

Town of Fairmont, North Carolina
Audited Financial Statements
For the Fiscal Year Ended June 30, 2011

Charles Kemp, Mayor

Board of Town Commissioners

Perry Ashley

Carol Leak-McKenzie

Wayland Lennon, III

Jeffrey J. McCree

Wade Sealey

Charles Townsend

Linda Vause, Acting Town Manager/Finance Officer

Jenny Larson, Town Clerk

Town of Fairmont, North Carolina
Table of Contents
June 30, 2011

	Page
I. Financial Section	
Independent Auditor's Report	1
Management's Discussion and Analysis	2
II. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	14
Statement of Net Assets – Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17
Notes to Financial Statements	18
III. Individual Fund Financial Statements Section	
<u>General Fund</u>	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	34
<u>Non-Major Governmental Funds</u>	
Combining Balance Sheet	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	41

Town of Fairmont, North Carolina
Table of Contents
June 30, 2011

		Page
III.	Individual Fund Financial Statements (continued)	
	<u>Special Revenue Funds</u>	
	Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
	Rural Business Enterprise Grant Fund	42
	Cemetery Fund	43
	Parks and Recreation Fund	44
	Community Development	45
	<u>Enterprise Fund – Proprietary Fund Type</u>	
	Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) Water and Sewer Fund	46
	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Water and Sewer Capital Projects Fund	49
IV.	Statistical Section	
	Schedule of Cash and Investments	50
	Analysis of Current Year Tax Levy	51
	Schedule of Ad Valorem Taxes Receivable	52
V.	Compliance Section	
	Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	53
	Report On Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Act	55
	Schedule of Findings and Questioned Costs	57
	Corrective Action Plan	59
	Schedule of Prior Year Audit Findings	60
	Schedule of Expenditures of Federal and State Awards	61

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, 2011, 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.

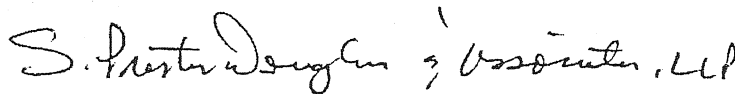
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregating remaining fund information of the Town of Fairmont, North Carolina, as of June 30, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 2011, 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. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. Not to provide an opinion on the internal control over financial reporting or on compliance. 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.

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 on it.

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 31, 2011



Town of Fairmont, North Carolina
Management's Discussion and Analysis
June 30, 2011

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, 2011. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

The assets of the Town of Fairmont exceeded its liabilities at the close of the fiscal year by \$7,984,515.

The government's total net assets decreased in the amount of \$310,261.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$399,087. Approximately 57.30% of this total amount, or \$228,696, is available for spending at the government's discretion.

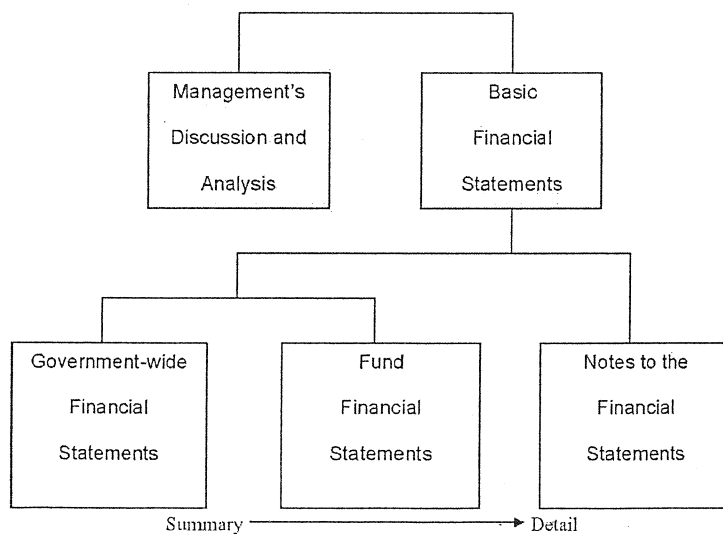
At the end of the current fiscal year, unreserved fund balance for the general fund was \$129,134 or 6.18% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Fairmont's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report also contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town of Fairmont.

Required Components of Annual Financial Report

Figure 1



Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements.

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2011

There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

The next section of the basic financial statements is the **Notes to Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, additional information is provided to show details about the Town's individual funds. Budgetary information required by the N.C. General Statutes can also be found in this part of the statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, in a manner similar to the private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

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

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

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

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

The Town of Fairmont adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document.

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2011

Basic Financial Statements (continued)

Governmental funds (continued). The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary funds. The Town of Fairmont maintains one type of proprietary fund called an Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its water and sewer activity.

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

Notes to 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 18-33 of this report.

Supplementary information. The combining statements, referred to earlier about non-major governmental funds and details of the enterprise fund, can be found on pages 34-50 of this report.

Government-wide Financial Analysis

The Town of Fairmont's Net Assets

	Governmental Activities 2011	Governmental Activities 2010	Business-type Activities 2011	Business-type Activities 2010	Totals 2011	Totals 2010
Current and other assets	\$634,373	\$727,189	\$148,838	\$122,988	\$783,211	\$850,177
Capital assets	1,442,356	1,376,977	9,079,972	9,373,189	10,522,328	10,750,166
Total assets	2,076,729	2,104,166	9,228,810	9,496,177	11,305,539	11,600,343
Current liabilities	122,759	108,343	199,189	197,634	321,948	305,977
Non-current liabilities	248,004	175,623	2,751,072	2,823,967	2,999,076	2,999,590
Total liabilities	370,763	283,966	2,950,261	3,021,601	3,321,024	3,305,567
Net assets						
Invested in capital assets						
assets, net of related						
debt	1,269,250	1,221,943	6,256,005	6,479,970	7,525,255	7,701,913
Restricted	155,148	5,278	-	-	155,148	5,278
Unrestricted	281,568	592,979	22,544	-5,394	304,112	587,585
Total net assets	\$1,705,966	\$1,820,200	\$6,278,549	\$6,474,576	\$7,984,515	\$8,294,776

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2011

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 \$7,984,515 at the close of the current fiscal year.

By far the largest portion of the Town's net assets, 94.25%, 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, 1.94%, 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 \$304,112 or 3.81% of the total.

Town of Fairmont's Changes in Net Assets.

	Governmental Activities 2011	Governmental Activities 2010	Business-type Activities 2011	Business-type Activities 2010	Totals 2011	Totals 2010
Revenues:						
Program revenues						
Charges for services	\$ 228,804	\$ 225,049	\$ 1,083,798	\$ 1,064,810	\$ 1,312,602	\$ 1,289,859
Operating grants and contributions	835,400	365,292	-	-	835,400	365,292
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes	747,297	687,147	-	-	747,297	687,147
Other taxes	593,694	631,858	-	-	593,694	631,858
Unrestricted revenues	12,178	13,924	-	-	12,178	13,924
Other	88,436	52,812	-	79,610	88,436	132,422
Total revenues	2,505,809	1,976,082	1,083,798	1,144,420	3,589,607	3,120,502
Expenses:						
General Government	428,380	467,927	-	-	428,380	467,927
Public Safety	988,739	889,582	-	-	988,739	889,582
Transportation	300,870	252,343	-	-	300,870	252,343
Environmental Protection	235,334	243,460	-	-	235,334	243,460
Economic Development	666,720	305,131	-	-	666,720	305,131
Water and Sewer	-	-	1,279,825	1,337,831	1,279,825	1,337,831
Total expenses	2,620,043	2,158,443	1,279,825	1,337,831	3,899,868	3,496,274
Change in net assets	(114,234)	(182,361)	(196,027)	(193,411)	(310,261)	(375,772)
Net assets - Beginning of year	1,820,200	2,002,561	6,474,576	6,667,987	8,294,776	8,670,548
Net assets - End of year	\$ 1,705,966	\$ 1,820,200	\$ 6,278,549	\$ 6,474,576	\$ 7,984,515	\$ 8,294,776

Ad Valorem taxes were the largest revenue contributor with 29.82% of total revenues. Other taxes was the next largest at 23.69%.

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2011

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.

Government-wide Financial Analysis (continued)

Business-type activities. Business-type activities decreased the Town's net assets by \$196,027. Key elements of this decrease are as follows:

- User fees were \$1,279,825
- High levels of depreciation expense associated with infrastructure enhancements of \$293,217
- Interest expense associated with bonds in the amount of \$129,459

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 \$399,087 to include General and Capital Projects. Of this total amount, \$228,696 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 \$129,134 with a total fund balance of \$299,525. 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 6.18% 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 \$22,544. 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, 2011

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, 2011, totals \$10,552,327 (net of accumulated depreciation). The investments in capital assets includes land, buildings, improvements, furniture and equipment, infrastructure (including distribution systems), and vehicles.

Town of Fairmont's Capital Assets

	Governmental Activities 2011	Governmental Activities 2010	Business-type Activities 2011	Business-type Activities 2010	Totals 2011	Totals 2010
Land	\$161,046	\$161,046	\$7,091	\$7,091	\$168,137	\$168,137
Buildings & infrastructure	2,153,601	2,153,601	12,755	12,755	2,166,356	2,166,356
Equipment	636,890	635,155	598,479	598,479	1,235,369	1,233,634
Vehicles	923,275	722,276	-	-	923,275	722,276
Water & Sewer infrastructure	-	-	13,053,424	13,053,424	13,053,424	13,053,424
Total depreciable assets	3,713,766	3,511,032	13,664,658	13,664,658	17,378,424	17,175,690
Less – Accumulated dep.	2,432,456	2,295,101	4,591,778	4,298,561	7,024,234	6,593,662
Total depreciable assets, net	1,281,310	1,215,931	9,072,880	9,366,097	10,354,190	10,582,028
Total capital assets, net	\$1,442,356	\$1,376,977	\$9,079,971	\$9,373,188	\$10,522,327	\$10,750,165

Additional information on the Town's capital assets can be found in the notes on page 25 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Fairmont had total bonded debt outstanding of \$2,698,500.

Town of Fairmont's Outstanding Debt
Water Serial Bonds

	Governmental Activities 2011	Governmental Activities 2010	Business-type Activities 2011	Business-type Activities 2010	Totals 2011	Totals 2010
Water serial bonds	\$ -	\$ -	\$ 2,698,500	\$ 2,742,000	\$ 2,698,500	\$ 2,742,000
Total outstanding debt	\$ -	\$ -	\$ 2,698,500	\$ 2,742,000	\$ 2,698,500	\$ 2,742,000

North Carolina's general statutes limit the amount of general obligation debt that a governmental unit can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Fairmont is presently at \$ 5,417,246 (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 31 of this report.

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2011

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town and surrounding area is 13.2% at June 30, 2011, which is a increase from a rate of 12.2% a year ago. This comparison is higher than the state's rate of 10.4% and the national rate of 9.3%.

Request for Information

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

Section II.

Basic Financial Statements

Town of Fairmont, North Carolina

Statement of Net Assets

June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	ABC Board
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 281,136	\$ 4,284	\$ 285,420	\$ 93,627
Taxes receivable - Net	198,089	-	198,089	-
Accounts receivable - Net	32,843	95,534	128,377	-
Due from other governments	80,363	-	80,363	-
Inventories	-	49,020	49,020	72,139
Prepaid items	-	-	-	2,226
Restricted cash and cash equivalents	41,942	-	41,942	
Total current assets	634,373	148,838	783,211	167,992
Non-current assets:				
Capital assets;				
Land	161,046	7,091	168,137	26,500
Other capital assets, net of depreciation	1,281,310	9,072,881	10,354,191	7,994
Total capital assets	1,442,356	9,079,972	10,522,328	34,494
Total assets	2,076,729	9,228,810	11,305,539	202,486
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued expenses	37,197	9,410	46,607	29,494
Current portion of long-term debt	38,050	72,895	110,945	-
Deposits	-	87,154	87,154	-
Compensated absences	47,512	29,730	77,242	-
Total current liabilities	122,759	199,189	321,948	29,494
Long-term liabilities:				
Non-current portion of long-term debt	248,004	2,751,072	2,999,076	-
Total liabilities	370,763	2,950,261	3,321,024	29,494
<u>NET ASSETS</u>				
Investments in capital assets, net of related debt	1,269,250	6,256,005	7,525,255	34,494
Restricted for:				
Stabilization by State Statute	113,206	-	113,206	-
Other functions	41,942	-	41,942	16,110
Unrestricted	281,568	22,544	304,112	122,388
Total net assets	\$ 1,705,966	\$ 6,278,549	\$ 7,984,515	\$ 172,992

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, 2011

Functions/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Assets			Component Unit
	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary Government							
Governmental activities:							
General Government	\$ 428,380	\$ -	\$ 197,505	\$ (225,845)	\$ -	\$ (225,845)	\$ -
Public Safety	988,739	-	-	(988,739)	-	(988,739)	-
Transportation	300,870	-	88,385	(212,485)	-	(212,485)	-
Environmental Protection	235,334	-	-	(11,560)	-	(11,560)	-
Economic and Community Dev.	666,720	-	549,510	(117,210)	-	(117,210)	-
Total governmental activities	<u>2,620,043</u>	<u>-</u>	<u>835,400</u>	<u>(1,555,839)</u>	<u>-</u>	<u>(1,555,839)</u>	<u>-</u>
Business-type activities:							
Water and Sewer	1,279,825	-	-	-	(196,027)	(196,027)	-
Total business-type activities	<u>1,279,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(196,027)</u>	<u>(196,027)</u>	<u>-</u>
Total primary government	<u>\$ 3,899,868</u>	<u>\$ -</u>	<u>\$ 835,400</u>	<u>(1,555,839)</u>	<u>(196,027)</u>	<u>(1,751,866)</u>	<u>-</u>
Component unit							
Fairmont ABC Board	535,298	-	-	-	-	-	7,422
Total component unit	<u>\$ 535,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,422</u>
General revenues:							
Ad Valorem taxes				747,297	-	747,297	-
Other taxes and licenses				593,694	-	593,694	-
Unrestricted intergovernmental revenues				12,178	-	12,178	-
Investment earnings				551	-	551	855
Other revenue (expense)				87,885	-	87,885	-
Transfers in (out)				-	-	-	-
Total general revenues and transfers				<u>1,441,605</u>	<u>-</u>	<u>1,441,605</u>	<u>855</u>
Change in net assets				(114,234)	(196,027)	(310,261)	8,277
Net assets - Beginning of year				<u>1,820,200</u>	<u>6,474,576</u>	<u>8,294,776</u>	<u>164,715</u>
Net assets - End of year				<u>\$ 1,705,966</u>	<u>\$ 6,278,549</u>	<u>\$ 7,984,515</u>	<u>\$ 172,992</u>

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

Town of Fairmont, North Carolina
Balance Sheet - Governmental Funds
June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 181,574	\$ 99,562	\$ 281,136
Restricted cash	41,942	-	41,942
Taxes receivable - Net	198,089	-	198,089
Due from Water and Sewer Fund	-	-	-
Due from other governments	80,363	-	80,363
Accounts receivable - Net	32,843	-	32,843
Total assets	\$ 534,811	\$ 99,562	\$ 634,373
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	37,197	-	37,197
Deferred revenue	198,089	-	198,089
Total liabilities	235,286	-	235,286
Fund balances			
Restricted			
Stabilization by State Statute	113,206	-	113,206
Streets	41,942	-	41,942
Public Safety	6,468	-	6,468
Assigned			
Subsequent year's expenditures	8,775	-	8,775
Unassigned			
	129,134	99,562	228,696
Total fund balances	299,525	99,562	399,087
Total liabilities and fund balances	\$ 534,811	\$ 99,562	
Amounts reported for governmental activities in the statement of net assets are different because:			
Total Fund Balance, Governmental Funds			399,087
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.			
Gross capital assets at historical cost	\$ 3,874,812		
Accumulated depreciation	(2,432,456)		1,442,356
Liabilities for earned but deferred revenues in fund statements			198,089
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds			
Other post employment benefit ARC after adjustments			(112,948)
Gross long-term debt	\$ (201,534)		
Long-term debt included as net assets below (includes the addition of long-term debt and principal payments during the year.)	28,428		(173,106)
Compensated absences not expected to be materially liquidated with expendable available resources			(47,512)
Net assets reported as governmental activities			\$ 1,705,966

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, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Ad Valorem taxes	\$ 763,246	\$ -	\$ 763,246
Other taxes and licenses	638,318	-	638,318
Unrestricted intergovernmental revenues	12,178		12,178
Restricted intergovernmental revenues	290,920	549,510	840,430
Other general revenue	41,385	-	41,385
Sales and services	223,774	-	223,774
Interest earned on investments	364	187	551
Total revenues	<u>1,970,185</u>	<u>549,697</u>	<u>2,519,882</u>
Expenditures			
General Government	422,084	-	422,084
Public Safety	1,051,404	-	1,051,404
Transportation	276,512	-	276,512
Environmental Protection	231,324	-	231,324
Economic and Physical Development	108,663	558,057	666,720
Total expenditures	<u>2,089,987</u>	<u>558,057</u>	<u>2,648,044</u>
Revenue over (under) expenditures	<u>(119,802)</u>	<u>(8,360)</u>	<u>(128,162)</u>
Other financing sources (uses)			
Transfer in	-	-	-
Loan proceeds	46,500	-	46,500
Fund balance appropriated	-	-	-
Net change in fund balances	<u>(73,302)</u>	<u>(8,360)</u>	<u>(81,662)</u>
Fund balance - Beginning of year	<u>372,827</u>	<u>107,922</u>	<u>480,749</u>
Fund balance - End of year	<u>\$ 299,525</u>	<u>\$ 99,562</u>	<u>\$ 399,087</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, 2011

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

Net change in fund balances - total governmental funds	\$	(81,662)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period</p>		
Capital outlay expenditures which were capitalized	\$ 202,734	
Depreciation expense for governmental assets	<u>(137,355)</u>	65,379
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in deferred revenue for tax revenues		(15,948)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	(46,500)	
Principal payments on long-term debt	<u>28,428</u>	(18,072)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Net pension obligation		<u>(63,931)</u>
Total change in net assets of governmental activities	\$	<u>(114,234)</u>

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 - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Ad Valorem taxes	\$ 870,000	\$ 762,390	\$ 763,246	\$ 856
Other taxes and licenses	696,250	643,462	638,318	(5,144)
Unrestricted intergovernmental revenues	26,700	12,177	12,178	1
Restricted intergovernmental revenues	144,985	293,920	290,920	(3,000)
Other general revenue	80,100	38,713	41,385	2,672
Sales and services	231,050	223,943	223,774	(169)
Interest earned on investments	500	313	364	51
Sale of fixed assets	-	-	-	-
Total revenues	<u>2,049,585</u>	<u>1,974,918</u>	<u>1,970,185</u>	<u>(4,733)</u>
Expenditures				
General Government	420,392	419,172	416,884	2,288
Public Safety	938,297	1,056,176	1,055,528	648
Transportation	314,703	313,130	276,512	36,618
Environmental Protection	244,500	232,400	232,400	-
Economic and Physical Dev.	143,893	108,742	108,663	79
Total expenditures	<u>2,061,785</u>	<u>2,129,620</u>	<u>2,089,987</u>	<u>39,633</u>
Revenue under expenditures	<u>(12,200)</u>	<u>(154,702)</u>	<u>(119,802)</u>	<u>34,900</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Loan proceeds	-	46,500	46,500	-
Fund balance appropriated	12,200	108,202	-	(108,202)
Total other financing sources (uses)	<u>12,200</u>	<u>154,702</u>	<u>46,500</u>	<u>(108,202)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(73,302)</u>	<u>\$ (73,302)</u>
Fund balance - Beginning of year			<u>372,827</u>	
Fund balance - End of year			<u>\$ 299,525</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, 2011

	Enterprise Fund
	Water and Sewer Fund
<u>ASSETS</u>	
Current assets	
Cash and cash equivalents	\$ 4,284
Accounts receivable - Net	95,534
Inventories	49,020
Total current assets	148,838
Non-current assets	
Land	7,091
Depreciable assets - Net	9,072,881
Total non-current assets	9,079,972
Total assets	9,228,810
 <u>LIABILITIES</u>	
Current liabilities	
Accounts payable and accrued expenses	9,410
Current portion of long-term debt	72,895
Due to General Fund	-
Meter Deposits	87,154
Total current liabilities	169,459
Non-current liabilities	
Compensated absences	29,730
Non-current portion of long-term debt	2,751,072
Total non-current liabilities	2,780,802
Total liabilities	2,950,261
 <u>NET ASSETS</u>	
Investments in capital assets, net of related debt	6,256,005
Net assets - Unrestricted	22,544
Total net assets	\$ 6,278,549

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, 2011

	Enterprise Fund <hr/> Water and Sewer Fund <hr/>
Operating revenues	
Charges for services	\$ 1,083,798
Other operating revenue	-
Total operating revenues	<hr/> 1,083,798 <hr/>
Operating expenses	
Administration	179,657
Operations - Water treatment	131,539
Operations - Water maintenance	105,056
Operations - Sewer treatment	318,986
Operations - Sewer maintenance	61,081
Operations - Sewer contract operations and maintenance	35,920
Non-departmental	24,910
Depreciation	293,217
Total operating expenses	<hr/> 1,150,366 <hr/>
Operating income (loss)	<hr/> (66,568) <hr/>
Non-operating revenue (expenses)	
Interest expense	(129,459)
Interest earned on investments	-
Total non-operating revenue (expenses)	<hr/> (129,459) <hr/>
Net income (loss) before operating transfers	(196,027)
Transfers	
Transfers out	-
Capital contributions and grants	-
Total transfers	<hr/> - <hr/>
Change in net assets	(196,027)
Total net assets - Beginning of year	<hr/> 6,474,576 <hr/>
Total net assets - End of year	<hr/> \$ 6,278,549 <hr/>

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, 2011

	Enterprise Fund
	Water and Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 1,069,066
Cash paid for goods and services	(418,993)
Cash paid to employees	(456,644)
Increase (decrease) in meter deposits	1,316
Net cash provided (used) by operating activities	194,745
Cash flows from non-capital financing activities	
Increase (decrease) in due to general fund	-
Transfers to other funds	-
Net cash provided (used) by non-capital financing activities	-
Cash flows from capital and related financing activities	
Acquisition and construction of assets	-
Capital contributions and grants	-
Payment of bond-related interest	(129,459)
Debt principal repayment	(69,252)
Net cash provided (used) by capital and related financing activities	(198,711)
Cash flows from investing activities	
Interest on investments	-
Net cash provided (used) by investing activities	-
Net increase (decrease) in cash	(3,966)
Cash and cash equivalents - Beginning of year	8,250
Cash and cash equivalents - End of year	\$ 4,284
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (66,568)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -	
Depreciation	293,217
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(14,732)
(Increase) decrease in inventory	(15,084)
(Increase) decrease in prepaid expenses	-
Increase (decrease) in accounts payable and accrued liabilities	(3,404)
Increase (decrease) in meter deposits	1,316
Increase (decrease) in compensated absences	-
Total adjustments	261,313
Net cash provided (used) by operating activities	\$ 194,745

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

Town of Fairmont, North Carolina
Notes to Financial Statements
June 30, 2011

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, 2011

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, 2011

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 2010 through February 2011 apply to the fiscal year ended June 30, 2011. 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, 2011

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.

Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

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.

Town of Fairmont, North Carolina
Notes to Financial Statements
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The inventories of the Town's Enterprise Funds and those of the Town of Fairmont ABC Board consist of materials and supplies held for consumption. The cost of these inventories is recorded as an expense as the inventories are consumed.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain threshold and an estimated life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2004, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

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.

See Independent Auditor's Report.

Town of Fairmont, North Carolina
Notes to Financial Statements
June 30, 2011

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

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

Assigned fund balance – portion of fund balance that the Town of Fairmont intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance available for appropriation that has been designated for the adopted 2010-2011 budget ordinance.

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

The Town of Fairmont has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

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

No instances noted

Town of Fairmont, North Carolina
Notes to Financial Statements
June 30, 2011

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, 2011, the Town's deposits had a carrying amount of \$177,333, and a bank balance of \$189,199. Federal Deposit Insurance covered the bank balance of the Town. (Petty cash amounted to \$850.)

At June 30, 2011, the carrying amount of deposits for the ABC Board was \$60,553, and the bank balance was \$64,324. Federal Deposit Insurance covered all of the bank balance.

Investments

At June 30, 2011, the Town's investment balances were as follows:

	Fair Value	Maturity	Rating
North Carolina Capital Management Trust Cash Portfolio	\$ 150,000	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, 2011.

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, 2011, the Town had \$150,000 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, 2011, was as follows:

Town of Fairmont, North Carolina
Notes to Financial Statements
June 30, 2011

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A – Assets (continued)

Governmental activities -	Beginning			Ending
Capital assets	Balances	Increases	Decreases	Balances
Land (non-depreciable)	\$ 161,046	\$ -	\$ -	\$ 161,046
Buildings and infrastructure	2,153,601	-	-	2,153,601
Equipment	635,155	1,735	-	636,890
Vehicles/motorized equipment	722,276	200,999	-	923,275
Total capital assets	\$ 3,672,078	\$ 202,734	\$ -	\$ 3,874,812
Less -				
Accumulated depreciation				
Buildings and infrastructure	\$ 1,511,734	\$ 29,917	\$ -	\$ 1,541,651
Equipment	374,958	52,670	-	427,628
Vehicles/motorized equipment	408,409	54,768	-	463,177
Total accumulated depreciation	2,295,101	\$ 137,355	\$ -	2,432,456
Governmental activities -				
Capital assets - Net	\$ 1,376,977			\$ 1,442,356

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

General Government	\$ 13,231
Public Safety	96,832
Transportation	24,358
Environmental Protection	2,934
Total depreciation expense	\$ 137,355

Town of Fairmont, North Carolina
Notes to Financial Statements
June 30, 2011

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A – Assets (continued)

Business-type activities -				
Water and Sewer Fund -	Beginning			Ending
Capital assets	Balances	Increases	Decreases	Balances
Land (non-depreciable)	\$ 7,091	\$ -	\$ -	\$ 7,091
Public works building	12,755	-	-	12,755
Water and sewer system	13,053,424	-	-	13,053,424
Equipment	598,479	-	-	598,479
Total capital assets	\$ 13,671,749	\$ -	\$ -	\$ 13,671,749
Less -				
Accumulated depreciation				
Public works building	\$ 11,290	\$ 383	\$ -	\$ 11,673
Water and sewer system	3,860,474	264,408	-	4,124,882
Equipment	426,797	28,426	-	455,223
Total accumulated depreciation	4,298,561	\$ 293,217	\$ -	4,591,778
Business-type activities				
Capital assets - Net	\$ 9,373,188			\$ 9,079,971

The following is a summary of Proprietary Fund type fixed assets for the ABC Board at June 30, 2011:

Land	\$ 26,500
Buildings and equipment	176,193
	202,693
Less - Accumulated depreciation	(168,199)
Total ABC fixed assets	\$ 34,494

Town of Fairmont, North Carolina
Notes to Financial Statements
June 30, 2011

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 6.41% and 6.52%, 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, 2011, 2010, and 2009, were \$59,183, \$44,082, and \$44,887, 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, 2011, 2010, and 2009, were \$6,098, \$6,044, and \$3,624, 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, 2011, 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, 2011

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, 2011, were \$44,702, which consisted of \$21,613 from the Town and \$23,089 from the law enforcement officers.

Deferred Revenue

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

Taxes receivable – Net \$ 198,089

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, 2011, the City made payments for post-retirement health benefit premiums of \$26,430.

Membership of the Plan consisted of the following at June 30, 2011:

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

See Independent Auditor's Report.

Town of Fairmont, North Carolina
Notes to Financial Statements
June 30, 2011

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 9.94% of annual covered payroll. For the current year the Town contributed \$26,430 or 2.90% 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 OPEB obligation for the health care benefits:

	Governmental Activities
Annual required contribution	\$ 90,361
Interest on net OPEB obligation	-
Adjustments to annual required	-
Annual OPEB cost (expense)	\$ 90,361
Contributions made	(26,430)
Increase (decrease) in net OPEB	63,931
Net OPEB obligation beginning of year	49,017
Net OPEB obligation, end of year	\$ 112,948

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contrib.	Net OPEB Obligation
2011	\$90,631	29.25%	\$63,931
2010	78,773	37.77%	49,017

Fund Status and Funding Progress. As of December 31, 2010, 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 \$732,398. The covered payroll (annual payroll) of active employees covered by the plan was \$908,967 and the ratio of the UAAL to the covered payroll was 80.57%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about the actuarial accrued liabilities for benefit.

Town of Fairmont, North Carolina
Notes to Financial Statements
June 30, 2011

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, 2010 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, 2011, was 29 years.

As of December 31, 2010, management has not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service prioritized by the Town Council.

Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multi-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of the contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

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.

Town of Fairmont, North Carolina
Notes to Financial Statements
June 30, 2011

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

Risk Management (continued)

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.

Years ending June 30:	Total	Principal	Interest
2012	22,118	19,967	2,151
2013	22,118	20,650	1,468
2014	22,118	21,357	761
2015	12,587	12,480	107
Total	\$ 78,941	\$ 74,454	\$ 4,487

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, also a new USDA loan in the amount of \$46,500 for police cars payable in 5 annual installments of \$10,308 including interest at the rate of 4.125%. both are combined and are described in detail below:

Years ending June 30:	Total	Principal	Interest
2012	22,188	18,083	4,105
2013	22,188	18,872	3,316
2014	22,188	19,694	2,494
2015	22,188	20,553	1,635
2016	22,188	21,450	738
Total	\$ 110,940	\$ 98,652	\$ 12,288

Summary of activity	Beginning Balances	Increase (Decrease)	Ending Balance	Current Portion
BB&T bank loan	\$ 93,760	\$ (19,306)	\$ 74,454	\$ 19,967
USDA loan	61,274	(9,122)	52,152	9,533
New USDA Loan		46,500	46,500	8,550
	<u>\$ 155,034</u>	<u>\$ 18,072</u>	<u>\$ 173,106</u>	<u>\$ 38,050</u>
OPEB	\$ 49,017	\$ 63,931	\$ 112,948	\$ -

See Independent Auditor's Report.

Town of Fairmont, North Carolina
Notes to Financial Statements
June 30, 2011

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

General Obligation Indebtedness

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

Bonds payable at June 30, 2011, 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%	\$ 1,125,000
\$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>1,573,500</u>
Total	<u>\$ 2,698,500</u>

Annual debt service requirements to maturity for general obligation bonds, including interest of \$2,232,494 on the Water and Sewer bonds, are as follows:

Years ending June 30:	Total	Principal	Interest
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	167,590	55,000	112,590
2017-2021	836,575	311,000	525,575
2022-2026	835,237	388,500	446,737
2027-2031	836,767	484,000	352,767
2032-2036	836,296	603,500	232,796
2037-2041	749,100	660,000	89,100
Total	<u>\$4,930,994</u>	<u>\$2,698,500</u>	<u>\$2,232,494</u>

Town of Fairmont, North Carolina
Notes to Financial Statements
June 30, 2011

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

Long-Term Obligations (continued)

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

Years ending June 30:	Total	Principal	Interest
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
Total	\$ 137,889	\$ 125,467	\$ 12,422

At June 30, 2011, the Town of Fairmont had a legal debt margin (computed as 8% of assessed property valuations after senior exemptions less any outstanding structured debt) of \$5,417,246.

Changes in Water and Sewer Fund Long-Term Liabilities

Summary of activity	Beginning Balances	Increase (Decrease)	Ending Balance	Current Portion
Bank loan	\$ 151,219	\$ (25,752)	\$ 125,467	\$ 26,895
General obligation bonds	2,742,000	(43,500)	2,698,500	46,000
	\$ 2,893,219	\$ (69,252)	\$ 2,823,967	\$ 72,895

NOTE 4 - RELATED ORGANIZATION

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

NOTE 5 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 6 - SUBSEQUENT EVENTS

Subsequent events were evaluated through August 31, 2011, which is the date the financial statements were available to be issued.

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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Ad Valorem taxes				
Current year			\$ 635,575	
Prior years			106,109	
Tax discounts			24,909	
Tax penalties			(4,096)	
Foreclosure fees			749	
Total Ad Valorem taxes	<u>870,000</u>	<u>762,390</u>	<u>763,246</u>	<u>856</u>
Other taxes and licenses				
Utility franchise tax			120,407	
Local sales tax			463,579	
Privilege and gaming license			33,605	
Cable tax revenue and franchise fees			19,312	
Zoning permits			1,415	
Total other taxes and licenses	<u>696,250</u>	<u>643,462</u>	<u>638,318</u>	<u>(5,144)</u>
Unrestricted intergovernmental				
Beer and wine tax			12,178	
Gasoline tax refunds			-	
Payments in lieu of taxes			-	
ABC profit distribution			-	
Total unrestricted intergovernmental	<u>26,700</u>	<u>12,177</u>	<u>12,178</u>	<u>1</u>
Restricted intergovernmental				
Powell Bill allocation			88,385	
Court fees			5,030	
Grants			197,505	
Total restricted intergovernmental	<u>144,985</u>	<u>293,920</u>	<u>290,920</u>	<u>(3,000)</u>
Other general revenue				
Telephone commissions			-	
Miscellaneous income			18,075	
Administrative time reimbursement			-	
Sale of material and assets			-	
Sale of fixed assets			6,875	
Net equipment and building rental			16,435	
Total other general revenue	<u>\$ 80,100</u>	<u>\$ 38,713</u>	<u>\$ 41,385</u>	<u>\$ 2,672</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues (continued)				
Miscellaneous revenue				
Sales and service - Sanitation fees	\$	\$	\$ 223,774	\$
Investment earnings			364	
Total miscellaneous revenue	<u>231,550</u>	<u>224,256</u>	<u>224,138</u>	<u>(118)</u>
Total revenues	<u>2,049,585</u>	<u>1,974,918</u>	<u>1,970,185</u>	<u>(4,733)</u>
Expenditures				
General Government-				
Governing body				
Salaries and employee benefits			12,064	
Travel			141	
Departmental supplies			128	
Postage			390	
Dues and subscriptions			297	
Total governing body	<u>13,545</u>	<u>13,023</u>	<u>13,020</u>	<u>3</u>
Administration				
Salaries and employee benefits			60,033	
Postage			1,013	
Auto			4,000	
Departmental supplies			444	
Dues and subscriptions			515	
Capital outlay			-	
Total administration	<u>82,592</u>	<u>66,019</u>	<u>66,005</u>	<u>14</u>
Clerk				
Salaries and employee benefits			46,505	
Training			588	
Postage			264	
Departmental supplies			1,193	
Dues and subscriptions			185	
Capital outlay			1,735	
Total clerk	<u>\$ 51,460</u>	<u>\$ 50,478</u>	<u>\$ 50,470</u>	<u>\$ 8</u>
Finance				
Salaries and employee benefits			59,740	
Professional services			14,300	
Training			-	
Postage			534	
Maintenance and repairs / rental			6,854	
Advertising			573	
Departmental supplies			2,258	
Dues and subscriptions			25	
Total finance	<u>\$ 86,681</u>	<u>\$ 84,291</u>	<u>\$ 84,284</u>	<u>\$ 7</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures (continued)				
General Government (continued)				
Tax listing				
Salaries and employee benefits	\$	\$	\$ 40,849	\$
Training			\$ 95	
Postage			1,118	
Maintenance and repairs - Equipment			-	
Advertising			2,057	
Departmental supplies			947	
Total tax listing	<u>45,418</u>	<u>45,078</u>	<u>45,066</u>	<u>12</u>
Legal				
Professional services	<u>20,650</u>	<u>31,000</u>	<u>30,405</u>	<u>595</u>
Planning				
Professional services			3,566	
Postage			15	
Noise abatement			4,170	
Total planning	<u>6,250</u>	<u>8,510</u>	<u>7,751</u>	<u>759</u>
Public building				
Salaries and employee benefits			35,026	
Telephone			9,095	
Utilities			34,359	
Maintenance and repairs - Buildings			33,350	
Uniforms			439	
Departmental supplies			7,614	
Total public building	<u>113,796</u>	<u>120,773</u>	<u>119,883</u>	<u>890</u>
Total General Government	<u>\$ 420,392</u>	<u>\$ 419,172</u>	<u>\$ 416,884</u>	<u>\$ 2,288</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures (continued)				
Public Safety				
Police department				
Salaries and employee benefits	\$	\$	\$ 683,735	\$
Travel			1,769	
Postage			7,553	
Maintenance and repairs - Equipment			15,384	
Maintenance agreements			10,818	
Maintenance and repairs - Vehicles			9,193	
Equipment rental			3,415	
Auto supplies			36,360	
Departmental supplies			10,378	
Uniforms			6,427	
Medical exams			885	
Dues and subscriptions			500	
Grant-related expenditures			1,944	
Capital outlay			200,999	
Total police department	<u>870,043</u>	<u>989,360</u>	<u>989,360</u>	<u>-</u>
Fire department				
Salaries and employee benefits			26,244	
Training			1,316	
Postage			701	
Maintenance and repairs - Equipment			9,517	
Maintenance and repairs - Vehicles			5,650	
Auto supplies			1,962	
Departmental supplies			7,497	
Uniforms			378	
Medical exams			75	
Dues			1,014	
Debt service - fire truck payment				
Principal repayment			9,122	
Interest			2,692	
Total fire department	<u>68,254</u>	<u>66,816</u>	<u>66,168</u>	<u>648</u>
Total Public Safety	<u>938,297</u>	<u>1,056,176</u>	<u>1,055,528</u>	<u>648</u>
Transportation				
Powell Bill				
Salaries and employee benefits			7,097	
Drainage			3,817	
Debt service				
Principal repayment			19,306	
Interest			2,818	
Repairs and maintenance			18,902	
Total Powell Bill	<u>\$ 89,000</u>	<u>\$ 88,559</u>	<u>\$ 51,940</u>	<u>\$ 36,619</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued)				
Transportation (continued)				
Garage				
Salaries and employee benefits	\$	\$	\$ 46,038	\$
Uniforms			345	
Total garage	<u>47,481</u>	<u>46,420</u>	<u>46,383</u>	<u>37</u>
Streets				
Salaries and employee benefits			47,460	
Utilities			70,440	
Maintenance and repairs - Equipment			23,730	
Maintenance and repairs - Vehicles			4,014	
Auto supplies			17,699	
Departmental supplies			14,266	
Uniforms			507	
Miscellaneous			73	
Capital outlay			-	
Total streets	<u>178,222</u>	<u>178,151</u>	<u>178,189</u>	<u>(38)</u>
Total Transportation	<u>314,703</u>	<u>313,130</u>	<u>276,512</u>	<u>36,618</u>
Environmental Protection				
Sanitation				
Salaries and employee benefits			-	
Maintenance and repairs - Equipment			1,192	
Maintenance and repairs - Vehicles			4,063	
Auto supplies			5,913	
Departmental supplies			3,442	
Contracted services			217,790	
Capital outlay			-	
Total Environmental Protection	<u>244,500</u>	<u>232,400</u>	<u>232,400</u>	<u>-</u>
Economic and Community Development				
Community service				
Salaries and employee benefits			8,170	
Maintenance and repairs - Equipment			1,677	
Departmental supplies			393	
Dues and subscriptions			4,458	
Insurance			65,734	
Grant-related expenditures			11,000	
Miscellaneous			17,231	
Capital outlay			-	
Total Economic and Community Development	<u>143,893</u>	<u>108,742</u>	<u>108,663</u>	<u>79</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Total expenditures	\$ 2,061,785	\$ 2,129,620	\$ 2,089,987	\$ 39,633
Total revenues	\$ 2,049,585	\$ 1,974,918	\$ 1,970,185	\$ (4,733)
Total expenditures	<u>2,061,785</u>	<u>2,129,620</u>	<u>2,089,987</u>	<u>39,633</u>
Revenue over (under) expenditures	<u>(12,200)</u>	<u>(154,702)</u>	<u>(119,802)</u>	<u>34,900</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Loan proceeds	-	46,500	46,500	-
Fund balance appropriated	<u>12,200</u>	<u>108,202</u>	<u>-</u>	<u>(108,202)</u>
Total other financing sources (uses)	<u>12,200</u>	<u>154,702</u>	<u>46,500</u>	<u>(108,202)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>(73,302)</u>	<u>\$ (73,302)</u>
Fund balance				
Beginning of year			<u>372,827</u>	
End of year			<u>\$ 299,525</u>	

Non-Major Governmental Funds

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

June 30, 2011

(With Comparative Totals for June 30, 2010)

	Rural Business Enterprise Grant Fund		Cemetery Fund		Parks and Recreation Fund		Golden Leaf Project Fund		Community Development Fund		Totals	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
<u>Assets</u>												
Cash and investments	\$ 71,750	\$ 18,603	\$ 2,629	\$ -	\$ -	\$ -	\$ 6,580	\$ 107,922	\$ 99,562	\$ 107,922		
Grant receivable	-	-	-	-	-	-	-	-	-	-		
Total assets	\$ 71,750	\$ 18,603	\$ 2,629	\$ -	\$ -	\$ -	\$ 6,580	\$ 107,922	\$ 99,562	\$ 107,922		
<u>Liabilities and Fund Balances</u>												
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Fund balances	71,750	18,603	2,629	-	-	-	6,580	107,922	99,562	107,922		
Total liabilities and fund balances	\$ 71,750	\$ 18,603	\$ 2,629	\$ -	\$ -	\$ -	\$ 6,580	\$ 107,922	\$ 99,562	\$ 107,922		

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, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	Rural Business Enterprise Grant Fund	Cemetery Fund	Parks and Recreation Fund	Golden Leaf Project Fund	Community Development Fund	Totals
	2011	2011	2011	2011	2011	2010
Revenues						
Interest income	\$ 88	\$ 87	\$ -	\$ -	\$ 12	\$ 411
State Grant	-	-	-	-	75,000	75,000
CDBG Grant	-	-	-	-	460,745	39,255
Golden Leaf Grant	-	-	-	-	-	-
Local match	-	-	-	-	4,500	4,755
Contributions	-	100	978	-	-	1,078
Loan repayments	8,187	-	-	-	-	8,187
Total revenues	<u>8,275</u>	<u>187</u>	<u>978</u>	<u>-</u>	<u>540,257</u>	<u>171,212</u>
Expenditures						
Administration	-	-	-	-	-	24,776
Rehabilitation	-	-	-	-	533,677	87,952
Relocation	-	-	-	-	-	4,719
Other	-	-	-	-	-	175
Clearance	-	-	-	-	-	1,406
Community service	21,467	-	2,913	-	-	35,167
Total expenditures	<u>21,467</u>	<u>-</u>	<u>2,913</u>	<u>-</u>	<u>533,677</u>	<u>154,195</u>
Revenue over (under) expenditures	(13,192)	187	(1,935)	-	6,580	17,017
Operating transfer (out)	-	-	-	-	-	-
Fund balances						
Beginning of year	84,942	18,416	4,564	-	-	90,905
End of year	<u>\$ 71,750</u>	<u>\$ 18,603</u>	<u>\$ 2,629</u>	<u>\$ -</u>	<u>\$ 6,580</u>	<u>\$ 107,922</u>

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, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	2011		Variance Favorable (Unfavorable)	2010
	Budget	Actual		Actual
Revenue				
Interest	\$ 87	\$ 88	\$ -	\$ 109
USDA Loan	-	-	-	-
Loan repayments	8,187	8,187	-	24,016
Total revenue	<u>8,274</u>	<u>8,275</u>	<u>1</u>	<u>24,125</u>
Expenditures				
Other	1,600	1,490		8,252
Loans to businesses	20,000	19,977		-
Total expenditures	<u>21,600</u>	<u>21,467</u>	<u>133</u>	<u>8,252</u>
Revenue over (under) expenditures	(13,326)	(13,192)	134	15,873
Other financing sources (uses)				
Fund balance appropriated	<u>13,326</u>	<u>-</u>	<u>(13,326)</u>	<u>-</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(13,192)</u>	<u>\$ (13,192)</u>	<u>15,873</u>
Fund balance				
Beginning of year		<u>84,942</u>		<u>69,069</u>
End of year		<u>\$ 71,750</u>		<u>\$ 84,942</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, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	2011		Variance Favorable (Unfavorable)	2010
	Budget	Actual		Actual
Revenue				
Interest income	\$	\$ 87	\$	\$ 280
Contributions		100		-
Total revenue	<u>1,243</u>	<u>187</u>	<u>(1,056)</u>	<u>280</u>
Expenditures				
Administration		-		-
Total expenditures	<u>18,582</u>	<u>-</u>	<u>18,582</u>	<u>-</u>
Revenue over (under) expenditures	(17,339)	187	17,526	280
Other financing sources (uses)				
Fund balance appropriated	<u>17,339</u>	<u>-</u>	<u>(17,339)</u>	<u>-</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	187	<u>\$ 187</u>	280
Fund balance				
Beginning of year		<u>18,416</u>		<u>18,136</u>
End of year		<u>\$ 18,603</u>		<u>\$ 18,416</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, 2011
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)

	2011		Variance Favorable (Unfavorable)	2010
	Budget	Actual		Actual
Revenue				
Interest income	\$	\$ -	\$	\$ 4
Golden Leaf Grant		-		-
Local funds		-		-
Contributions		978		27,775
Total revenue	<u>978</u>	<u>978</u>	<u>-</u>	<u>27,779</u>
Expenditures				
Community service		2,913		26,915
Community service - Golden Leaf Funds		-		-
Total expenditures	<u>2,918</u>	<u>2,913</u>	<u>5</u>	<u>26,915</u>
Revenue over (under) expenditures	(1,940)	(1,935)	5	864
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Fund balance appropriated	1,940	-	(1,940)	-
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	(1,935)	<u>\$ (1,935)</u>	864
Fund balance				
Beginning of year		<u>4,564</u>		<u>3,700</u>
End of year		<u>\$ 2,629</u>		<u>\$ 4,564</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, 2011

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenue					
NCHFA Urgent Repair Grant					
Interest income	\$ 11	\$ -	\$ 12	\$ 12	\$ 1
State Grant	75,000	-	75,000	75,000	-
Local Match	4,500	-	4,500	4,500	-
CDBG-R 09-R-1961	500,000	39,255	460,745	500,000	-
Total revenue	<u>579,511</u>	<u>39,255</u>	<u>540,257</u>	<u>579,512</u>	<u>1</u>
Expenditures					
NCHFA Urgent Repair Grant					
Rehabilitation	79,511	-	72,932	72,932	6,579
CDBG-R 09-R-1961					
Acquisition	22,600		22,600	22,600	-
Rehabilitation	336,000	19,043	316,957	336,000	-
Clearance	10,000	1,406	8,594	10,000	-
Relocation	106,400	4,719	101,681	106,400	-
Administration	25,000	14,087	10,913	25,000	-
Total expenditures	<u>579,511</u>	<u>39,255</u>	<u>533,677</u>	<u>572,932</u>	<u>6,579</u>
Revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>6,580</u>	<u>6,580</u>	<u>6,580</u>
Other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>6,580</u>	<u>\$ 6,580</u>	<u>\$ (6,580)</u>
Fund balance, beginning			\$ -		
Fund balance, ending			<u>\$ 6,580</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenue</u>				
Operating revenue				
Water sales	\$	\$	\$ 377,338	\$
Sewer sales			657,048	
Water and sewer connections			1,050	
Late fees			21,085	
Reconnection fees			10,623	
Sales tax			-	
Grants			-	
Other operating revenue			11,654	
Total operating revenue	<u>1,171,250</u>	<u>1,068,885</u>	<u>1,078,798</u>	<u>9,913</u>
Non-operating revenue				
Interest income			-	
Total non-operating revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,171,250</u>	<u>1,068,885</u>	<u>1,078,798</u>	<u>9,913</u>
<u>Expenditures</u>				
Water and sewer administration				
Salaries and employee benefits			138,043	
Training			774	
Postage and telephone			8,902	
Utilities			8,575	
Maintenance and repairs - Equipment			6,068	
Maintenance and repairs - Vehicles			3,558	
Equipment rental			6,215	
Advertising			146	
Auto supplies			8,263	
Departmental supplies			(2,215)	
Uniforms			1,028	
Medical exams			300	
Debt service			-	
Contracted services			-	
Total water and sewer administration	<u>\$ 210,260</u>	<u>\$ 194,751</u>	<u>\$ 179,657</u>	<u>\$ 15,094</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Expenditures (continued)</u>				
Water treatment				
Salaries and employee benefits	\$	\$	\$ 46,175	\$
Training			2,777	
Telephone			4,444	
Utilities			14,696	
Maintenance and repairs - Equipment			54,191	
Departmental supplies			8,300	
Uniforms			566	
Dues			390	
Total water treatment	<u>117,306</u>	<u>131,586</u>	<u>131,539</u>	<u>47</u>
Water maintenance				
Salaries and employee benefits			54,716	
Maintenance and repairs - Equipment			3,247	
Maintenance and repairs - Vehicles			3,561	
Auto supplies			24,803	
Departmental supplies			18,127	
Uniforms			602	
Total water maintenance	<u>114,338</u>	<u>105,180</u>	<u>105,056</u>	<u>124</u>
Sewage treatment				
Salaries and employee benefits			151,135	
Training			82	
Telephone			7,941	
Utilities			100,268	
Maintenance and repairs - Equipment			38,904	
Departmental supplies			19,381	
Uniforms			1,275	
Miscellaneous			-	
Contingency			-	
Total sewage treatment	<u>330,430</u>	<u>319,098</u>	<u>318,986</u>	<u>112</u>
Non-departmental				
Insurance and bonds			19,751	
Vacation			-	
Bad debt expense			1,662	
Building maintenance			1,018	
I & I study			-	
Professional services			2,479	
Total non-departmental	<u>\$ 129,129</u>	<u>\$ 24,989</u>	<u>\$ 24,910</u>	<u>\$ 79</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued)				
Sewer maintenance				
Salaries and employee benefits	\$	\$	\$ 28,924	\$
Maintenance and repairs - Equipment			1,876	
Maintenance and repairs - Vehicles			7,232	
Auto supplies			16,271	
Departmental supplies			6,491	
Uniforms			287	
Total sewer maintenance	71,036	61,495	61,081	414
Sewer contract operations and maint.				
Other operating expenses	-	33,035	35,920	(2,885)
Total operating expenditures	972,499	870,134	857,149	12,985
Net capital outlay				
Capital outlay	-	-	-	-
Net capital outlay	-	-	-	-
Debt Service				
Principal repayment		-	69,252	
Interest		-	129,459	
Total debt service	198,751	198,751	198,711	40
Total expenditures	1,171,250	1,068,885	1,055,860	13,025
Revenue over (under) expenditures	-	-	22,938	22,938
Other financing sources (uses)				
Transfers out	-	-	-	
Capital lease obligations issued	-	-	-	
Due from other funds	-	-	-	-
Appropriated retained earnings	-	-	-	-
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ 22,938	\$ 22,938
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Revenue over (under) expenditures			\$ 22,938	
Reconciling items:				
Capital outlay			-	
Debt principal repayment			69,252	
Capital contribution			-	
Depreciation			(293,217)	
Total reconciling items			(223,965)	
Net income (loss)			\$ (201,027)	

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, 2011

	Project Authorization	Prior Years	Actual		Variance Favorable (Unfavorable)
			Current Year	Total to Date	
Revenue					
07-E-1647					
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -
Community Development Block Grant	400,000	398,795	-	398,795	(1,205)
Local Match	-	-	-	-	-
Owner contribution	-	-	-	-	-
Total revenue	<u>400,000</u>	<u>398,795</u>	<u>-</u>	<u>398,795</u>	<u>(1,205)</u>
Expenditures					
07-E-1647					
Community service - revitalization and development - sewer	400,000	398,795	-	398,795	1,205
Total expenditures	<u>400,000</u>	<u>398,795</u>	<u>-</u>	<u>398,795</u>	<u>1,205</u>
Revenue over (under) expenditures	<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, 2011

	Cost and Market Values
Cash	
Petty cash	\$ 850
Demand deposit - First Bank	1,179
Demand deposits - Branch Banking & Trust	107,908
Savings account - Branch Banking & Trust	50,000
Savings account - Branch Banking & Trust	-
Certificate of deposit - RBC Centura	17,425
Total cash	177,362
 Investments	
North Carolina Capital Management Trust	150,000
Total investments	150,000
Total cash and investments	\$ 327,362
 Distribution by fund:	
General Fund	\$ 223,516
Special Revenue Funds -	
Community Development Block Grant	6,580
Cemetery Fund	18,603
Parks and Recreation Fund	2,629
Golden Leaf Project Fund	-
Capital Projects	-
USDA - RBEG Program	71,750
NCHFA	-
Enterprise Fund	4,284
Total	\$ 327,362

Town of Fairmont, North Carolina
Analysis of Current Year Tax Levy
For the Fiscal Year Ended June 30, 2011

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 105,178,986	0.69	\$ 725,735	\$ 648,479	\$ 77,256
Releases			-	-	-
Net levy			725,735	648,479	77,256
Less-Uncollected taxes at June 30, 2010			90,161	72,613	17,548
Current year's taxes collected			<u>\$ 635,574</u>	<u>\$ 575,866</u>	<u>\$ 59,708</u>
Current levy collection percentage			<u>87.58%</u>	<u>88.80%</u>	<u>77.29%</u>

Town of Fairmont, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2011

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2010</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2011</u>
2010-2011	\$ -	\$ 725,735	\$ 635,574	\$ 90,161
2009-2010	77,771	-	44,519	33,252
2008-2009	44,001	-	19,302	24,699
2007-2008	33,253	-	14,998	18,255
2006-2007	22,505	-	10,901	11,604
2005-2006	17,943	-	8,665	9,278
2004-2005	6,809	-	1,853	4,956
2003-2004	3,859	-	1,675	2,184
2002-2003	3,068	-	879	2,189
2001-2002	2,386	-	875	1,511
Prior years	2,442	-	2,442	-
	<u>\$ 214,037</u>	<u>\$ 725,735</u>	<u>\$ 741,683</u>	198,089

Less - Allowance for uncollectible accounts - General Fund

-

Ad valorem taxes receivable - Net

\$ 198,089

Reconciliation with revenue:

Taxes - Ad Valorem - General Fund

\$ 763,246

Penalties

(20,813)

Discoveries

-

Amount written off -

For tax year 2000-2001 per statute of limitations

2,275

Other

(3,025)

Total collections and credits

\$ 741,683

Section V.

Compliance Section

Supplementary Information:

Compliance Section

- **Report On Internal Control Over Financial Reporting Based And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance with *Government Auditing Standards***
- **Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act**
- **Schedule of Findings and Questioned Costs**
- **Corrective Action Plan**
- **Summary Schedule of Prior Year Audit Findings**
- **Schedule of Expenditures of Federal and State Awards**

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 discreetly presented component unit and each major fund of the Town of Fairmont, North Carolina, as of and for the year ended June 30, 2011, which collectively comprises the Town of Fairmont's basic financial statements and have issued our report thereon dated June 30, 2011. 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

Management of the Town of Fairmont is responsible for establishing and maintaining effective 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.

S. Porter Douglas & Associates, LLP

Lumberton, North Carolina
August 31, 2011

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs
N. C. Association of CPAs

Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

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

Compliance

We have audited the Town of Fairmont, North Carolina, compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Fairmont's major federal programs for the year ended June 30, 2011. The Town of Fairmont's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Fairmont's management. Our responsibility is to express an opinion on the Town of Fairmont's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Fairmont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Fairmont's compliance with those requirements.

In our opinion, the Town of Fairmont complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Town of Fairmont is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Fairmont's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over

Post Office Drawer 2339 • 907 N. Walnut Street • Lumberton, NC 28359 • Phone (910) 739-7523 • Fax (910) 739-5477
Post Office Drawer 937 • 1103 West Broad Street • Elizabethtown, NC 28337 • Phone (910) 862-3768 • Fax (910) 862-6681
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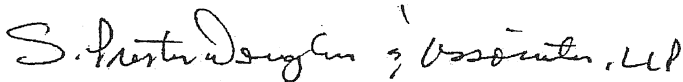
To the Honorable Mayor and
Members of the Board of Town Commissioners
Town of Fairmont, North Carolina

compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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 specified parties

 S. Porter Douglas, CPA

Lumberton, North Carolina
August 31, 2011

TOWN OF FAIRMONT, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses _____ yes X none reported

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness (es) identified? _____ yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses _____ yes X none reported

Noncompliance material to federal awards _____ yes X no

Type of auditor's report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 _____ yes X no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B Programs \$300,000

Auditee qualified as low-risk auditee? _____ yes X no

TOWN OF FAIRMONT, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2011

Section II. Financial Statement Findings

None

Section III. Federal Award Findings and Questioned Costs

None

Section IV. State Award Findings and Questioned Costs

None

TOWN OF FAIRMONT, NORTH CAROLINA
Corrective Action Plan
For the Fiscal Year Ended June 30, 2011

Not Applicable

TOWN OF FAIRMONT, NORTH CAROLINA
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2011

There were no prior year findings.

Town of Fairmont, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2011

Grantor/Pass - through Grant/Program Title	Federal CFDA Number	State Pass-through Grantor's Number	Federal (Direct Pass- through) Expenditures	State Expenditures
Federal Grants:				
Cash Program				
<u>U.S. Department of Housing and Urban Development</u>				
Passed - through N.C. Department of Commerce:				
Community Development Block Grant				
Small Cities Program	14.228	09-R-1961	\$ 460,745	-
<u>U.S. Department of Agriculture</u>				
Communities Facilities Loans and Grants				
Police car grant	10.766		148,500	-
Police car loan	10.766		46,500	
<u>U.S. Department of Justice</u>				
COPS grant	16.710		35,089	
ARRA grant for police car	16.804		2,169	
State Grants:				
Cash Assistance:				
<u>N.C. Department of Transportation</u>				
Powell Bill	N/A	-	-	51,940
<u>N.C. Department of Crime Control and Public Safety</u>				
C&S grant	N/A		-	2,272
<u>N.C. Housing Finance Agency</u>				
Urgent repair	14.999		73,855	
Total federal and State awards			\$ 766,858	\$ 54,212

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

The schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Fairmont and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.