governmental activities</b>	<b>2,158,443</b>	<b>225,049</b>	<b>-</b>	<b>365,292</b>	<b>(1,568,102)</b>	<b>-</b>	<b>(1,568,102)</b>	<b>-</b>	
<b>Business-type activities:</b>									
Water and Sewer	1,337,831	1,064,810	65,403	-	-	(207,618)	(207,618)	-	
<b>Total business-type activities</b>	<b>1,337,831</b>	<b>1,064,810</b>	<b>65,403</b>	<b>-</b>	<b>-</b>	<b>(207,618)</b>	<b>(207,618)</b>	<b>-</b>	
<b>Total primary government</b>	<b>\$ 3,496,274</b>	<b>\$ 1,289,859</b>	<b>\$ 65,403</b>	<b>\$ 365,292</b>	<b>(1,568,102)</b>	<b>(207,618)</b>	<b>(1,775,720)</b>	<b>-</b>	
<b>Component unit</b>									
Fairmont ABC Board	571,434	560,507	-	-	-	-	-	(10,927)	
<b>Total component unit</b>	<b>\$ 571,434</b>	<b>\$ 560,507</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,927)</b>	
<b>General revenues:</b>									
Ad Valorem taxes					687,147	-	687,147	-	
Other taxes and licenses					631,858	-	631,858	-	
Unrestricted intergovernmental revenues					13,924	-	13,924	-	
Investment earnings					917	76	993	588	
Other revenue (expense)					51,895	14,131	66,026	-	
Transfers in (out)					-	-	-	-	
<b>Total general revenues and transfers</b>					<b>1,385,741</b>	<b>14,207</b>	<b>1,399,948</b>	<b>588</b>	
<b>Change in net assets</b>					<b>(182,361)</b>	<b>(193,411)</b>	<b>(375,772)</b>	<b>(10,339)</b>	
<b>Net assets - Beginning of year</b>					<b>2,002,561</b>	<b>6,667,987</b>	<b>8,670,548</b>	<b>175,054</b>	
<b>Net assets - End of year</b>					<b>\$ 1,820,200</b>	<b>\$ 6,474,576</b>	<b>\$ 8,294,776</b>	<b>\$ 164,715</b>	

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



**Town of Fairmont, North Carolina**  
**Balance Sheet - Governmental Funds**  
**June 30, 2010**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 283,151	\$ 107,922	\$ 391,073
Taxes receivable - Net	214,037	-	214,037
Due from Water and Sewer Fund	-	-	-
Accounts receivable - Net	122,079	-	122,079
<b>Total assets</b>	<b>\$ 619,267</b>	<b>\$ 107,922</b>	<b>\$ 727,189</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities</b>			
Accounts payable and accrued liabilities	32,403	-	32,403
Deferred revenue	214,038	-	214,038
<b>Total liabilities</b>	<b>246,441</b>	<b>-</b>	<b>246,441</b>
 <b>Fund balances</b>			
Reserved by State statute	122,079	-	122,079
Reserved for streets - Powell Bill	5,278	-	5,278
Reserved for police - Asset forfeiture funds	492	-	492
Unreserved:			
Designated for subsequent years' expenditures	-	-	-
Undesignated	244,977	107,922	352,899
<b>Total fund balances</b>	<b>372,826</b>	<b>107,922</b>	<b>480,748</b>
<b>Total liabilities and fund balances</b>	<b>\$ 619,267</b>	<b>\$ 107,922</b>	<b>\$ 727,189</b>

**Amounts reported for governmental activities in the Statement of Net Assets are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,376,977
Liabilities for earned but deferred revenues in fund statements	214,038
Long-term liabilities not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(47,512)
Other post employment benefits	(49,017)
Long-term liabilities not due and payable in the current period and, therefore, are not reported in the funds:	
Long-term debt	(155,034)
<b>Net assets of governmental activities</b>	<b>\$ 1,820,200</b>

The notes to 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 Fiscal Year Ended June 30, 2010**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Ad Valorem taxes	\$ 719,958	\$ -	\$ 719,958
Other taxes and licenses	631,858	-	631,858
Unrestricted intergovernmental revenues	13,924		13,924
Restricted intergovernmental revenues	199,518	170,801	370,319
Other general revenue	37,450	-	37,450
Sales and services	220,022	-	220,022
Interest earned on investments	506	411	917
<b>Total revenues</b>	<u>1,823,236</u>	<u>171,212</u>	<u>1,994,448</u>
<b>Expenditures</b>			
General Government	403,237	-	403,237
Public Safety	837,536	-	837,536
Transportation	245,993	-	245,993
Environmental Protection	240,526	-	240,526
Economic and Physical Development	150,936	154,195	305,131
<b>Total expenditures</b>	<u>1,878,228</u>	<u>154,195</u>	<u>2,032,423</u>
<b>Revenue over (under) expenditures</b>	<u>(54,992)</u>	<u>17,017</u>	<u>(37,975)</u>
<b>Other financing sources (uses)</b>			
Transfer in	-	-	-
Loan proceeds	-	-	-
Fund balance appropriated	-	-	-
<b>Net change in fund balances</b>	(54,992)	17,017	(37,975)
<b>Fund balance - Beginning of year</b>	<u>427,819</u>	<u>90,905</u>	<u>518,724</u>
<b>Fund balance - End of year</b>	<u>\$ 372,827</u>	<u>\$ 107,922</u>	<u>\$ 480,749</u>

The notes to 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 Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

**Amounts reported for governmental activities in the Statement of Activities are different because:**

Net change in fund balances - Total governmental funds	\$ (37,975)
--	-------------

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.

Acquisitions	32,469
Net retirements	-
Depreciation	(136,817)

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	(32,811)
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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.

	<u>(7,227)</u>
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Change in net assets of governmental activities	<u><u>\$ (182,361)</u></u>
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**Town of Fairmont, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Ad Valorem taxes	\$ 720,500	\$ 718,932	\$ 719,958	\$ 1,026
Other taxes and licenses	641,250	631,786	631,858	72
Unrestricted intergovernmental revenues	26,700	13,923	13,924	1
Restricted intergovernmental revenues	193,136	199,515	199,518	3
Other general revenue	108,850	36,747	37,450	703
Sales and services	224,100	219,988	220,022	34
Interest earned on investments	500	435	506	71
Sale of fixed assets			-	-
<b>Total revenues</b>	<u>1,915,036</u>	<u>1,821,326</u>	<u>1,823,236</u>	<u>1,910</u>
<b>Expenditures</b>				
General Government	408,092	404,390	403,237	1,153
Public Safety	920,500	841,826	837,536	4,290
Transportation	244,647	247,519	245,993	1,526
Environmental Protection	249,300	241,125	240,526	599
Economic and Physical Dev.	152,062	151,085	150,936	149
<b>Total expenditures</b>	<u>1,974,601</u>	<u>1,885,945</u>	<u>1,878,228</u>	<u>7,717</u>
<b>Revenue under expenditures</b>	<u>(59,565)</u>	<u>(64,619)</u>	<u>(54,992)</u>	<u>9,627</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Loan proceeds	-	-	-	-
Fund balance appropriated	59,565	64,619	-	64,619
<b>Total other financing sources (uses)</b>	<u>59,565</u>	<u>64,619</u>	<u>-</u>	<u>64,619</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(54,992)</u>	<u>\$ 74,246</u>
<b>Fund balance - Beginning of year</b>			<u>427,819</u>	
<b>Fund balance - End of year</b>			<u>\$ 372,827</u>	

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

**Town of Fairmont, North Carolina**  
**Statement of Net Assets - Proprietary Fund**  
**June 30, 2010**

	<u>Enterprise Fund</u> <u>Water and Sewer Fund</u>
<b><u>ASSETS</u></b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 8,250
Accounts receivable - Net	80,802
Inventories	33,936
<b>Total current assets</b>	122,988
 <b>Non-current assets</b>	
Land	7,091
Depreciable assets - Net	9,366,098
<b>Total non-current assets</b>	9,373,189
 <b>Total assets</b>	 9,496,177
 <b><u>LIABILITIES</u></b>	
<b>Current liabilities</b>	
Accounts payable and accrued expenses	12,814
Current portion of long-term debt	69,252
Due to General Fund	-
Meter Deposits	85,838
<b>Total current liabilities</b>	167,904
 <b>Non-current liabilities</b>	
Compensated absences	29,730
Non-current portion of long-term debt	2,823,967
<b>Total non-current liabilities</b>	2,853,697
 <b>Total liabilities</b>	 3,021,601
 <b><u>NET ASSETS</u></b>	
Investments in capital assets, net of related debt	6,441,888
Net assets - Unrestricted	32,688
<b>Total net assets</b>	\$ 6,474,576

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

**Town of Fairmont, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Enterprise Fund</u> <u>Water and Sewer Fund</u>
<b>Operating revenues</b>	
Charges for services	\$ 1,064,810
Other operating revenue	14,131
<b>Total operating revenues</b>	<u>1,078,941</u>
<b>Operating expenses</b>	
Administration	243,581
Operations - Water treatment	89,256
Operations - Water maintenance	122,915
Operations - Sewer treatment	360,137
Operations - Sewer maintenance	59,023
Non-departmental	37,959
Depreciation	292,539
<b>Total operating expenses</b>	<u>1,205,410</u>
<b>Operating income (loss)</b>	<u>(126,469)</u>
<b>Non-operating revenue (expenses)</b>	
Interest expense	(132,421)
Interest earned on investments	76
<b>Total non-operating revenue (expenses)</b>	<u>(132,345)</u>
<b>Net income (loss) before operating transfers</b>	(258,814)
<b>Transfers</b>	
Transfers out	-
Capital contributions and grants	65,403
<b>Total transfers</b>	<u>65,403</u>
<b>Change in net assets</b>	(193,411)
<b>Total net assets - Beginning of year</b>	<u>6,667,987</u>
<b>Total net assets - End of year</b>	<u>\$ 6,474,576</u>

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

**Town of Fairmont, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2010**

	<b>Enterprise Fund</b>
	<b>Water and Sewer Fund</b>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 1,056,482
Cash paid for goods and services	(449,863)
Cash paid to employees	(456,253)
Increase (decrease) in meter deposits	95
<b>Net cash provided (used) by operating activities</b>	<b>150,461</b>
<b>Cash flows from non-capital financing activities</b>	
Increase (decrease) in due to general fund	-
Transfers to other funds	-
<b>Net cash provided (used) by non-capital     financing activities</b>	<b>-</b>
<b>Cash flows from capital and related financing activities</b>	
Acquisition and construction of assets	(71,053)
Capital contributions and grants	65,403
Payment of bond-related interest	(132,421)
Debt principal repayment	(66,158)
<b>Net cash provided (used) by capital and     related financing activities</b>	<b>(204,229)</b>
<b>Cash flows from investing activities</b>	
Interest on investments	76
<b>Net cash provided (used) by investing activities</b>	<b>76</b>
<b>Net increase (decrease) in cash</b>	<b>(53,692)</b>
<b>Cash and cash equivalents - Beginning of year</b>	<b>61,942</b>
<b>Cash and cash equivalents - End of year</b>	<b>\$ 8,250</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
<b>Operating income (loss)</b>	<b>\$ (126,469)</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -</b>	
Depreciation	292,539
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(22,459)
(Increase) decrease in inventory	12,868
(Increase) decrease in prepaid expenses	-
Increase (decrease) in accounts payable and accrued liabilities	(6,113)
Increase (decrease) in meter deposits	95
Increase (decrease) in compensated absences	-
<b>Total adjustments</b>	<b>276,930</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 150,461</b>

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

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2010**

**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 Assets 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 Financial Statements**  
**June 30, 2010**

**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 six Special Revenue Funds -- the Community Development Block Grant Fund, the Rural Business Enterprise Grant Fund, the Cemetery Fund, the Parks and Recreation Fund, the Golden Leaf Project Fund, and the NCHFA 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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Robeson County

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C - Measurement Focus and Basis of Accounting (continued)**

is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Fairmont. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Robeson County from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenue. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenue because the due date and the date upon which interest begins to accrue passed prior to June 30. Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. 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.

Proprietary Funds are presented in the financial statements on the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period they are incurred. As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989, in its accounting and reporting practices for its proprietary operations.

**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.

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, and Fund Equity**

Deposits and Investments

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

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

The Town 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 (2a7) 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.

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, 2004. 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.

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, and Fund Equity (continued)**

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.

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

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 assets. 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 Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, and Fund Equity (continued)**

Net Assets / Fund Balances

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent 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, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance or fund equity for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenue arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

*Reserved:*

*Reserved by State statute* - Portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables that have not been offset by deferred revenue.

*Reserved for streets - Powell Bill* - Portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

*Unreserved:*

*Designated for subsequent year's expenditures* - Portion of the total fund balance available for appropriation that has been designated for the adopted 2009-2010 budget ordinance.

*Undesignated* - Portion of total fund balance available for appropriation that is uncommitted at year-end.

**NOTE 2 -- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

**1. Noncompliance with North Carolina General Statutes**

No instances noted.

**B -- Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2010, the expenditures made in the Town's Water and Sewer Fund exceeded the authorized appropriations made by the governing board specifically in connection with Sewer Maintenance. The Board will more closely review the budget reports to ensure compliance in future years.

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2010**

**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, 2010, the Town's deposits had a carrying amount of \$173,473, and a bank balance of \$201,612. Federal Deposit Insurance covered the bank balance of the Town. (Petty cash amounted to \$850.)

At June 30, 2010, the carrying amount of deposits for the ABC Board was \$30,265, and the bank balance was \$38,689. Federal Deposit Insurance covered all of the bank balance.

Investments

At June 30, 2010, the Town's investment balances were as follows:

	Fair Value	Maturity	Rating
North Carolina Capital Management Trust Cash Portfolio	\$ 225,000	N/A	AAAm

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

*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, 2010.

*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, 2010, the Town had \$225,000 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, 2010, was as follows:

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2010**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**A – Assets (continued)**

<b>Governmental activities -</b>	<b>Beginning</b>			<b>Ending</b>
<b>Capital assets</b>	<b>Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances</b>
Land (non-depreciable)	\$ 161,046	\$ -	\$ -	\$ 161,046
Buildings and infrastructure	2,153,601	-	-	2,153,601
Equipment	602,686	32,469	-	635,155
Vehicles/motorized equipment	722,276	-	-	722,276
<b>Total capital assets</b>	<b>\$ 3,639,609</b>	<b>\$ 32,469</b>	<b>\$ -</b>	<b>\$ 3,672,078</b>
<b>Less -</b>				
<b>Accumulated Depreciation</b>				
Buildings and infrastructure	\$ 1,481,817	\$ 29,917	\$ -	\$ 1,511,734
Equipment	322,826	52,132	-	374,958
Vehicles/motorized equipment	353,641	54,768	-	408,409
<b>Total accumulated depreciation.</b>	<b>2,158,284</b>	<b>\$ 136,817</b>	<b>\$ -</b>	<b>\$ 2,295,101</b>
<b>Governmental activities -</b>				
<b>Capital assets – Net</b>	<b>\$ 1,481,325</b>			<b>\$ 1,376,977</b>

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

General Government	\$ 15,673
Public Safety	93,244
Transportation	24,966
Environmental Protection	2,934
<b>Total depreciation expense</b>	<b>\$ 136,817</b>

**Business-type activities -**

<b>Water and Sewer Fund -</b>	<b>Beginning</b>			<b>Ending</b>
<b>Capital assets</b>	<b>Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances</b>
Land (non-depreciable)	\$ 7,091	\$ -	\$ -	\$ 7,091
Public Works building	12,755	-	-	12,755
Water and sewer system	12,982,371	71,053	-	13,053,424
Equipment	598,479	-	-	598,479
<b>Total capital assets</b>	<b>13,600,696</b>	<b>71,053</b>	<b>-</b>	<b>13,671,749</b>
<b>Less -</b>				
<b>Accumulated depreciation</b>				
Public Works building	10,907	383	-	11,290
Water and sewer system	3,597,486	262,988	-	3,860,474
Equipment	397,629	29,168	-	426,797
<b>Total accumulated depreciation.</b>	<b>4,006,022</b>	<b>\$ 292,539</b>	<b>\$ -</b>	<b>4,298,561</b>
<b>Business-type activities -</b>				
<b>Capital assets – Net</b>	<b>\$ 9,594,674</b>			<b>\$ 9,373,188</b>

The following is a summary of Proprietary Fund type fixed assets for the ABC Board at June 30, 2010:

Land	\$ 26,500
Buildings and equipment	175,860
	202,360
Less – Accumulated depreciation	(164,410)
<b>Total ABC fixed assets</b>	<b>\$ 37,950</b>

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2010**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B – Liabilities**

Pension Plan Obligations

***Local Governmental Employees' Retirement System***

*Plan Description.* The Town of Fairmont contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. The current rates for employees not engaged in law enforcement and for law enforcement officers are 4.99% and 4.78%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Fairmont are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008, were \$44,082, \$46,887, and \$45,373, respectively. The contributions made by the Town equaled the required contributions for each year.

The ABC Board provides a pension plan for all eligible employees by funding a SEP retirement plan with Prudential-Bache. The cost is 11.52% of the employee's annual salary. Contributions to the pension plan for the years ended June 30, 2010, 2009, and 2008, were \$6,044, \$3,624, and \$6,218, respectively.

***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 Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2010, 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.

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



**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2010**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B – Liabilities (continued)**

Pension Plan Obligations (continued)

*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.

***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.

*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, 2010, were \$34,843, which consisted of \$16,354 from the Town and \$18,489 from the law enforcement officers.

Deferred Revenue

The balance in deferred revenue at year-end is composed of the following element:

Taxes receivable -- Net      \$ 214,037

Other Postemployment Benefit

According to a City resolution, the City provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and have at least five years of creditable service with the City. In addition, the City pays the full cost of these benefits with a minimum of twenty years of creditable service with the City. Retirees who do not meet the aforementioned criteria have the option to purchase coverage themselves and their dependants through the City for eighteen months. The entire cost of this insurance is borne by the retirees. The city maintains health care coverage through private insurers. Currently, 4 retirees participate in the post retirement health benefits. For the fiscal year ended June 30, 2010, the City made payments for post-retirement health benefit premiums of \$29,756.

Membership of the Plan consisted of the following at June 30, 2010:

	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	16	10
Total	19	11

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2010**

**B – Liabilities (continued)**

Other Postemployment Benefit (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 dependant 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 8.56% of annual covered payroll. For the current year the Town contributed \$29,750 or 3.23% 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 dependant 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 OBEP obligation for the health care benefits:

	Governmental Activities
Annual required contribution	\$ 78,773
Interest on net OPEB obligation	-
Adjustments to annual required	-
Annual OPEB cost (expense)	<u>\$ 78,773</u>
Contributions made	(29,756)
Increase (decrease) in net OPEB	49,017
Net OPEB obligation beginning of year	-
Net OPEB obligation, end of year	<u>\$ 49,017</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contrib.	Net OPEB Obligation
2010	\$78,773	37.77%	\$49,017

*Fund Status and Funding Progress.* As of December 31, 2009, 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 \$1,471,467. The covered payroll (annual payroll) of active employees covered by the plan was \$920,032 and the ratio of the UAAL to the covered payroll was 159.93%. 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 benefits.

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2010**

**B – Liabilities (continued)**

Other Postemployment Benefit (continued)

*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, 2009 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, 2010, was 30 years.

As of December 31, 2009, management has not decided on the finding 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.

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 coverage of \$2 million per occurrence, property coverage up to \$20 million per building per occurrence, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability and auto liability in excess of \$500,000, up to \$500,000 for property, and \$250,000 up to \$5 million for worker's compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit of \$1,000,000 for the aggregate losses in a single year. After the property pool has paid out \$1,000,000, then the pool will be liable for a \$10,000 per claim maintenance deductible on future property losses for that year. The remainder of each claim will be borne by the reinsurer.

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 12, 2008, the town arranged with BB&T governmental finance to fund a drainage project. The town borrowed \$120,000 to be repaid in monthly installments of \$1,843 including interest at 3.37% from Powell Bill funds. See below for further description:

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2010**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

Long-Term Obligations (continued)

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2011	22,118	19,306	2,812
2012	22,118	19,967	2,151
2013	22,118	20,650	1,468
2014	22,118	21,357	761
2015	<u>12,587</u>	<u>12,480</u>	<u>107</u>
Total	\$ <u>101,059</u>	\$ <u>93,760</u>	\$ <u>7,299</u>

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. Future payments will be made from the water/sewer fund. See next page for flusher loan repayment schedule.

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 \$11,814, including interest at the rate of 4.5% for the next nine years, beginning November 2008 and are described in detail below:

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2011	11,880	9,122	2,758
2012	11,880	9,533	2,347
2013	11,880	9,962	1,918
2014	11,880	10,410	1,470
2015	11,880	10,878	1,002
2016	<u>11,880</u>	<u>11,369</u>	<u>511</u>
Total	\$ <u>71,280</u>	\$ <u>61,274</u>	\$ <u>10,006</u>

Summary of activity	<u>Beginning Balances</u>	<u>Increase (Decrease)</u>	<u>Ending Balances</u>	<u>Current Portion</u>
BB&T bank loan	\$ 112,427	\$ (18,667)	\$ 93,760	\$ 19,306
USDA loan	70,003	(8,729)	61,274	9,122
	<u>\$ 182,430</u>	<u>\$ (27,396)</u>	<u>\$ 155,034</u>	<u>\$ 28,428</u>
Other post employment benefits	\$ -	\$ 49,017	\$ 49,017	\$ -

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

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2010**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

Long-Term Obligations (continued)

Bonds payable at June 30, 2010, 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%	\$ 1,143,000
\$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%	<u>1,599,000</u>
<b>Total</b>	<b><u>\$ 2,742,000</u></b>

Annual debt service requirements to maturity for general obligation bonds, including interest of \$2,355,884 on the Water and Sewer bonds, are as follows:

	Total	Principal	Interest
2011	\$ 166,890	\$ 43,500	\$ 123,390
2012	167,433	46,000	121,433
2013	167,363	48,000	119,363
2014	167,703	50,500	117,203
2015	166,930	52,000	114,930
2016-2020	837,075	300,000	537,075
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
<b>Total</b>	<b><u>\$ 5,097,884</u></b>	<b><u>\$ 2,742,000</u></b>	<b><u>\$ 2,355,884</u></b>

Bank loan associated with flusher is described in detail, below:

	Total	Principal	Interest
2011	\$ 31,821	\$ 25,752	\$ 6,069
2012	31,821	26,895	4,926
2013	31,820	28,088	3,732
2014	31,821	29,335	2,486
2015	31,820	30,637	1,183
2016	10,607	10,512	95
<b>Total</b>	<b><u>\$ 169,710</u></b>	<b><u>\$ 151,219</u></b>	<b><u>\$ 18,491</u></b>

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2010**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

Long-Term Obligations (continued)

At June 30, 2010, 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 \$4,982,935.

Changes in Water and Sewer Fund Long-Term Liabilities

	Beginning Balances	Increase (Decrease)	Ending Balances	Current Portion
Bank loan	\$ 175,877	\$ (24,658)	\$ 151,219	\$ 25,752
General obligation bonds	2,783,500	(41,500)	2,742,000	43,500
	<u>\$ 2,959,377</u>	<u>\$ (66,158)</u>	<u>\$ 2,893,219</u>	<u>\$ 69,252</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.

**Section III.**

**Individual Fund Financial Statements Section:**

**General Fund**

**Town of Fairmont, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
<b>Ad Valorem taxes</b>				
Current year			\$ 624,961	
Prior years			78,076	
Tax penalties			16,921	
<b>Total Ad Valorem taxes</b>	<u>720,500</u>	<u>718,932</u>	<u>719,958</u>	<u>1,026</u>
<b>Other taxes and licenses</b>				
Utility franchise tax			137,633	
Intangible tax			-	
Local sales tax			466,873	
Privilege license			26,337	
Zoning permits			1,015	
<b>Total other taxes and licenses</b>	<u>641,250</u>	<u>631,786</u>	<u>631,858</u>	<u>72</u>
<b>Unrestricted intergovernmental</b>				
Inventory tax reimbursement			-	
Senior citizens reimbursement			-	
Beer and wine tax			3,924	
Gasoline tax refunds			-	
Payments in lieu of taxes			-	
ABC profit distribution			10,000	
<b>Total unrestricted intergovernmental</b>	<u>26,700</u>	<u>13,923</u>	<u>13,924</u>	<u>1</u>
<b>Restricted intergovernmental</b>				
Powell Bill allocation			88,533	
Court fees			5,027	
Grants			105,958	
<b>Total restricted intergovernmental</b>	<u>193,136</u>	<u>199,515</u>	<u>199,518</u>	<u>3</u>
<b>Other general revenue</b>				
Telephone commissions			9,966	
Miscellaneous income			10,274	
Administrative time reimbursement			-	
Sale of material and assets			-	
Sale of fixed assets			3,850	
Net equipment and building rental			13,360	
<b>Total other general revenue</b>	<u>\$ 108,850</u>	<u>\$ 36,747</u>	<u>\$ 37,450</u>	<u>\$ 703</u>



**Town of Fairmont, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues (continued)</b>				
<b>Miscellaneous revenue</b>				
Sales and service - Sanitation fees	\$	\$	\$ 220,022	\$
Investment earnings			506	
<b>Total miscellaneous revenue</b>	<u>224,600</u>	<u>220,423</u>	<u>220,528</u>	<u>105</u>
<b>Total revenues</b>	<u>1,915,036</u>	<u>1,821,326</u>	<u>1,823,236</u>	<u>1,910</u>
<b>Expenditures</b>				
<b>General Government-</b>				
<b>Governing body</b>				
Salaries and employee benefits			12,088	
Travel			535	
Departmental supplies			326	
Postage			537	
Dues and subscriptions			297	
<b>Total governing body</b>	<u>14,250</u>	<u>13,796</u>	<u>13,783</u>	<u>13</u>
<b>Administration</b>				
Salaries and employee benefits			117,903	
Travel			5,704	
Postage			1,218	
Maintenance and repairs - equipment			97	
Departmental supplies			3,425	
Dues and subscriptions			742	
Capital outlay			-	
<b>Total administration</b>	<u>127,927</u>	<u>129,156</u>	<u>129,089</u>	<u>67</u>
<b>Finance</b>				
Salaries and employee benefits			69,983	
Postage			786	
Maintenance and repairs - equipment			5,048	
Advertising			2,007	
Departmental supplies			1,934	
Dues and subscriptions			25	
<b>Total finance</b>	<u>\$ 84,200</u>	<u>\$ 79,991</u>	<u>\$ 79,783</u>	<u>\$ 208</u>

**Town of Fairmont, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenditures (continued)</b>				
<b>General Government (continued)</b>				
<b>Tax listing</b>				
Salaries and employee benefits	\$	\$	\$ 40,313	\$
Postage			982	
Maintenance and repairs - Equipment			54	
Advertising			1,780	
Departmental supplies			486	
<b>Total tax listing</b>	<u>43,675</u>	<u>43,624</u>	<u>43,615</u>	<u>9</u>
<b>Legal</b>				
Professional services	<u>13,000</u>	<u>13,500</u>	<u>12,707</u>	<u>793</u>
<b>Planning</b>				
Salaries and employee benefits			3,328	
Maintenance and repairs - Buildings			6,582	
<b>Total planning</b>	<u>9,790</u>	<u>9,915</u>	<u>9,910</u>	<u>5</u>
<b>Public building</b>				
Salaries and employee benefits			42,583	
Telephone			10,048	
Utilities			29,875	
Maintenance and repairs - Buildings			25,972	
Uniforms			563	
Departmental supplies			5,309	
<b>Total public building</b>	<u>115,250</u>	<u>114,408</u>	<u>114,350</u>	<u>58</u>
<b>Total General Government</b>	<u>\$ 408,092</u>	<u>\$ 404,390</u>	<u>\$ 403,237</u>	<u>\$ 1,153</u>

**Town of Fairmont, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenditures (continued)</b>				
<b>Public Safety</b>				
<b>Police department</b>				
Salaries and employee benefits	\$	\$	\$ 642,815	\$
Travel			1,603	
Postage			7,250	
Maintenance and repairs - Equipment			7,768	
Maintenance and repairs - Vehicles			18,443	
Equipment rental			5,821	
Auto supplies			24,114	
Departmental supplies			6,132	
Uniforms			6,089	
Medical exams			956	
Contract services			-	
Dues and subscriptions			645	
Grant-related expenditures			-	
Miscellaneous			16,890	
Capital outlay			32,469	
<b>Total police department</b>	<u>850,500</u>	<u>774,616</u>	<u>770,995</u>	<u>3,621</u>
<b>Fire department</b>				
Salaries and employee benefits			30,736	
Travel			1,359	
Postage			688	
Maintenance and repairs - Equipment			10,517	
Maintenance and repairs - Vehicles			3,030	
Auto supplies			3,157	
Departmental supplies			3,046	
Dues			896	
Miscellaneous			1,298	
Debt service - fire truck payment				
Principal repayment			8,729	
Interest			3,085	
<b>Total fire department</b>	<u>70,000</u>	<u>67,210</u>	<u>66,541</u>	<u>669</u>
<b>Total Public Safety</b>	<u>920,500</u>	<u>841,826</u>	<u>837,536</u>	<u>4,290</u>
<b>Transportation</b>				
<b>Powell Bill</b>				
Salaries and employee benefits			56,966	
Departmental supplies			10,340	
Debt service				
Principal repayment			18,616	
Interest			3,508	
Repairs and maintenance			34,727	
<b>Total Powell Bill</b>	<u>\$ 125,997</u>	<u>\$ 125,004</u>	<u>\$ 124,157</u>	<u>\$ 847</u>

**Town of Fairmont, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenditures (continued)</b>				
<b>Transportation (continued)</b>				
<b>Garage</b>				
Salaries and employee benefits	\$	\$	\$ -	\$
Uniforms			-	
<b>Total streets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Streets</b>				
Salaries and employee benefits			-	
Utilities			71,678	
Maintenance and repairs - Equipment			10,653	
Maintenance and repairs - Vehicles			2,639	
Auto supplies			16,833	
Departmental supplies			13,489	
Uniforms			683	
Miscellaneous			5,861	
Capital outlay			-	
<b>Total streets</b>	<u>118,650</u>	<u>122,515</u>	<u>121,836</u>	<u>679</u>
<b>Total Transportation</b>	<u>244,647</u>	<u>247,519</u>	<u>245,993</u>	<u>1,526</u>
<b>Environmental Protection</b>				
<b>Sanitation</b>				
Salaries and employee benefits			-	
Maintenance and repairs - Equipment			625	
Maintenance and repairs - Vehicles			5,479	
Auto supplies			8,109	
Departmental supplies			1,486	
Contracted services			224,827	
Capital outlay			-	
<b>Total Environmental Protection</b>	<u>249,300</u>	<u>241,125</u>	<u>240,526</u>	<u>599</u>
<b>Economic and Community Development</b>				
<b>Community service</b>				
Salaries and employee benefits			19,633	
Maintenance and repairs - Equipment			2,271	
Departmental supplies			1,124	
Dues and subscriptions			4,400	
Insurance			90,353	
Grant-related expenditures			16,549	
Miscellaneous			16,606	
Capital outlay			-	
<b>Total Economic and Community Development</b>	<u>152,062</u>	<u>151,085</u>	<u>150,936</u>	<u>149</u>

**Town of Fairmont, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Total expenditures</b>	\$ 1,974,601	\$ 1,885,945	\$ 1,878,228	\$ 7,717
<b>Total revenues</b>	\$ 1,915,036	\$ 1,821,326	\$ 1,823,236	\$ 1,910
<b>Total expenditures</b>	<u>1,974,601</u>	<u>1,885,945</u>	<u>1,878,228</u>	<u>7,717</u>
<b>Revenue over (under) expenditures</b>	<u>(59,565)</u>	<u>(64,619)</u>	<u>(54,992)</u>	<u>9,627</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Loan proceeds	-	-	-	-
Fund balance appropriated	<u>59,565</u>	<u>64,619</u>	<u>-</u>	<u>(64,619)</u>
<b>Total other financing sources (uses)</b>	<u>59,565</u>	<u>64,619</u>	<u>-</u>	<u>(64,619)</u>
<b>Revenue and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ -</u>	(54,992)	<u>\$ (54,992)</u>
<b>Fund balance</b>				
Beginning of year			<u>427,819</u>	
End of year			<u>\$ 372,827</u>	

**Non-Major Governmental Funds**

**Town of Fairmont, North Carolina**  
**Non-Major Governmental Funds**  
**Combining Balance Sheets**

June 30, 2010

(With Comparative Totals for June 30, 2009)

	Rural Business Enterprise Grant Fund		Parks and Recreation Fund		Golden Leaf Project Fund		Community Development Fund		Totals	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>Assets</b>										
Cash and investments	\$ 84,942	\$ 18,416	\$ 4,564	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,922	\$ 90,905
Grant receivable	-	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ 84,942</u>	<u>\$ 18,416</u>	<u>\$ 4,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,922</u>	<u>\$ 90,905</u>
<b>Liabilities and Fund Balances</b>										
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fund balances</b>										
Unreserved, undesignated	84,942	18,416	4,564	-	-	-	-	-	107,922	90,905
<b>Total liabilities and fund balances</b>	<u>\$ 84,942</u>	<u>\$ 18,416</u>	<u>\$ 4,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,922</u>	<u>\$ 90,905</u>

**Town of Fairmont, North Carolina**  
**Non-Major Governmental Funds**  
**Combining Statements of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2010**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2009)**

	Rural Business Enterprise Grant Fund		Cemetery Fund		Parks and Recreation Fund		Golden Leaf Project Fund		Community Development Fund		Totals	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>Revenues</b>												
Interest income	\$ 109	\$ 280	\$ 4	\$ 18	\$ -	\$ -	\$ -	\$ -	\$ 18	\$ -	\$ 411	\$ 1,815
State Grant	-	-	-	75,000	-	-	-	-	75,000	-	75,000	-
CDBG Grant	-	-	-	39,255	-	-	-	-	39,255	-	39,255	-
Golden Leaf Grant	-	-	-	-	-	-	-	-	-	100,798	-	100,798
Local match	-	-	-	4,755	-	-	-	-	4,755	-	4,755	-
Contributions	-	-	27,775	-	-	-	-	-	-	12,425	27,775	12,425
Loan repayments	24,016	-	-	-	-	-	-	-	-	34,959	24,016	34,959
<b>Total revenues</b>	<b>24,125</b>	<b>280</b>	<b>27,779</b>	<b>119,028</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119,028</b>	<b>149,997</b>	<b>171,212</b>	<b>149,997</b>
<b>Expenditures</b>												
Administration	-	-	-	24,776	-	-	-	-	24,776	-	24,776	-
Rehabilitation	-	-	-	87,952	-	-	-	-	87,952	-	87,952	-
Relocation	-	-	-	4,719	-	-	-	-	4,719	-	4,719	-
Other	-	-	-	175	-	-	-	-	175	-	175	-
Clearance	-	-	-	1,406	-	-	-	-	1,406	-	1,406	-
Community service	8,252	-	26,915	-	-	-	-	-	-	347,706	35,167	347,706
<b>Total expenditures</b>	<b>8,252</b>	<b>-</b>	<b>26,915</b>	<b>119,028</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119,028</b>	<b>347,706</b>	<b>154,195</b>	<b>347,706</b>
<b>Revenue over (under) expenditures</b>	<b>15,873</b>	<b>280</b>	<b>864</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(197,709)</b>	<b>17,017</b>	<b>(197,709)</b>
Operating transfer (out)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Fund balances</b>												
Beginning of year	69,069	18,136	3,700	-	-	-	-	-	-	288,614	90,905	288,614
End of year	\$ 84,942	\$ 18,416	\$ 4,564	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,905	\$ 107,922	\$ 90,905



**Special Revenue Funds:**

**Rural Business Enterprise Grant Fund**

**Cemetery Fund**

**Parks and Recreation Fund**

**Golden Leaf Project Fund**

**Community Development Fund**

**Town of Fairmont, North Carolina**  
**Special Revenue Fund - Rural Business Enterprise Grant Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2010**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)**

	<u>2010</u>		<b>Variance Favorable (Unfavorable)</b>	<u>2009</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenue</b>				
Interest	\$ -	\$ 109	\$ -	\$ 584
USDA Loan	-	-	-	-
Loan repayments	-	24,016	-	34,959
<b>Total revenue</b>	<u>8,252</u>	<u>24,125</u>	<u>15,873</u>	<u>35,543</u>
<b>Expenditures</b>				
Other		8,252		4,634
Loans to businesses		-		-
<b>Total expenditures</b>	<u>8,252</u>	<u>8,252</u>	<u>-</u>	<u>4,634</u>
<b>Revenue over (under) expenditures</b>	-	15,873	15,873	30,909
<b>Other financing sources (uses)</b>				
Fund balance appropriated	-	-	-	-
<b>Revenue and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ -</u>	<u>15,873</u>	<u>\$ 15,873</u>	<u>30,909</u>
<b>Fund balance</b>				
Beginning of year		<u>69,069</u>		<u>38,160</u>
End of year		<u>\$ 84,942</u>		<u>\$ 69,069</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 Fiscal Year Ended June 30, 2010**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)**

	<u>2010</u>		<b>Variance Favorable (Unfavorable)</b>	<u>2009</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenue</b>				
Interest income	\$	\$ 280	\$	\$ 350
Contributions		-		-
<b>Total revenue</b>	-	280	280	350
<b>Expenditures</b>				
Administration		-		-
<b>Total expenditures</b>	-	-	-	-
<b>Revenue over (under) expenditures</b>	-	280	280	350
<b>Other financing sources (uses)</b>				
Fund balance appropriated	-	-	-	-
<b>Revenue and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ -</u>	280	<u>\$ 280</u>	350
<b>Fund balance</b>				
Beginning of year		<u>18,136</u>		<u>17,786</u>
End of year		<u>\$ 18,416</u>		<u>\$ 18,136</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 Fiscal Year Ended June 30, 2010**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)**

	<b>2010</b>		<b>Variance Favorable (Unfavorable)</b>	<b>2009</b>
	<b>Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Revenue</b>				
Interest income	\$	\$ 4	\$	\$ 881
Golden Leaf Grant		-		100,798
Local funds		-		-
Contributions		27,775		12,425
<b>Total revenue</b>	<u>114,104</u>	<u>27,779</u>	<u>(86,325)</u>	<u>114,104</u>
<b>Expenditures</b>				
Community service		26,915		13,099
Community service - Golden Leaf Funds		-		327,600
<b>Total expenditures</b>	<u>343,899</u>	<u>26,915</u>	<u>316,984</u>	<u>340,699</u>
<b>Revenue over (under) expenditures</b>	(229,795)	864	230,659	(226,595)
<b>Other financing sources (uses)</b>				
Operating transfers in (out)	-	-	-	-
Fund balance appropriated	229,795	-	(229,795)	-
<b>Revenue and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ -</u>	864	<u>\$ 864</u>	(226,595)
<b>Fund balance</b>				
Beginning of year		<u>3,700</u>		<u>230,295</u>
End of year		<u>\$ 4,564</u>		<u>\$ 3,700</u>

**Town of Fairmont, North Carolina**  
**Special Revenue Fund - Golden Leaf Project Fund**  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2010**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)**

	<u>2010</u>		<b>Variance Favorable (Unfavorable)</b>	<u>2009</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenue</b>				
Interest income	\$	\$ -	\$	\$ -
State grant		-		-
Contributions		-		-
<b>Total revenue</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
Administration		-		-
Community service		-		2,373
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,373</u>
<b>Revenue over (under) expenditures</b>	-	-	-	(2,373)
<b>Other financing sources (uses)</b>				
Fund balance appropriated	-	-	-	-
<b>Revenue and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ -</u>	-	<u>\$ -</u>	(2,373)
<b>Fund balance</b>				
Beginning of year		-		2,373
End of year		<u>\$ -</u>		<u>\$ -</u>

**Town of Fairmont, North Carolina**  
**Special Revenue Fund - Community Development**  
**Schedule of Revenues and Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2010**

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>Revenue</b>					
NCHFA Urgent Repair Grant					
Interest income	\$ -	\$ -	\$ 18	\$ 18	\$ 18
State Grant	75,000	-	75,000	75,000	-
Local Match	4,500	-	4,755	4,755	255
CDBG-R 09-R-1961	500,000	-	39,255	39,255	(460,745)
<b>Total revenue</b>	<u>579,500</u>	<u>-</u>	<u>119,028</u>	<u>119,028</u>	<u>(460,472)</u>
<b>Expenditures</b>					
NCHFA Urgent Repair Grant					
Administration	28,452	-	10,689	10,689	17,763
Rehabilitation	51,048	-	68,909	68,909	(17,861)
Other	-	-	175	175	(175)
CDBG-R 09-R-1961					
Rehabilitation	357,000	-	19,043	19,043	337,957
Clearance	10,000	-	1,406	1,406	8,594
Relocation	108,000	-	4,719	4,719	103,281
Administration	25,000	-	14,087	14,087	10,913
<b>Total expenditures</b>	<u>579,500</u>	<u>-</u>	<u>119,028</u>	<u>119,028</u>	<u>460,472</u>
<b>Revenue over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenue and other sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>\$ -</u>		
Fund balance, ending			<u>\$ -</u>		

**Enterprise Fund:**

**Water and Sewer Fund**

**Town of Fairmont, North Carolina**  
**Enterprise Fund - Proprietary Fund Type**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>Revenue</u></b>				
<b>Operating revenue</b>				
Water sales	\$	\$	\$ 387,075	\$
Sewer sales			644,877	
Water and sewer connections			1,000	
Late fees			23,065	
Reconnection fees			8,793	
Sales tax			-	
Grants			-	
Other operating revenue			14,131	
<b>Total operating revenue</b>	<u>1,128,250</u>	<u>1,112,585</u>	<u>1,078,941</u>	<u>(33,644)</u>
<b>Non-operating revenue</b>				
Interest income			76	
<b>Total non-operating revenue</b>	<u>70</u>	<u>76</u>	<u>76</u>	<u>-</u>
<b>Total revenue</b>	<u>1,128,320</u>	<u>1,112,661</u>	<u>1,079,017</u>	<u>(33,644)</u>
<b><u>Expenditures</u></b>				
<b>Water and sewer administration</b>				
Salaries and employee benefits			180,639	
Travel			1,889	
Postage			9,258	
Utilities			14,323	
Maintenance and repairs - Equipment			4,211	
Maintenance and repairs - Vehicles			2,286	
Equipment rental			5,988	
Advertising			-	
Auto supplies			8,984	
Departmental supplies			14,015	
Uniforms			1,888	
Medical exams			100	
Debt service			-	
Contracted services			-	
<b>Total water and sewer administration</b>	<u>\$ 247,100</u>	<u>\$ 244,752</u>	<u>\$ 243,581</u>	<u>\$ 1,171</u>



**Town of Fairmont, North Carolina**  
**Enterprise Fund - Proprietary Fund Type**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non-GAAP) (continued)**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>Expenditures (continued)</u></b>				
<b>Water treatment</b>				
Salaries and employee benefits	\$	\$	\$ 36,208	\$
Travel			2,417	
Telephone			3,826	
Utilities			14,923	
Maintenance and repairs - Equipment			22,819	
Departmental supplies			7,757	
Uniforms			756	
Dues			550	
<b>Total water treatment</b>	<u>94,500</u>	<u>91,785</u>	<u>89,256</u>	<u>2,529</u>
<b>Water maintenance</b>				
Salaries and employee benefits			70,397	
Maintenance and repairs - Equipment			3,022	
Maintenance and repairs - Vehicles			3,557	
Auto supplies			12,562	
Departmental supplies			32,333	
Uniforms			1,044	
<b>Total water maintenance</b>	<u>107,500</u>	<u>110,610</u>	<u>122,915</u>	<u>(12,305)</u>
<b>Sewage treatment</b>				
Salaries and employee benefits			142,341	
Travel			1,084	
Telephone			8,431	
Utilities			90,541	
Maintenance and repairs - Equipment			86,098	
Departmental supplies			13,260	
Uniforms			1,326	
Miscellaneous			13,906	
Contingency			3,150	
<b>Total sewage treatment</b>	<u>330,070</u>	<u>360,720</u>	<u>360,137</u>	<u>583</u>
<b>Non-departmental</b>				
Insurance and bonds			32,124	
Vacation			-	
Bad debt expense			841	
Building maintenance			2,178	
I & I study			-	
Professional services			2,816	
<b>Total non-departmental</b>	<u>\$ 76,421</u>	<u>\$ 41,309</u>	<u>\$ 37,959</u>	<u>\$ 3,350</u>

**Town of Fairmont, North Carolina**  
**Enterprise Fund - Proprietary Fund Type**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non-GAAP) (continued)**  
**For the Fiscal Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Expenditures (continued)</u></b>				
<b>Sewer maintenance</b>				
Salaries and employee benefits	\$	\$	\$ 26,668	\$
Maintenance and repairs - Equipment			4,675	
Maintenance and repairs - Vehicles			7,446	
Auto supplies			11,832	
Departmental supplies			7,970	
Uniforms			432	
<b>Total sewer maintenance</b>	68,500	59,256	59,023	233
<b>Total operating expenditures</b>	924,091	908,432	912,871	(4,439)
<b>Net capital outlay</b>				
Capital outlay			5,650	
<b>Net capital outlay</b>	5,650	5,650	5,650	-
<b>Debt Service</b>				
Principal repayment			66,158	
Interest			132,421	
<b>Total debt service</b>	198,579	198,579	198,579	-
<b>Total expenditures</b>	1,128,320	1,112,661	1,117,100	(4,439)
<b>Revenue over (under) expenditures</b>	-	-	(38,083)	(38,083)
<b>Other financing sources (uses)</b>				
Transfers out	-	-	-	
Capital lease obligations issued	-	-	-	
Due from other funds	-	-	-	-
Appropriated retained earnings	-	-	-	-
<b>Revenue and other financing sources over (under) expenditures and other financing uses</b>	\$ -	\$ -	\$ (38,083)	\$ (38,083)
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>				
<b>Revenue over (under) expenditures</b>			\$ (38,083)	
<b>Reconciling items:</b>				
Capital outlay			5,650	
Debt principal repayment			66,158	
Capital contribution			65,403	
Depreciation			(292,539)	
<b>Total reconciling items</b>			(155,328)	
<b>Net income (loss)</b>			\$ (193,411)	

**Town of Fairmont, North Carolina**  
**Water and Sewer Capital Projects Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (non-GAPP)**  
**From Inception and for the Fiscal Year Ended June 30, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue</b>					
07-E-1647					
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -
Community Development Block Grant	400,000	333,392	65,403	398,795	(1,205)
Local Match	-	-	-	-	-
Owner contribution	-	-	-	-	-
<b>Total revenue</b>	<u>400,000</u>	<u>333,392</u>	<u>65,403</u>	<u>398,795</u>	<u>(1,205)</u>
<b>Expenditures</b>					
07-E-1647					
Community service - revitalization and development - sewer	400,000	333,392	65,403	398,795	1,205
<b>Total expenditures</b>	<u>400,000</u>	<u>333,392</u>	<u>65,403</u>	<u>398,795</u>	<u>1,205</u>
<b>Revenue over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Section IV.**

**Statistical Section**

**Town of Fairmont, North Carolina**  
**Schedule of Cash and Investments**  
**June 30, 2010**

	<b>Cost and Market Values</b>
<b>Cash</b>	
Petty cash	\$ 850
Demand deposit - First Bank	1,076
Demand deposits - Branch Banking & Trust	105,058
Savings account - Branch Banking & Trust	50,000
Savings account - Branch Banking & Trust	-
Certificate of deposit - RBC Centura	17,339
<b>Total cash</b>	<b>174,323</b>
 <b>Investments</b>	
North Carolina Capital Management Trust	225,000
<b>Total investments</b>	<b>225,000</b>
<b>Total cash and investments</b>	<b>\$ 399,323</b>
 <b>Distribution by fund:</b>	
General Fund	\$ 283,151
Special Revenue Funds -	
Community Development Block Grant	-
Cemetery Fund	18,416
Parks and Recreation Fund	-
Golden Leaf Project Fund	-
Capital Projects	4,564
USDA - RBEG Program	84,942
NCHFA	-
Enterprise Fund	8,250
<b>Total</b>	<b>\$ 399,323</b>

**Town of Fairmont, North Carolina**  
**Analysis of Current Year Tax Levy**  
**For the Fiscal Year Ended June 30, 2010**

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original levy</b>					
Property taxed at current year's rate	\$ 100,389,855	0.69	\$ 692,690	\$ 606,170	\$ 86,520
<b>Releases</b>			-	-	-
<b>Net levy</b>			692,690	606,170	86,520
<b>Less-Uncollected taxes at June 30, 2010</b>			77,771	60,880	16,891
<b>Current year's taxes collected</b>			<u>\$ 614,919</u>	<u>\$ 545,290</u>	<u>\$ 69,629</u>
<b>Current levy collection percentage</b>			<u>88.77%</u>	<u>89.96%</u>	<u>80.48%</u>

**Town of Fairmont, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2010**

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2009</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2010</u>
2009-2010	\$ -	\$ 692,690	\$ 614,919	\$ 77,771
2008-2009	93,077	-	49,076	44,001
2007-2008	59,034	-	25,781	33,253
2006-2007	30,830	-	8,325	22,505
2005-2006	22,927	-	4,984	17,943
2004-2005	9,877	-	3,068	6,809
2003-2004	5,542	-	1,683	3,859
2002-2003	3,543	-	475	3,068
2001-2002	2,754	-	368	2,386
2000-2001	2,595	-	153	2,442
Prior years	2,275	-	2,275	-
	<u>\$ 232,454</u>	<u>\$ 692,690</u>	<u>\$ 711,107</u>	214,037

Less - Allowance for uncollectible accounts - General Fund

-

**Ad valorem taxes receivable - Net**

\$ 214,037

**Reconciliation with revenue:**

Taxes - Ad Valorem - General Fund	\$ 719,958
Penalties	(16,921)
Discoveries	1,196
Amount written off -	
For tax year 1999-2000 per statute of limitations	2,275
Discounts allowed	4,599
<b>Total collections and credits</b>	<u>\$ 711,107</u>

**Section V.**  
**Compliance Section**



**S. Preston Douglas & Associates, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS  
American Institute of CPAs  
N.C. Association of CPAs

**Report on Compliance and on Internal Control over  
Financial Reporting 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 the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the Town of Fairmont, North Carolina, as of and for the year ended June 30, 2010, which collectively comprises the Town of Fairmont's basic financial statements and have issued our report thereon dated June 30, 2010. 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. The financial statements of the Town of Fairmont ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Fairmont's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Fairmont's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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.

This report is intended solely for the information and use of the audit committee, management, others within the entity, members of the Town Commission, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Lumberton, North Carolina  
August 12, 2010

*S. Preston Douglas & Associates, LLP*