

**Town of Fairmont, North Carolina**  
**Audited Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

**Charles Kemp, Mayor**

**Board of Town Commissioners**

**Kim Ammons**

**Carol Leak-McKenzie**

**Wayland Lennon, III**

**Jeffrey J. McCree**

**Wade Sealey**

**Charles Townsend**

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**Linda Vause, Town Manager/Finance Officer**

**Jenny Larson, Town Clerk**

**Town of Fairmont, North Carolina**  
**Table of Contents**  
**June 30, 2012**

|  | Page |
|--|------|
| <b>I. Financial Section</b>  |      |
| Independent Auditor's Report   | 1    |
| Management's Discussion and Analysis   | 3    |
| <b>II. Basic Financial Statements</b>  |      |
| Government-wide Financial Statements:  |      |
| Statement of Net Assets  | 10   |
| Statement of Activities  | 11   |
| Fund Financial Statements:   |      |
| Balance Sheet – Governmental Funds   | 12   |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds  | 13   |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 14   |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund   | 15   |
| Statement of Net Assets – Proprietary Funds  | 16   |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds  | 17   |
| Statement of Cash Flows – Proprietary Funds  | 18   |
| Notes to Financial Statements  | 19   |
| <b>III. Required Supplemental Financial Data:</b>  |      |
| Other Postemployment Benefits – Schedule of Funding Progress and Schedule of Employer Contributions  | 36   |
| <b>IV. Individual Fund Financial Statements Section</b>  |      |
| <u>General Fund</u>  |      |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  | 37   |
| <u>Non-Major Governmental Funds</u>  |      |
| Combining Balance Sheet  | 43   |

Town of Fairmont, North Carolina  
Table of Contents  
June 30, 2012

|   | Page |
|---|------|
| <b>IV. Individual Fund Financial Statements (continued)</b>   |      |
| <u>Non-Major Governmental Funds (continued)</u>   |      |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances  | 44   |
| <u>Special Revenue Funds</u>  |      |
| Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:  |      |
| Rural Business Enterprise Grant Fund  | 45   |
| Cemetery Fund   | 46   |
| Parks and Recreation Fund   | 47   |
| Community Development   | 48   |
| <u>Enterprise Fund – Proprietary Fund Type</u>  |      |
| Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) Water and Sewer Fund   | 49   |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Water and Sewer Capital Projects Fund  | 50   |
| <b>V. Statistical Section</b>   |      |
| Schedule of Cash and Investments  | 53   |
| Analysis of Current Year Tax Levy   | 54   |
| Schedule of Ad Valorem Taxes Receivable   | 55   |
| <b>VI. Compliance Section</b>   |      |
| 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> | 56   |

# 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 June 30, 2012, 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 basic 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Fairmont, North Carolina, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, 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 our report dated September 14, 2012 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, and 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting

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Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express and opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Fairmont's basic financial statements. The combining and individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund financial statements, budgetary schedules, and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, and other schedules are stated in all material respects in relation to the basic financial statements as a whole.

*S. Preston Douglas & Associates, LLP*

Lumberton, North Carolina

September 14, 2012

**Town of Fairmont, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2012**

**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, 2012. 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 \$7,386,445.

The government's total net assets decreased in the amount of \$598,070.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$397,281. Approximately 59.09% of this total amount, or \$234,747, is available for spending at the government's discretion.

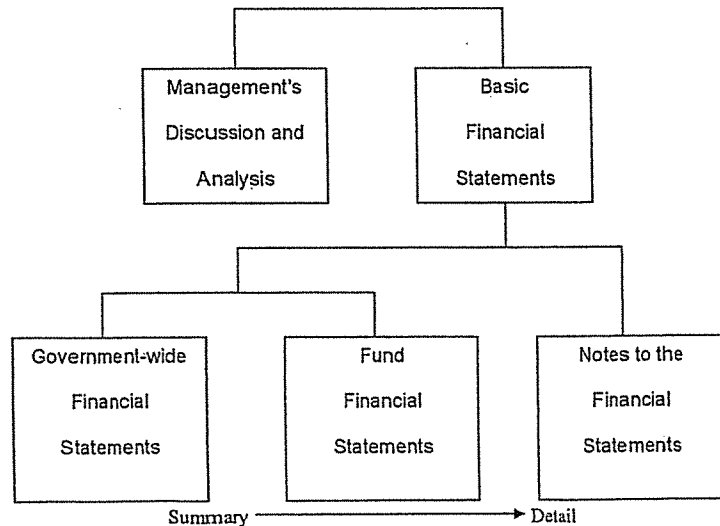
At the end of the current fiscal year, unreserved fund balance for the general fund was \$143,420 or 7.75% of total General Fund expenditures.

**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**  
**June 30, 2012**

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 10 and 11 of this report.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies that are unexpended at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net 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**  
**June 30, 2012**

**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 19-35 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 37-50 of this report.

**Government-wide Financial Analysis**

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

|  | Governmental<br>Activities<br>2012 | Governmental<br>Activities<br>2011 | Business-type<br>Activities<br>2012 | Business-type<br>Activities<br>2011 | Totals<br>2012     | Totals<br>2011     |
|--|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|--------------------|--------------------|
| Current and other assets                                     | \$636,320                          | \$634,373                          | \$140,610                           | \$148,838                           | \$776,930          | \$783,211          |
| Capital assets   | 1,269,182                          | 1,442,356                          | 8,818,815                           | 9,079,972                           | 10,087,997         | 10,522,328         |
| <b>Total assets</b>  | <b>1,905,502</b>                   | <b>2,076,729</b>                   | <b>8,959,425</b>                    | <b>9,228,810</b>                    | <b>10,864,927</b>  | <b>11,305,539</b>  |
| Current liabilities  | 126,099                            | 122,759                            | 196,134                             | 199,189                             | 322,233            | 321,948            |
| Non-current liabilities                                      | 481,265                            | 248,004                            | 2,674,984                           | 2,751,072                           | 3,156,249          | 2,999,076          |
| <b>Total liabilities</b>                                     | <b>607,364</b>                     | <b>370,763</b>                     | <b>2,871,118</b>                    | <b>2,950,261</b>                    | <b>3,478,482</b>   | <b>3,321,024</b>   |
| <b>Net assets</b>  |                                    |                                    |                                     |                                     |                    |                    |
| Invested in capital assets<br>assets, net of related<br>debt | 926,672                            | 1,269,250                          | 6,067,743                           | 6,256,005                           | 6,994,415          | 7,525,255          |
| Restricted   | 149,679                            | 155,148                            | -                                   | -                                   | 149,679            | 155,148            |
| Unrestricted   | 221,787                            | 281,568                            | 20,564                              | 22,544                              | 242,351            | 304,112            |
| <b>Total net assets</b>                                      | <b>\$1,298,138</b>                 | <b>\$1,705,966</b>                 | <b>\$6,088,307</b>                  | <b>\$6,278,549</b>                  | <b>\$7,386,445</b> | <b>\$7,984,515</b> |



**Town of Fairmont, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2012**

**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 \$7,386,445 at the close of the current fiscal year.

By far the largest portion of the Town's net assets, 94.69%, 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, 2.03%, 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 \$242,351 or 3.28% of the total.

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

|                                    | Governmental<br>Activities<br>2012 | Governmental<br>Activities<br>2011 | Business-type<br>Activities<br>2012 | Business-type<br>Activities<br>2011 | Totals<br>2012      | Totals<br>2011      |
|------------------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|---------------------|---------------------|
| <b>Revenues:</b>                   |                                    |                                    |                                     |                                     |                     |                     |
| <b>Program revenues</b>            |                                    |                                    |                                     |                                     |                     |                     |
| Charges for services               | \$ 226,621                         | \$ 228,804                         | \$ 1,059,850                        | \$ 1,083,798                        | \$ 1,286,471        | \$ 1,312,602        |
| Operating grants and contributions | 166,678                            | 835,400                            | -                                   | -                                   | 166,678             | 835,400             |
| Capital grants and contributions   | -                                  | -                                  | -                                   | -                                   | -                   | -                   |
| <b>General revenues</b>            |                                    |                                    |                                     |                                     |                     |                     |
| Property taxes                     | 789,455                            | 747,297                            | -                                   | -                                   | 789,455             | 747,297             |
| Other taxes                        | 642,220                            | 593,694                            | -                                   | -                                   | 642,220             | 593,694             |
| Unrestricted revenues              | 16,943                             | 12,178                             | -                                   | -                                   | 16,943              | 12,178              |
| Other                              | 34,885                             | 88,436                             | -                                   | -                                   | 34,885              | 88,436              |
| <b>Total revenues</b>              | <b>1,876,802</b>                   | <b>2,505,809</b>                   | <b>1,059,850</b>                    | <b>1,083,798</b>                    | <b>2,936,652</b>    | <b>3,589,607</b>    |
| <b>Expenses:</b>                   |                                    |                                    |                                     |                                     |                     |                     |
| General Government                 | 634,719                            | 428,380                            | -                                   | -                                   | 634,719             | 428,380             |
| Public Safety                      | 1,002,769                          | 988,739                            | -                                   | -                                   | 1,002,769           | 988,739             |
| Transportation                     | 273,357                            | 300,870                            | -                                   | -                                   | 273,357             | 300,870             |
| Environmental Protection           | 251,142                            | 235,334                            | -                                   | -                                   | 251,142             | 235,334             |
| Economic Development               | 116,338                            | 666,720                            | -                                   | -                                   | 116,338             | 666,720             |
| Interest on long-term debt         | 6,305                              | -                                  | -                                   | -                                   | 6,305               | -                   |
| Water and Sewer                    | -                                  | -                                  | 1,250,092                           | 1,279,825                           | 1,250,092           | 1,279,825           |
| <b>Total expenses</b>              | <b>2,284,630</b>                   | <b>2,620,043</b>                   | <b>1,250,092</b>                    | <b>1,279,825</b>                    | <b>3,534,722</b>    | <b>3,899,868</b>    |
| <b>Change in net assets</b>        | <b>(407,828)</b>                   | <b>(114,234)</b>                   | <b>(190,242)</b>                    | <b>(196,027)</b>                    | <b>(598,070)</b>    | <b>(310,261)</b>    |
| Net assets - Beginning of year     | 1,705,966                          | 1,820,200                          | 6,278,549                           | 6,474,576                           | 7,984,515           | 8,294,776           |
| <b>Net assets - End of year</b>    | <b>\$ 1,298,138</b>                | <b>\$ 1,705,966</b>                | <b>\$ 6,088,307</b>                 | <b>\$ 6,278,549</b>                 | <b>\$ 7,386,445</b> | <b>\$ 7,984,515</b> |

Ad Valorem taxes were the largest revenue contributor with 42.06% of total revenues. Other taxes was the next largest at 34.22%.

**Town of Fairmont, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2012**

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

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

*Business-type activities.* Business-type activities decreased the Town's net assets by \$190,242. Key elements of this decrease are as follows:

- User fees were \$1,250,092
- High levels of depreciation expense associated with infrastructure enhancements of \$290,750
- Interest expense associated with bonds in the amount of \$126,358

**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 \$397,281 to include General and Capital Projects. Of this total amount, \$234,747 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 \$143,420 with a total fund balance of \$305,954. 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 7.75% 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 \$20,564. 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**  
**June 30, 2012**

**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, 2012, totals \$10,087,998 (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<br>Activities<br>2012 | Governmental<br>Activities<br>2011 | Business-type<br>Activities<br>2012 | Business-type<br>Activities<br>2011 | Totals<br>2012 | Totals<br>2011 |
|-------------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|----------------|----------------|
| 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                            | 636,890                            | 608,393                             | 598,479                             | 1,245,283      | 1,235,369      |
| Vehicles                      | 923,275                            | 923,275                            | -                                   | -                                   | 923,275        | 923,275        |
| Water & Sewer infrastructure  | -                                  | -                                  | 13,073,104                          | 13,053,424                          | 13,073,104     | 13,053,424     |
| Total depreciable assets      | 3,713,766                          | 3,713,766                          | 13,694,252                          | 13,664,658                          | 17,408,018     | 17,378,424     |
| Less - Accumulated dep.       | 2,605,629                          | 2,432,456                          | 4,882,528                           | 4,591,778                           | 7,488,157      | 7,024,234      |
| Total depreciable assets, net | 1,108,137                          | 1,281,310                          | 8,811,724                           | 9,072,880                           | 9,919,861      | 10,354,190     |
| Total capital assets, net     | \$1,269,183                        | \$1,442,356                        | \$8,818,815                         | \$9,079,971                         | \$10,087,998   | \$10,522,327   |

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

**Long-term debt.** At the end of the current fiscal year, the Town of Fairmont had total bonded debt outstanding of \$2,652,500.

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

|                        | Governmental<br>Activities<br>2012 | Governmental<br>Activities<br>2011 | Business-type<br>Activities<br>2012 | Business-type<br>Activities<br>2011 | Totals<br>2012 | Totals<br>2011 |
|------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|----------------|----------------|
| Water serial bonds     | \$ -                               | \$ -                               | \$ 2,652,500                        | \$ 2,698,500                        | \$ 2,652,500   | \$ 2,698,500   |
| Total outstanding debt | \$ -                               | \$ -                               | \$ 2,652,500                        | \$ 2,698,500                        | \$ 2,652,500   | \$ 2,698,500   |

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 \$ 5,555,201 (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 32 of this report.

**Town of Fairmont, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2012**

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

- The unemployment rate for the Town and surrounding area is 13.9% at June 30, 2012, which is a increase from a rate of 13.2% a year ago. This comparison is higher than the state's rate of 9.4% and the national rate of 8.2%.

**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, 2012

|   | Primary Government         |                     |                     | Component         |
|---|----------------------------|---------------------|---------------------|-------------------|
|   | Governmental<br>Activities | Business            | Total               | Unit              |
|   |                            | Type<br>Activities  |                     | ABC<br>Board      |
| <b>ASSETS</b>   |                            |                     |                     |                   |
| Current assets:                                       |                            |                     |                     |                   |
| Cash and cash equivalents                             | \$ 271,469                 | \$ 14,251           | \$ 285,720          | \$ 87,109         |
| Taxes receivable - Net                                | 215,172                    | -                   | 215,172             | -                 |
| Accounts receivable - Net                             | 32,152                     | 84,814              | 116,966             | -                 |
| Due from other governments                            | 74,092                     | -                   | 74,092              | -                 |
| Inventories   | -                          | 41,545              | 41,545              | 64,311            |
| Prepaid items   | -                          | -                   | -                   | 2,226             |
| Restricted cash and cash equivalents                  | 43,435                     | -                   | 43,435              | 30,598            |
| <b>Total current assets</b>                           | <b>636,320</b>             | <b>140,610</b>      | <b>776,930</b>      | <b>184,244</b>    |
| Non-current assets:                                   |                            |                     |                     |                   |
| Capital assets;                                       |                            |                     |                     |                   |
| Land  | 161,046                    | 7,091               | 168,137             | 26,500            |
| Other capital assets, net of depreciation             | 1,108,136                  | 8,811,724           | 9,919,860           | 4,205             |
| <b>Total capital assets</b>                           | <b>1,269,182</b>           | <b>8,818,815</b>    | <b>10,087,997</b>   | <b>30,705</b>     |
| <b>Total assets</b>                                   | <b>1,905,502</b>           | <b>8,959,425</b>    | <b>10,864,927</b>   | <b>214,949</b>    |
| <b>LIABILITIES</b>                                    |                            |                     |                     |                   |
| Current liabilities:                                  |                            |                     |                     |                   |
| Accounts payable and accrued expenses                 | 23,867                     | 1,895               | 25,762              | 41,857            |
| Current portion of long-term debt                     | 39,498                     | 76,088              | 115,586             | -                 |
| Deposits  | -                          | 88,421              | 88,421              | -                 |
| Compensated absences                                  | 62,734                     | 29,730              | 92,464              | -                 |
| <b>Total current liabilities</b>                      | <b>126,099</b>             | <b>196,134</b>      | <b>322,233</b>      | <b>41,857</b>     |
| Long-term liabilities:                                |                            |                     |                     |                   |
| Non-current portion of long-term debt                 | 481,265                    | 2,674,984           | 3,156,249           | -                 |
| <b>Total liabilities</b>                              | <b>607,364</b>             | <b>2,871,118</b>    | <b>3,478,482</b>    | <b>41,857</b>     |
| <b>NET ASSETS</b>                                     |                            |                     |                     |                   |
| Investments in capital assets,<br>net of related debt | 926,672                    | 6,067,743           | 6,994,415           | 30,705            |
| Restricted for:                                       |                            |                     |                     |                   |
| Stabilization by State Statute                        | 106,244                    | -                   | 106,244             | -                 |
| Other functions                                       | 43,435                     | -                   | 43,435              | 16,014            |
| Unrestricted  | 221,787                    | 20,564              | 242,351             | 126,373           |
| <b>Total net assets</b>                               | <b>\$ 1,298,138</b>        | <b>\$ 6,088,307</b> | <b>\$ 7,386,445</b> | <b>\$ 173,092</b> |

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, 2012

| Functions/Programs                          | Program Revenues    |                      |                                  |                                    | Net Revenue (Expense) and Changes in Net Assets |   |                     | Component Unit    |           |
|---|---------------------|----------------------|----------------------------------|------------------------------------|---|---|---------------------|-------------------|-----------|
|   | Expenses            | Charges for Services | Capital Grants and Contributions | Operating Grants and Contributions | Governmental Activities                         | Primary Government Business-type Activities | Total               |                   | ABC Board |
|   |                     |                      |                                  |                                    |   |   |                     |                   |           |
| <b>Primary Government</b>                   |                     |                      |                                  |                                    |   |   |                     |                   |           |
| Governmental activities:                    |                     |                      |                                  |                                    |   |   |                     |                   |           |
| General Government                          | \$ 634,719          | \$ 4,552             | -                                | \$ 75,014                          | \$ (555,153)                                    | \$ -  | \$ (555,153)        | \$ -              |           |
| Public Safety                               | 1,002,769           | -                    | -                                | -                                  | (1,002,769)                                     | -   | (1,002,769)         | -                 |           |
| Transportation                              | 273,357             | -                    | -                                | 88,467                             | (184,890)                                       | -   | (184,890)           | -                 |           |
| Environmental Protection                    | 251,142             | 222,069              | -                                | -                                  | (29,073)  | -   | (29,073)            | -                 |           |
| Economic and Community Dev.                 | 116,338             | -                    | -                                | 3,197                              | (113,141)                                       | -   | (113,141)           | -                 |           |
| Interest on long-term debt                  | 6,305               | -                    | -                                | -                                  | (6,305)   | -   | (6,305)             | -                 |           |
| <b>Total governmental activities</b>        | <u>2,284,630</u>    | <u>226,621</u>       | <u>-</u>                         | <u>166,678</u>                     | <u>(1,891,331)</u>                              | <u>-</u>                                    | <u>(1,891,331)</u>  | <u>-</u>          |           |
| <b>Business-type activities:</b>            |                     |                      |                                  |                                    |   |   |                     |                   |           |
| Water and Sewer                             | 1,250,092           | 1,059,850            | -                                | -                                  | -   | (190,242)                                   | (190,242)           | -                 |           |
| <b>Total business-type activities</b>       | <u>1,250,092</u>    | <u>1,059,850</u>     | <u>-</u>                         | <u>-</u>                           | <u>-</u>  | <u>(190,242)</u>                            | <u>(190,242)</u>    | <u>-</u>          |           |
| <b>Total primary government</b>             | <u>\$ 3,534,722</u> | <u>\$ 1,286,471</u>  | <u>\$ -</u>                      | <u>\$ 166,678</u>                  | <u>(1,891,331)</u>                              | <u>(190,242)</u>                            | <u>(2,081,573)</u>  | <u>-</u>          |           |
| <b>Component unit</b>                       |                     |                      |                                  |                                    |   |   |                     |                   |           |
| Fairmont ABC Board                          | 539,006             | 538,958              | -                                | -                                  | -   | -   | -                   | (48)              |           |
| <b>Total component unit</b>                 | <u>\$ 539,006</u>   | <u>\$ 538,958</u>    | <u>\$ -</u>                      | <u>\$ -</u>                        | <u>-</u>  | <u>-</u>                                    | <u>-</u>            | <u>(48)</u>       |           |
| <b>General revenues:</b>                    |                     |                      |                                  |                                    |   |   |                     |                   |           |
| Ad Valorem taxes                            |                     |                      |                                  |                                    | 789,455   | -   | 789,455             | -                 |           |
| Other taxes and licenses                    |                     |                      |                                  |                                    | 642,220   | -   | 642,220             | -                 |           |
| Unrestricted intergovernmental revenues     |                     |                      |                                  |                                    | 16,943  | -   | 16,943              | -                 |           |
| Investment earnings                         |                     |                      |                                  |                                    | 213   | -   | 213                 | 148               |           |
| Other revenue (expense)                     |                     |                      |                                  |                                    | 34,672  | -   | 34,672              | -                 |           |
| Transfers in (out)                          |                     |                      |                                  |                                    | -   | -   | -                   | -                 |           |
| <b>Total general revenues and transfers</b> |                     |                      |                                  |                                    | <u>1,483,503</u>                                | <u>-</u>                                    | <u>1,483,503</u>    | <u>148</u>        |           |
| Change in net assets                        |                     |                      |                                  |                                    | (407,828)                                       | (190,242)                                   | (598,070)           | 100               |           |
| <b>Net assets - Beginning of year</b>       |                     |                      |                                  |                                    | <u>1,705,966</u>                                | <u>6,278,549</u>                            | <u>7,984,515</u>    | <u>172,992</u>    |           |
| <b>Net assets - End of year</b>             |                     |                      |                                  |                                    | <u>\$ 1,298,138</u>                             | <u>\$ 6,088,307</u>                         | <u>\$ 7,386,445</u> | <u>\$ 173,092</u> |           |

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

Town of Fairmont, North Carolina  
Balance Sheet - Governmental Funds  
June 30, 2012

|  | General    | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------|--------------------------------|--------------------------------|
| <b><u>ASSETS</u></b>   |            |                                |                                |
| Cash and cash equivalents  | \$ 180,142 | \$ 91,327                      | \$ 271,469                     |
| Restricted cash  | 43,435     | -                              | 43,435                         |
| Taxes receivable - Net   | 215,172    | -                              | 215,172                        |
| Due from Water and Sewer Fund  | -          | -                              | -                              |
| Due from other governments   | 74,092     | -                              | 74,092                         |
| Accounts receivable - Net  | 32,152     | -                              | 32,152                         |
| Total assets   | \$ 544,993 | \$ 91,327                      | \$ 636,320                     |
| <b><u>LIABILITIES AND FUND BALANCES</u></b>  |            |                                |                                |
| <b>Liabilities</b>   |            |                                |                                |
| Accounts payable and accrued liabilities   | 23,867     | -                              | 23,867                         |
| Deferred revenue   | 215,172    | -                              | 215,172                        |
| Total liabilities  | 239,039    | -                              | 239,039                        |
| <b>Fund balances</b>   |            |                                |                                |
| <b>Restricted</b>  |            |                                |                                |
| Stabilization by State Statute   | 106,244    | -                              | 106,244                        |
| Streets  | 42,433     | -                              | 42,433                         |
| Public Safety  | 13,857     | -                              | 13,857                         |
| <b>Assigned</b>  |            |                                |                                |
| Subsequent year's expenditures   | -          | -                              | -                              |
| Unassigned   | 143,420    | 91,327                         | 234,747                        |
| Total fund balances  | 305,954    | 91,327                         | 397,281                        |
| Total liabilities and fund balances  | \$ 544,993 | \$ 91,327                      |                                |
| Amounts reported for governmental activities in the statement of net assets are different because:                               |            |                                |                                |
| Total Fund Balance, Governmental Funds   |            |                                | 397,281                        |
| 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   |            | (2,605,630)                    | 1,269,182                      |
| Liabilities for earned but deferred revenues in fund statements  |            |                                | 215,172                        |
| 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  |            |                                | (178,253)                      |
| Gross long-term debt   |            | \$ (380,516)                   |                                |
| Long-term debt included as net assets below<br>(includes the addition of long-term debt and principal payments during the year.) |            | 38,006                         | (342,510)                      |
| Compensated absences not expected to be materially liquidated with expendable available resources                                |            |                                | (62,734)                       |
| Net assets reported as governmental activities   |            |                                | \$ 1,298,138                   |

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, 2012**

|  | <u>General</u>    | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------|---|---|
| <b>Revenues</b>                          |                   |   |   |
| Ad Valorem taxes                         | \$ 772,372        | \$ -                                    | \$ 772,372                              |
| Other taxes and licenses                 | 642,220           | -                                       | 642,220                                 |
| Unrestricted intergovernmental revenues  | 16,943            | -                                       | 16,943                                  |
| Restricted intergovernmental revenues    | 168,033           | 3,197                                   | 171,230                                 |
| Other general revenue                    | 34,672            | -                                       | 34,672                                  |
| Sales and services                       | 222,069           | -                                       | 222,069                                 |
| Interest earned on investments           | 119               | 94                                      | 213                                     |
| <b>Total revenues</b>                    | <u>1,856,428</u>  | <u>3,291</u>                            | <u>1,859,719</u>                        |
| <b>Expenditures</b>                      |                   |   |   |
| General Government                       | 327,550           | -                                       | 327,550                                 |
| Public Safety                            | 875,230           | -                                       | 875,230                                 |
| Transportation                           | 249,889           | -                                       | 249,889                                 |
| Environmental Protection                 | 248,207           | -                                       | 248,207                                 |
| Economic and Physical Development        | 104,812           | 11,526                                  | 116,338                                 |
| Debt service                             |                   |   |   |
| Principal repayment                      | 38,006            | -                                       | 38,006                                  |
| Interest                                 | 6,305             | -                                       | 6,305                                   |
| <b>Total expenditures</b>                | <u>1,849,999</u>  | <u>11,526</u>                           | <u>1,861,525</u>                        |
| <b>Revenue over (under) expenditures</b> | <u>6,429</u>      | <u>(8,235)</u>                          | <u>(1,806)</u>                          |
| <b>Other financing sources (uses)</b>    |                   |   |   |
| Transfer in                              | -                 | -                                       | -                                       |
| Loan proceeds                            | -                 | -                                       | -                                       |
| Fund balance appropriated                | -                 | -                                       | -                                       |
| <b>Net change in fund balances</b>       | 6,429             | (8,235)                                 | (1,806)                                 |
| <b>Fund balance - Beginning of year</b>  | <u>299,525</u>    | <u>99,562</u>                           | <u>399,087</u>                          |
| <b>Fund balance - End of year</b>        | <u>\$ 305,954</u> | <u>\$ 91,327</u>                        | <u>\$ 397,281</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, 2012**

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

|  |                  |                         |
|--|------------------|-------------------------|
| Net change in fund balances - total governmental funds   | \$               | (1,806)                 |
| <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   | \$               | -                       |
| Depreciation expense for governmental assets   | <u>(173,173)</u> | (173,173)               |
| <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  |                  | 17,082                  |
| <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  |                  | (207,410)               |
| Principal payments on long-term debt   |                  | <u>38,006</u>           |
|  |                  | (169,404)               |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>   |                  |                         |
| Compensated absences   |                  | (15,222)                |
| Net pension obligation   |                  | <u>(65,305)</u>         |
|  |                  | (80,527)                |
| <b>Total change in net assets of governmental activities</b>   | <b>\$</b>        | <b><u>(407,828)</u></b> |

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

**Town of Fairmont, North Carolina**

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
General Fund**

For the Fiscal Year Ended June 30, 2012

|   | Original<br>Budget | Final<br>Budget  | Actual            | Variance<br>Favorable<br>(Unfavorable) |
|---|--------------------|------------------|-------------------|--|
| <b>Revenues</b>                                 |                    |                  |                   |  |
| Ad Valorem taxes                                | \$ 758,410         | \$ 768,634       | \$ 772,372        | \$ 3,738                               |
| Other taxes and licenses                        | 641,500            | 645,288          | 642,220           | (3,068)                                |
| Unrestricted intergovernmental<br>revenues      | 19,000             | 16,943           | 16,943            | -                                      |
| Restricted intergovernmental<br>revenues        | 157,546            | 170,081          | 168,033           | (2,048)                                |
| Other general revenue                           | 42,405             | 34,395           | 34,672            | 277                                    |
| Sales and services                              | 224,410            | 221,978          | 222,069           | 91                                     |
| Interest earned on investments                  | -                  | -                | 119               | 119                                    |
| Sale of fixed assets                            | -                  | -                | -                 | -                                      |
| <b>Total revenues</b>                           | <b>1,843,271</b>   | <b>1,857,319</b> | <b>1,856,428</b>  | <b>(891)</b>                           |
| <b>Expenditures</b>                             |                    |                  |                   |  |
| General Government                              | 375,132            | 332,341          | 327,550           | 4,791                                  |
| Public Safety                                   | 879,463            | 883,069          | 875,230           | 7,839                                  |
| Transportation                                  | 233,410            | 251,961          | 249,889           | 2,072                                  |
| Environmental Protection                        | 227,450            | 250,600          | 248,207           | 2,393                                  |
| Economic and Physical Dev.                      | 92,280             | 115,782          | 104,812           | 10,970                                 |
| Debt service                                    |                    |                  |                   |  |
| Principal repayment                             | 38,006             | 38,006           | 38,006            | -                                      |
| Interest  | 6,305              | 6,305            | 6,305             | -                                      |
| <b>Total expenditures</b>                       | <b>1,852,046</b>   | <b>1,878,064</b> | <b>1,849,999</b>  | <b>28,065</b>                          |
| <b>Revenue under expenditures</b>               | <b>(8,775)</b>     | <b>(20,745)</b>  | <b>6,429</b>      | <b>27,174</b>                          |
| <b>Other financing sources (uses)</b>           |                    |                  |                   |  |
| Transfers in                                    | -                  | -                | -                 | -                                      |
| Loan proceeds                                   | -                  | -                | -                 | -                                      |
| Fund balance appropriated                       | 8,775              | 20,745           | -                 | (20,745)                               |
| <b>Total other financing<br/>sources (uses)</b> | <b>8,775</b>       | <b>20,745</b>    | <b>-</b>          | <b>(20,745)</b>                        |
| <b>Net change in fund balances</b>              | <b>\$ -</b>        | <b>\$ -</b>      | <b>6,429</b>      | <b>\$ 6,429</b>                        |
| <b>Fund balance - Beginning of year</b>         |                    |                  | <b>299,525</b>    |  |
| <b>Fund balance - End of year</b>               |                    |                  | <b>\$ 305,954</b> |  |

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, 2012

|  | <u>Enterprise<br/>Fund</u>      |
|--|---------------------------------|
|  | <u>Water and<br/>Sewer Fund</u> |
| <b><u>ASSETS</u></b>                               |                                 |
| <b>Current assets</b>                              |                                 |
| Cash and cash equivalents                          | \$ 14,251                       |
| Accounts receivable - Net                          | 84,814                          |
| Inventories  | 41,545                          |
| <b>Total current assets</b>                        | <u>140,610</u>                  |
| <b>Non-current assets</b>                          |                                 |
| Land   | 7,091                           |
| Depreciable assets - Net                           | 8,811,724                       |
| <b>Total non-current assets</b>                    | <u>8,818,815</u>                |
| <b>Total assets</b>                                | <u>8,959,425</u>                |
| <b><u>LIABILITIES</u></b>                          |                                 |
| <b>Current liabilities</b>                         |                                 |
| Accounts payable and accrued expenses              | 1,895                           |
| Current portion of long-term debt                  | 76,088                          |
| Due to General Fund                                | -                               |
| Meter Deposits                                     | 88,421                          |
| <b>Total current liabilities</b>                   | <u>166,404</u>                  |
| <b>Non-current liabilities</b>                     |                                 |
| Compensated absences                               | 29,730                          |
| Non-current portion of long-term debt              | 2,674,984                       |
| <b>Total non-current liabilities</b>               | <u>2,704,714</u>                |
| <b>Total liabilities</b>                           | <u>2,871,118</u>                |
| <b><u>NET ASSETS</u></b>                           |                                 |
| Investments in capital assets, net of related debt | 6,067,743                       |
| Net assets - Unrestricted                          | 20,564                          |
| <b>Total net assets</b>                            | <u>\$ 6,088,307</u>             |

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, 2012**

|   | <u>Enterprise</u><br><u>Fund</u><br><u>Water and</u><br><u>Sewer Fund</u> |
|---|---|
| <b>Operating revenues</b>                               |   |
| Charges for services                                    | \$ 1,059,850  |
| Other operating revenue                                 | -   |
| <b>Total operating revenues</b>                         | <u>1,059,850</u>  |
| <br><b>Operating expenses</b>                           |   |
| Administration  | 198,563   |
| Operations - Water treatment                            | 97,962  |
| Operations - Water maintenance                          | 98,764  |
| Operations - Sewer treatment                            | 305,581   |
| Operations - Sewer maintenance                          | 70,606  |
| Operations - Sewer contract operations and maintenance  | 25,314  |
| Non-departmental  | 36,208  |
| Depreciation  | 290,750   |
| <b>Total operating expenses</b>                         | <u>1,123,748</u>  |
| <br><b>Operating income (loss)</b>                      | <u>(63,898)</u>   |
| <br><b>Non-operating revenue (expenses)</b>             |   |
| Interest expense  | (126,358)   |
| Interest earned on investments                          | 14  |
| <b>Total non-operating revenue (expenses)</b>           | <u>(126,344)</u>  |
| <br><b>Net income (loss) before operating transfers</b> | (190,242)   |
| <br><b>Transfers</b>                                    |   |
| Transfers out   | (19,680)  |
| Capital contributions and grants                        | 19,680  |
| <b>Total transfers</b>                                  | <u>-</u>  |
| <br><b>Change in net assets</b>                         | (190,242)   |
| <br><b>Total net assets - Beginning of year</b>         | <u>6,278,549</u>  |
| <br><b>Total net assets - End of year</b>               | <u>\$ 6,088,307</u>   |

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

Town of Fairmont, North Carolina  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2012

|   | Enterprise<br>Fund      |
|---|-------------------------|
|   | Water and<br>Sewer Fund |
| <b>Cash flows from operating activities</b>   |                         |
| Cash received from customers  | \$ 1,070,570            |
| Cash paid for goods and services  | (437,305)               |
| Cash paid to employees  | (395,733)               |
| Increase (decrease) in meter deposits   | 1,267                   |
| <b>Net cash provided (used) by operating activities</b>   | <b>238,799</b>          |
| <b>Cash flows from non-capital financing activities</b>   |                         |
| Transfers to other funds  | (19,680)                |
| <b>Net cash provided (used) by non-capital financing activities</b>   | <b>(19,680)</b>         |
| <b>Cash flows from capital and related financing activities</b>   |                         |
| Acquisition and construction of assets  | (29,594)                |
| Capital contributions and grants  | 19,680                  |
| Payment of bond-related interest  | (126,358)               |
| Debt principal repayment  | (72,895)                |
| <b>Net cash provided (used) by capital and related financing activities</b>                                   | <b>(209,167)</b>        |
| <b>Cash flows from investing activities</b>   |                         |
| Interest on investments   | 14                      |
| <b>Net cash provided (used) by investing activities</b>   | <b>14</b>               |
| <b>Net increase (decrease) in cash</b>  | <b>9,966</b>            |
| <b>Cash and cash equivalents - Beginning of year</b>  | <b>4,285</b>            |
| <b>Cash and cash equivalents - End of year</b>  | <b>\$ 14,251</b>        |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>         |                         |
| <b>Operating income (loss)</b>  | <b>\$ (63,898)</b>      |
| <b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -</b> |                         |
| Depreciation  | 290,750                 |
| Change in assets and liabilities:   |                         |
| (Increase) decrease in accounts receivable  | 10,720                  |
| (Increase) decrease in inventory  | 7,475                   |
| (Increase) decrease in prepaid expenses   | -                       |
| Increase (decrease) in accounts payable and accrued liabilities   | (7,515)                 |
| Increase (decrease) in meter deposits   | 1,267                   |
| Increase (decrease) in compensated absences   | -                       |
| <b>Total adjustments</b>  | <b>302,697</b>          |
| <b>Net cash provided (used) by operating activities</b>   | <b>\$ 238,799</b>       |

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

Town of Fairmont, North Carolina  
Notes to Financial Statements  
June 30, 2012

**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, 2012**

**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, 2012**

**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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. 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, 2012

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, 2011. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenue is reported net of such discounts.

Inventory

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased.

Town of Fairmont, North Carolina  
Notes to Financial Statements  
June 30, 2012

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, 2012

**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**

Several departments in the Water & Sewer fund were over budget due primarily to year end fluctuations in inventory. Management and the board will endeavor to make sure the situation will not repeat itself in future years.

Town of Fairmont, North Carolina  
Notes to Financial Statements  
June 30, 2012

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, 2012, the Town's deposits had a carrying amount of \$178,305, and a bank balance of \$192,572. Federal Deposit Insurance covered the bank balance of the Town. (Petty cash amounted to \$850.)

At June 30, 2012, the carrying amount of deposits for the ABC Board was \$85,059, and the bank balance was \$84,931. Federal Deposit Insurance covered all of the bank balance.

Investments

At June 30, 2012, the Town's investment balances were as follows:

|   | Fair Value | Maturity | Rating |
|---|------------|----------|--------|
| North Carolina Capital Management Trust<br>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, 2012.

*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, 2012, 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, 2012, was as follows:

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**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                             | 636,890             | -                 | -           | 636,890             |
| Vehicles/motorized equipment          | 923,275             | -                 | -           | 923,275             |
| <b>Total capital assets</b>           | <b>\$ 3,874,812</b> | <b>\$ -</b>       | <b>\$ -</b> | <b>\$ 3,874,812</b> |
| <b>Less -</b>                         |                     |                   |             |                     |
| <b>Accumulated depreciation</b>       |                     |                   |             |                     |
| Buildings and infrastructure          | \$ 1,541,651        | \$ 29,917         | \$ -        | \$ 1,571,568        |
| Equipment                             | 427,628             | 48,288            | -           | 475,916             |
| Vehicles/motorized equipment          | 463,177             | 94,968            | -           | 558,145             |
| <b>Total accumulated depreciation</b> | <b>2,432,456</b>    | <b>\$ 173,173</b> | <b>\$ -</b> | <b>2,605,629</b>    |
| <b>Governmental activities -</b>      |                     |                   |             |                     |
| <b>Capital assets - Net</b>           | <b>\$ 1,442,356</b> |                   |             | <b>\$ 1,269,183</b> |

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

|                                   |                   |
|-----------------------------------|-------------------|
| General Government                | \$ 19,231         |
| Public Safety                     | 127,539           |
| Transportation                    | 23,468            |
| Environmental Protection          | 2,935             |
| <b>Total depreciation expense</b> | <b>\$ 173,173</b> |

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

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

**A - Assets (continued)**

| <b>Business-type activities -</b>     |                      |                   |             |                      |
|---------------------------------------|----------------------|-------------------|-------------|----------------------|
| <b>Water and Sewer Fund -</b>         |                      |                   |             |                      |
|                                       | Beginning            |                   |             | Ending               |
| <b>Capital assets</b>                 | 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           | 19,680            | -           | 13,073,104           |
| Equipment                             | 598,479              | 9,914             | -           | 608,393              |
| <b>Total capital assets</b>           | <b>\$ 13,671,749</b> | <b>\$ 29,594</b>  | <b>\$ -</b> | <b>\$ 13,701,343</b> |
| <b>Less -</b>                         |                      |                   |             |                      |
| <b>Accumulated depreciation</b>       |                      |                   |             |                      |
| Public works building                 | \$ 11,673            | \$ 383            | \$ -        | \$ 12,056            |
| Water and sewer system                | 4,124,882            | 264,409           | -           | 4,389,291            |
| Equipment                             | 455,223              | 25,958            | -           | 481,181              |
| <b>Total accumulated depreciation</b> | <b>4,591,778</b>     | <b>\$ 290,750</b> | <b>\$ -</b> | <b>4,882,528</b>     |
| <b>Business-type activities</b>       |                      |                   |             |                      |
| <b>Capital assets - Net</b>           | <b>\$ 9,079,971</b>  |                   |             | <b>\$ 8,818,815</b>  |

The following is a summary of Proprietary Fund type fixed assets for the ABC Board at June 30, 2012:

|                                 |                  |
|---------------------------------|------------------|
| Land                            | \$ 26,500        |
| Buildings and equipment         | 176,193          |
|                                 | 202,693          |
| Less - Accumulated depreciation | (171,988)        |
| <b>Total ABC fixed assets</b>   | <b>\$ 30,705</b> |

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**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, 2012, 2011, and 2010, were \$60,252, \$59,183, and \$44,082, 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, 2012, 2011, and 2010, were \$6,038, \$6,098, and \$6,044, 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, 2012, 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, 2012

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, 2012, were \$46,086, which consisted of \$24,893 from the Town and \$21,193 from the law enforcement officers.

Deferred Revenue

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

Taxes receivable – Net     \$ 215,172

Other Postemployment Benefit

According to a Town resolution, the Town provides post-employment health care benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and have at least five years of creditable service with the Town. In addition, the Town pays the full cost of these benefits with a minimum of twenty years of creditable service with the Town. Retirees who do not meet the aforementioned criteria have the option to purchase coverage themselves and their dependents through the Town for eighteen months. The entire cost of this insurance is borne by the retirees. The Town maintains health care coverage through private insurers. Currently, 4 retirees participate in the post retirement health benefits. For the fiscal year ended June 30, 2012, the Town made payments for post-retirement health benefit premiums of \$27,974.

Membership of the Plan consisted of the following at June 30, 2012:

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

See Independent Auditor's Report.

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**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 dependent coverage, if the retiree elects to purchase the coverage. The Town has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 9.94% of annual covered payroll. For the current year the Town contributed \$27,974 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 dependent coverage. The Town's obligation to contribute to the Plan is established and may be amended by the Town Council.

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

|                                       | Governmental<br>Activities |
|---------------------------------------|----------------------------|
| Annual required contribution          | \$ 93,279                  |
| Interest on net OPEB obligation       | -                          |
| Adjustments to annual required        | -                          |
| Annual OPEB cost (expense)            | <u>\$ 93,279</u>           |
| Contributions made                    | (27,974)                   |
| Increase (decrease) in net OPEB       | 65,305                     |
| Net OPEB obligation beginning of year | <u>112,948</u>             |
| Net OPEB obligation, end of year      | <u>\$ 178,253</u>          |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

| Year Ended<br>June 30 | Annual<br>OPEB Cost | Percentage of Annual<br>OPEB Cost Contrib. | Net OPEB<br>Obligation |
|-----------------------|---------------------|--|------------------------|
| 2012                  | \$93,279            | 29.99%                                     | \$65,305               |
| 2011                  | 90,631              | 29.25%                                     | 63,931                 |
| 2010                  | 78,773              | 37.77%                                     | 49,017                 |

*Fund Status and Funding Progress.* As of December 31, 2011, 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 \$807,048. The covered payroll (annual payroll) of active employees covered by the plan was \$965,105 and the ratio of the UAAL to the covered payroll was 83.62%. 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, 2012

**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, 2011 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, 2012, was 27 years.

As of December 31, 2011, 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, 2012**

**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 |
|-----------------------|-----------|-----------|----------|
| 2013                  | \$ 22,118 | \$ 20,650 | \$ 1,468 |
| 2014                  | 22,118    | 21,357    | 761      |
| 2015                  | 12,587    | 12,480    | 107      |
| Total                 | \$ 56,823 | \$ 54,487 | \$ 2,336 |

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 \$11,880, including interest at the rate of 4.5% for the next nine years.

| Years ending June 30: | Total     | Principal | Interest |
|-----------------------|-----------|-----------|----------|
| 2013                  | \$ 11,880 | \$ 9,962  | \$ 1,918 |
| 2014                  | 11,880    | 10,410    | 1,470    |
| 2015                  | 11,880    | 10,878    | 1,002    |
| 2016                  | 11,880    | 11,369    | 511      |
| Total                 | \$ 47,520 | \$ 42,619 | \$ 4,901 |

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

| Years ending June 30: | Total     | Principal | Interest |
|-----------------------|-----------|-----------|----------|
| 2013                  | \$ 10,373 | \$ 8,886  | \$ 1,487 |
| 2014                  | 10,373    | 9,282     | 1,091    |
| 2015                  | 10,373    | 9,697     | 676      |
| 2016                  | 10,373    | 10,129    | 244      |
| Total                 | \$ 41,492 | \$ 37,994 | \$ 3,498 |

| Summary of activity  | Beginning Balances | Increase (Decrease) | Ending Balance | Current Portion |
|----------------------|--------------------|---------------------|----------------|-----------------|
| BB&T bank loan       | \$ 74,454          | \$ (19,967)         | \$ 54,487      | \$ 20,650       |
| USDA loan            | 52,152             | (9,533)             | 42,619         | 9,962           |
| New USDA Loan        | 46,500             | (8,506)             | 37,994         | 8,886           |
|                      | \$ 173,106         | \$ (38,006)         | \$ 135,100     | \$ 39,498       |
| OPEB                 | \$ 112,948         | \$ 65,305           | \$ 178,253     | \$ -            |
| Compensated absences | \$ 47,512          | \$ 15,222           | \$ 62,734      | \$ -            |
| Contingent liability | \$ -               | \$ 207,410          | \$ 207,410     | \$ -            |

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**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, 2012, 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% | \$ 1,106,000     |
| \$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>1,546,500</u> |

Total \$ 2,652,500

Annual debt service requirements to maturity for general obligation bonds, including interest of \$2,111,061 on the Water and Sewer bonds, are as follows:

| Years ending June 30: | Total              | Principal          | Interest           |
|-----------------------|--------------------|--------------------|--------------------|
| 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                  | 167,615            | 57,500             | 110,115            |
| 2018-2022             | 835,990            | 324,500            | 511,490            |
| 2023-2027             | 835,754            | 406,500            | 429,254            |
| 2028-2032             | 835,987            | 505,000            | 330,987            |
| 2033-2037             | 831,229            | 625,500            | 205,729            |
| 2038-2041             | 587,400            | 528,000            | 59,400             |
| <b>Total</b>          | <b>\$4,763,561</b> | <b>\$2,652,500</b> | <b>\$2,111,061</b> |

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**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 |
|-----------------------|------------|-----------|----------|
| 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                 | \$ 106,068 | \$ 98,572 | \$ 7,496 |

At June 30, 2012, 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 \$5,555,201.

Changes in Water and Sewer Fund Long-Term Liabilities

| Summary of activity      | Beginning Balances | Increase (Decrease) | Ending Balance | Current Portion |
|--------------------------|--------------------|---------------------|----------------|-----------------|
| Bank loan                | \$ 125,467         | \$ (26,895)         | \$ 98,572      | \$ 28,088       |
| General obligation bonds | 2,698,500          | (46,000)            | 2,652,500      | 48,000          |
|                          | \$ 2,823,967       | \$ (72,895)         | \$ 2,751,072   | \$ 76,088       |
|                          |                    |                     |                |                 |
| Compensated absences     | \$ 29,730          | \$ -                | \$ 29,730      | \$ -            |

**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 September 14, 2012, which is the date the financial statements were available to be issued.

**Town of Fairmont, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**NOTE 7 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

The Town routinely receives federal and state grants. One such grant had rare performance-based features built into the grant agreement. Due to certain conditions, beyond the control of the Town, a portion of the grant has to be repaid. The amount can reasonably be estimated and the likelihood of repayment is high but repayment details have to be worked out. Therefore a provision has been made in the accompanying financial statements, specifically in the Governmental Activities debt section of the Statement of Net Assets, all of which has been classified as long-term at this time and is further described in the related footnote.

## Required Supplementary Financial Data

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

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Schedule of Funding Progress for Other Post Employment Benefits.

Schedule of Employer Contributions for Other Post Employment Benefits.



**Town of Fairmont, North Carolina**  
**Required Supplemental Financial Data**  
**Other Post-Employment Benefits**  
**Schedule of Funding Progress, Employer Contributions and**  
**Notes to the Required Schedules**

**Schedule of Funding Progress**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL) |                                  | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL<br>as a % of<br>Covered<br>Payroll<br>((b-a)/c) |
|--------------------------------|--|---|----------------------------------|--------------------------|---------------------------|--|
|                                |  | Projected<br>Unit Credit<br>(b)         | Unfunded AAL<br>(UAAAL)<br>(b-a) |                          |                           |  |
| 06/30/12                       | -                                      | 807,048                                 | 807,048                          | 0.00%                    | 965,105                   | 84.00%   |
| 06/30/11                       | -                                      | 732,398                                 | 732,398                          | 0.00%                    | 908,967                   | 81.00%   |
| 06/30/10                       | -                                      | 625,844                                 | 625,844                          | 0.00%                    | 920,032                   | 68.00%   |

**Schedule of Employer Contributions**

| <u>Year Ended<br/>June 30</u> | <u>Annual Required<br/>Contribution</u> | <u>Percentage<br/>Contributed</u> |
|-------------------------------|---|-----------------------------------|
| 2012                          | 93,279                                  | 29.99%                            |
| 2011                          | 90,361                                  | 29.25%                            |
| 2010                          | 78,773                                  | 37.77%                            |

**Section IV.**

**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, 2012

|   | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>Favorable<br>(Unfavorable) |
|---|--------------------|------------------|------------------|--|
| <b>Revenues</b>                             |                    |                  |                  |  |
| <b>Ad Valorem taxes</b>                     |                    |                  |                  |  |
| Current year                                |                    |                  | \$ 682,951       |  |
| Prior years                                 |                    |                  | 74,179           |  |
| Tax discounts                               |                    |                  | (5,012)          |  |
| Tax penalties                               |                    |                  | 15,693           |  |
| Foreclosure fees                            |                    |                  | 4,561            |  |
| <b>Total Ad Valorem taxes</b>               | <u>758,410</u>     | <u>768,634</u>   | <u>772,372</u>   | <u>3,738</u>                           |
| <b>Other taxes and licenses</b>             |                    |                  |                  |  |
| Utility franchise tax                       |                    |                  | 114,600          |  |
| Local sales tax                             |                    |                  | 476,983          |  |
| Privilege and gaming license                |                    |                  | 31,169           |  |
| Cable tax revenue and franchise fees        |                    |                  | 17,768           |  |
| Zoning permits                              |                    |                  | 1,700            |  |
| <b>Total other taxes and licenses</b>       | <u>641,500</u>     | <u>645,288</u>   | <u>642,220</u>   | <u>(3,068)</u>                         |
| <b>Unrestricted intergovernmental</b>       |                    |                  |                  |  |
| Beer and wine tax                           |                    |                  | 11,564           |  |
| Gasoline tax refunds                        |                    |                  | -                |  |
| Payments in lieu of taxes                   |                    |                  | -                |  |
| ABC profit distribution                     |                    |                  | 5,379            |  |
| <b>Total unrestricted intergovernmental</b> | <u>19,000</u>      | <u>16,943</u>    | <u>16,943</u>    | <u>-</u>                               |
| <b>Restricted intergovernmental</b>         |                    |                  |                  |  |
| Powell Bill allocation                      |                    |                  | 88,467           |  |
| Court fees                                  |                    |                  | 4,552            |  |
| Grants                                      |                    |                  | 75,014           |  |
| <b>Total restricted intergovernmental</b>   | <u>157,546</u>     | <u>170,081</u>   | <u>168,033</u>   | <u>(2,048)</u>                         |
| <b>Other general revenue</b>                |                    |                  |                  |  |
| Lot cutting                                 |                    |                  | 3,000            |  |
| Fire inspections                            |                    |                  | 775              |  |
| Park and recreation fees                    |                    |                  | 3,745            |  |
| Miscellaneous                               |                    |                  | 1,620            |  |
| Sale of fixed assets                        |                    |                  | 8,525            |  |
| Net equipment and building rental           |                    |                  | 17,007           |  |
| <b>Total other general revenue</b>          | <u>\$ 42,405</u>   | <u>\$ 34,395</u> | <u>\$ 34,672</u> | <u>\$ 277</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, 2012.**

|                                     | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>Favorable<br>(Unfavorable) |
|-------------------------------------|--------------------|------------------|------------------|--|
| <b>Revenues (continued)</b>         |                    |                  |                  |  |
| <b>Miscellaneous revenue</b>        |                    |                  |                  |  |
| Sales and service - Sanitation fees | \$                 | \$               | \$ 222,069       | \$                                     |
| Investment earnings                 |                    |                  | 119              |  |
| <b>Total miscellaneous revenue</b>  | <u>224,410</u>     | <u>221,978</u>   | <u>222,188</u>   | <u>210</u>                             |
| <b>Total revenues</b>               | <u>1,843,271</u>   | <u>1,857,319</u> | <u>1,856,428</u> | <u>(891)</u>                           |
| <b>Expenditures</b>                 |                    |                  |                  |  |
| <b>General Government-</b>          |                    |                  |                  |  |
| <b>Governing body</b>               |                    |                  |                  |  |
| Salaries and employee benefits      |                    |                  | 12,046           |  |
| Departmental supplies               |                    |                  | 194              |  |
| Postage                             |                    |                  | 311              |  |
| Dues and subscriptions              |                    |                  | 297              |  |
| <b>Total governing body</b>         | <u>13,055</u>      | <u>12,890</u>    | <u>12,848</u>    | <u>42</u>                              |
| <b>Administration</b>               |                    |                  |                  |  |
| Salaries and employee benefits      |                    |                  | 36,398           |  |
| Postage                             |                    |                  | 527              |  |
| Auto                                |                    |                  | 1,500            |  |
| Departmental supplies               |                    |                  | 197              |  |
| Dues and subscriptions              |                    |                  | 108              |  |
| <b>Total administration</b>         | <u>41,119</u>      | <u>38,740</u>    | <u>38,730</u>    | <u>10</u>                              |
| <b>Clerk</b>                        |                    |                  |                  |  |
| Salaries and employee benefits      |                    |                  | 49,066           |  |
| Training                            |                    |                  | 160              |  |
| Postage                             |                    |                  | 234              |  |
| Departmental supplies               |                    |                  | 604              |  |
| Dues and subscriptions              |                    |                  | 197              |  |
| <b>Total clerk</b>                  | <u>47,775</u>      | <u>50,269</u>    | <u>50,261</u>    | <u>8</u>                               |
| <b>Elections - supplies</b>         | <u>3,500</u>       | <u>4,604</u>     | <u>4,493</u>     | <u>111</u>                             |
| <b>Finance</b>                      |                    |                  |                  |  |
| Salaries and employee benefits      |                    |                  | 35,799           |  |
| Professional services               |                    |                  | 13,600           |  |
| Training                            |                    |                  | -                |  |
| Postage                             |                    |                  | 339              |  |
| Maintenance and repairs / rental    |                    |                  | 5,467            |  |
| Advertising                         |                    |                  | 2,512            |  |
| Departmental supplies               |                    |                  | 1,827            |  |
| Dues and subscriptions              |                    |                  | -                |  |
| <b>Total finance</b>                | <u>\$ 85,485</u>   | <u>\$ 60,115</u> | <u>\$ 59,544</u> | <u>\$ 571</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, 2012

|                                       | Original<br>Budget | Final<br>Budget   | Actual            | Variance<br>Favorable<br>(Unfavorable) |
|---------------------------------------|--------------------|-------------------|-------------------|--|
| <b>Expenditures (continued)</b>       |                    |                   |                   |  |
| <b>General Government (continued)</b> |                    |                   |                   |  |
| <b>Tax listing</b>                    |                    |                   |                   |  |
| Salaries and employee benefits        | \$                 | \$                | \$ 40,480         | \$                                     |
| Training                              |                    |                   | -                 |  |
| Postage                               |                    |                   | 983               |  |
| Maintenance and repairs - Equipment   |                    |                   | -                 |  |
| Advertising                           |                    |                   | 2,181             |  |
| Departmental supplies                 |                    |                   | 982               |  |
| <b>Total tax listing</b>              | <u>44,719</u>      | <u>44,673</u>     | <u>44,626</u>     | <u>47</u>                              |
| <b>Legal</b>                          |                    |                   |                   |  |
| Professional services                 | <u>21,200</u>      | <u>24,570</u>     | <u>21,223</u>     | <u>3,347</u>                           |
| <b>Planning</b>                       |                    |                   |                   |  |
| Professional services                 |                    |                   | 430               |  |
| Code services                         |                    |                   | 3,734             |  |
| Noise abatement                       |                    |                   | 3,407             |  |
| <b>Total planning</b>                 | <u>8,380</u>       | <u>7,574</u>      | <u>7,571</u>      | <u>3</u>                               |
| <b>Public building</b>                |                    |                   |                   |  |
| Salaries and employee benefits        |                    |                   | 23,028            |  |
| Telephone                             |                    |                   | 8,511             |  |
| Utilities                             |                    |                   | 22,263            |  |
| Maintenance and repairs - Buildings   |                    |                   | 26,328            |  |
| Uniforms                              |                    |                   | 373               |  |
| Departmental supplies                 |                    |                   | 7,751             |  |
| <b>Total public building</b>          | <u>109,899</u>     | <u>88,906</u>     | <u>88,254</u>     | <u>652</u>                             |
| <b>Total General Government</b>       | <u>\$ 375,132</u>  | <u>\$ 332,341</u> | <u>\$ 327,550</u> | <u>\$ 4,791</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, 2012**

|                                     | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>  | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|-------------------------------------|----------------------------|-------------------------|----------------|---|
| <b>Expenditures (continued)</b>     |                            |                         |                |   |
| <b>Public Safety</b>                |                            |                         |                |   |
| <b>Police department</b>            |                            |                         |                |   |
| Salaries and employee benefits      | \$                         | \$                      | \$ 680,570     | \$  |
| Training                            |                            |                         | 2,386          |   |
| Postage                             |                            |                         | 6,316          |   |
| Maintenance and repairs - Equipment |                            |                         | 16,281         |   |
| Maintenance agreements              |                            |                         | 17,500         |   |
| Maintenance and repairs - Vehicles  |                            |                         | 13,197         |   |
| Equipment rental                    |                            |                         | 5,529          |   |
| Auto supplies                       |                            |                         | 33,122         |   |
| Departmental supplies               |                            |                         | 7,823          |   |
| Uniforms                            |                            |                         | 5,114          |   |
| Medical exams                       |                            |                         | 1,010          |   |
| Dues and subscriptions              |                            |                         | 240            |   |
| Grant-related expenditures          |                            |                         | 11,265         |   |
| <b>Total police department</b>      | <u>807,993</u>             | <u>807,947</u>          | <u>800,353</u> | <u>7,594</u>                                    |
| <b>Fire department</b>              |                            |                         |                |   |
| Salaries and employee benefits      |                            |                         | 25,577         |   |
| Training                            |                            |                         | 374            |   |
| Postage                             |                            |                         | 487            |   |
| Maintenance and repairs - Equipment |                            |                         | 16,652         |   |
| Maintenance and repairs - Vehicles  |                            |                         | 3,924          |   |
| Auto supplies                       |                            |                         | 1,386          |   |
| Departmental supplies               |                            |                         | 4,110          |   |
| Uniforms                            |                            |                         | 378            |   |
| Grant related expenditures          |                            |                         | 20,919         |   |
| Dues                                |                            |                         | 1,070          |   |
| <b>Total fire department</b>        | <u>71,470</u>              | <u>75,122</u>           | <u>74,877</u>  | <u>245</u>                                      |
| <b>Total Public Safety</b>          | <u>879,463</u>             | <u>883,069</u>          | <u>875,230</u> | <u>7,839</u>                                    |
| <b>Transportation</b>               |                            |                         |                |   |
| <b>Powell Bill</b>                  |                            |                         |                |   |
| Salaries and employee benefits      |                            |                         | 52,751         |   |
| Repairs and maintenance             |                            |                         | 13,108         |   |
| <b>Total Powell Bill</b>            | <u>70,451</u>              | <u>66,350</u>           | <u>65,859</u>  | <u>491</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, 2012

|   | Original<br>Budget | Final<br>Budget | Actual         | Variance<br>Favorable<br>(Unfavorable) |
|---|--------------------|-----------------|----------------|--|
| <b>Expenditures (continued)</b>                     |                    |                 |                |  |
| <b>Transportation (continued)</b>                   |                    |                 |                |  |
| <b>Garage</b>                                       |                    |                 |                |  |
| Salaries and employee benefits                      | \$                 | \$              | \$ 45,376      | \$                                     |
| Uniforms  |                    |                 | 361            |  |
| <b>Total garage</b>                                 | <u>46,408</u>      | <u>45,753</u>   | <u>45,737</u>  | <u>16</u>                              |
| <b>Streets</b>                                      |                    |                 |                |  |
| Salaries and employee benefits                      |                    |                 | 7,028          |  |
| Utilities   |                    |                 | 69,600         |  |
| Maintenance and repairs - Equipment                 |                    |                 | 24,736         |  |
| Maintenance and repairs - Vehicles                  |                    |                 | 5,472          |  |
| Auto supplies                                       |                    |                 | 19,440         |  |
| Departmental supplies                               |                    |                 | 11,060         |  |
| Uniforms  |                    |                 | 483            |  |
| Miscellaneous                                       |                    |                 | 474            |  |
| Capital outlay                                      |                    |                 | -              |  |
| <b>Total streets</b>                                | <u>116,551</u>     | <u>139,858</u>  | <u>138,293</u> | <u>1,565</u>                           |
| <b>Total Transportation</b>                         | <u>233,410</u>     | <u>251,961</u>  | <u>249,889</u> | <u>2,072</u>                           |
| <b>Environmental Protection</b>                     |                    |                 |                |  |
| <b>Sanitation</b>                                   |                    |                 |                |  |
| Salaries and employee benefits                      |                    |                 | -              |  |
| Maintenance and repairs - Equipment                 |                    |                 | 2,284          |  |
| Maintenance and repairs - Vehicles                  |                    |                 | 10,577         |  |
| Auto supplies                                       |                    |                 | 4,210          |  |
| Departmental supplies                               |                    |                 | 1,041          |  |
| Contracted services                                 |                    |                 | 230,095        |  |
| Capital outlay                                      |                    |                 | -              |  |
| <b>Total Environmental Protection</b>               | <u>227,450</u>     | <u>250,600</u>  | <u>248,207</u> | <u>2,393</u>                           |
| <b>Economic and Community Development</b>           |                    |                 |                |  |
| <b>Community service</b>                            |                    |                 |                |  |
| Salaries and employee benefits                      |                    |                 | 8,350          |  |
| Maintenance and repairs - Equipment                 |                    |                 | 867            |  |
| Departmental supplies                               |                    |                 | 33             |  |
| Dues and subscriptions                              |                    |                 | 3,788          |  |
| Insurance   |                    |                 | 67,436         |  |
| Grant-related expenditures                          |                    |                 | 9,326          |  |
| Miscellaneous                                       |                    |                 | 15,012         |  |
| Capital outlay                                      |                    |                 | -              |  |
| <b>Total Economic and Community<br/>Development</b> | <u>92,280</u>      | <u>115,782</u>  | <u>104,812</u> | <u>10,970</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, 2012**

|   | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>Favorable<br>(Unfavorable) |
|---|--------------------|------------------|------------------|--|
| <b>Expenditures (continued)</b>   |                    |                  |                  |  |
| <b>Debt Service</b>   |                    |                  |                  |  |
| Principal repayment   |                    |                  | 38,006           |  |
| Interest  |                    |                  | 6,305            |  |
| <b>Total debt service</b>   | 44,311             | 44,311           | 44,311           | -                                      |
| <b>Total expenditures</b>   | \$ 1,852,046       | \$ 1,878,064     | \$ 1,849,999     | \$ 28,065                              |
| <br><b>Total revenues</b>   | <br>\$ 1,843,271   | <br>\$ 1,857,319 | <br>\$ 1,856,428 | <br>\$ (891)                           |
| <br><b>Total expenditures</b>   | <br>1,852,046      | <br>1,878,064    | <br>1,849,999    | <br>28,065                             |
| <br><b>Revenue over (under)</b><br><b>  expenditures</b>  | <br>(8,775)        | <br>(20,745)     | <br>6,429        | <br>27,174                             |
| <br><b>Other financing sources (uses)</b>   |                    |                  |                  |  |
| Transfers in  | -                  | -                | -                | -                                      |
| Loan proceeds   | -                  | -                | -                | -                                      |
| Fund balance appropriated   | 8,775              | 20,745           | -                | (20,745)                               |
| <b>Total other financing</b><br><b>  sources (uses)</b>   | 8,775              | 20,745           | -                | (20,745)                               |
| <br><b>Revenue and other financing</b><br><b>  sources over (under) expenditures</b><br><b>  and other financing uses</b> | \$ -               | \$ -             | 6,429            | \$ 6,429                               |
| <br><b>Fund balance</b>   |                    |                  |                  |  |
| Beginning of year   |                    |                  | 299,525          |  |
| End of year   |                    |                  | \$ 305,954       |  |



**Non-Major Governmental Funds**

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

June 30, 2012

(With Comparative Totals for June 30, 2011)

|  | Golden Leaf Project Fund             |                  |                           |                            | Totals           |                  |
|--|--------------------------------------|------------------|---------------------------|----------------------------|------------------|------------------|
|  | Rural Business Enterprise Grant Fund | Cemetery Fund    | Parks and Recreation Fund | Community Development Fund | 2012             | 2011             |
| <u>Assets</u>                              |                                      |                  |                           |                            |                  |                  |
| Cash and investments                       | \$ 72,645                            | \$ 18,682        | \$ -                      | \$ -                       | \$ 91,327        | \$ 99,562        |
| Grant receivable                           | -                                    | -                | -                         | -                          | -                | -                |
| <b>Total assets</b>                        | <b>\$ 72,645</b>                     | <b>\$ 18,682</b> | <b>\$ -</b>               | <b>\$ -</b>                | <b>\$ 91,327</b> | <b>\$ 99,562</b> |
| <u>Liabilities and Fund Balances</u>       |                                      |                  |                           |                            |                  |                  |
| Liabilities                                | \$ -                                 | \$ -             | \$ -                      | \$ -                       | \$ -             | \$ -             |
| Fund balances                              | 72,645                               | 18,682           | -                         | -                          | 91,327           | 99,562           |
| <b>Total liabilities and fund balances</b> | <b>\$ 72,645</b>                     | <b>\$ 18,682</b> | <b>\$ -</b>               | <b>\$ -</b>                | <b>\$ 91,327</b> | <b>\$ 99,562</b> |

**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, 2012**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2011)**

|  | Rural<br>Business<br>Enterprise<br>Grant Fund | Cemetery<br>Fund | Parks and<br>Recreation<br>Fund | Golden<br>Leaf<br>Project<br>Fund | Community<br>Development<br>Fund | Totals           |
|--|---|------------------|---------------------------------|-----------------------------------|----------------------------------|------------------|
|  | 2012  | 2012             | 2012                            | 2012                              | 2012                             | 2011             |
| <b>Revenues</b>                              |   |                  |                                 |                                   |                                  |                  |
| Interest income                              | \$ 16   | \$ 79            | \$ -                            | \$ -                              | (1)                              | \$ 187           |
| State Grant                                  | -   | -                | -                               | -                                 | -                                | 75,000           |
| CDBG Grant                                   | -   | -                | -                               | -                                 | -                                | 460,745          |
| Golden Leaf Grant                            | -   | -                | -                               | -                                 | -                                | 4,500            |
| Local match                                  | -   | -                | -                               | -                                 | -                                | 1,078            |
| Contributions                                | -   | -                | -                               | -                                 | -                                | 8,187            |
| Loan repayments                              | 3,197   | -                | -                               | -                                 | -                                | 3,197            |
| <b>Total revenues</b>                        | <u>3,213</u>                                  | <u>79</u>        | <u>-</u>                        | <u>-</u>                          | <u>(1)</u>                       | <u>549,697</u>   |
| <b>Expenditures</b>                          |   |                  |                                 |                                   |                                  |                  |
| Administration                               | -   | -                | -                               | -                                 | -                                | -                |
| Rehabilitation                               | -   | -                | -                               | -                                 | 6,579                            | 533,677          |
| Relocation                                   | -   | -                | -                               | -                                 | -                                | -                |
| Other  | -   | -                | -                               | -                                 | -                                | -                |
| Clearance                                    | -   | -                | -                               | -                                 | -                                | -                |
| Community service                            | 2,318   | -                | 2,629                           | -                                 | -                                | 24,380           |
| <b>Total expenditures</b>                    | <u>2,318</u>                                  | <u>-</u>         | <u>2,629</u>                    | <u>-</u>                          | <u>6,579</u>                     | <u>558,057</u>   |
| <b>Revenue over (under)<br/>expenditures</b> | 895   | 79               | (2,629)                         | -                                 | (6,580)                          | (8,360)          |
| Operating transfer (out)                     | -   | -                | -                               | -                                 | -                                | -                |
| <b>Fund balances</b>                         |   |                  |                                 |                                   |                                  |                  |
| Beginning of year                            | 71,750  | 18,603           | 2,629                           | -                                 | 6,580                            | 107,922          |
| End of year                                  | <u>\$ 72,645</u>                              | <u>\$ 18,682</u> | <u>\$ -</u>                     | <u>\$ -</u>                       | <u>\$ -</u>                      | <u>\$ 99,562</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, 2012**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)**

|   | 2012         |                  | Variance<br>Favorable<br>(Unfavorable) | 2011             |
|---|--------------|------------------|--|------------------|
|   | Budget       | Actual           |  | Actual           |
| <b>Revenue</b>  |              |                  |  |                  |
| Interest  | \$ -         | \$ 16            | \$ -                                   | \$ 88            |
| USDA Loan   |              | -                |  | -                |
| Loan repayments   |              | 3,197            |  | 8,187            |
| <b>Total revenue</b>  | <u>3,210</u> | <u>3,213</u>     | <u>3</u>                               | <u>8,275</u>     |
| <b>Expenditures</b>   |              |                  |  |                  |
| Other   |              | 318              |  | 1,490            |
| Loans to businesses   |              | 2,000            |  | 19,977           |
| <b>Total expenditures</b>   | <u>3,210</u> | <u>2,318</u>     | <u>892</u>                             | <u>21,467</u>    |
| <b>Revenue over (under) expenditures</b>  | -            | 895              | 895                                    | (13,192)         |
| <b>Other financing sources (uses)</b>   |              |                  |  |                  |
| Fund balance appropriated   | -            | -                | -                                      | -                |
| <b>Revenue and other financing sources over (under) expenditures and other financing uses</b> | <u>\$ -</u>  | 895              | <u>\$ 895</u>                          | (13,192)         |
| <b>Fund balance</b>   |              |                  |  |                  |
| Beginning of year   |              | <u>71,750</u>    |  | <u>84,942</u>    |
| End of year   |              | <u>\$ 72,645</u> |  | <u>\$ 71,750</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, 2012**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)**

|   | 2012          |                  | Variance<br>Favorable<br>(Unfavorable) | 2011             |
|---|---------------|------------------|--|------------------|
|   | Budget        | Actual           |  | Actual           |
| <b>Revenue</b>  |               |                  |  |                  |
| Interest income   | \$            | \$ 79            | \$                                     | \$ 87            |
| Contributions   |               | -                |  | 100              |
| <b>Total revenue</b>  | <u>101</u>    | <u>79</u>        | <u>(22)</u>                            | <u>187</u>       |
| <b>Expenditures</b>   |               |                  |  |                  |
| Administration  |               | -                |  | -                |
| <b>Total expenditures</b>   | <u>18,683</u> | <u>-</u>         | <u>18,683</u>                          | <u>-</u>         |
| <b>Revenue over (under) expenditures</b>  | (18,582)      | 79               | 18,661                                 | 187              |
| <b>Other financing sources (uses)</b>   |               |                  |  |                  |
| Fund balance appropriated   | <u>18,582</u> | <u>-</u>         | <u>(18,582)</u>                        | <u>-</u>         |
| <b>Revenue and other financing sources over (under) expenditures and other financing uses</b> | <u>\$ -</u>   | 79               | <u>\$ 79</u>                           | 187              |
| <b>Fund balance</b>   |               |                  |  |                  |
| Beginning of year   |               | <u>18,603</u>    |  | <u>18,416</u>    |
| End of year   |               | <u>\$ 18,682</u> |  | <u>\$ 18,603</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, 2012**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)**

|   | 2012         |                | Variance<br>Favorable<br>(Unfavorable) | 2011            |
|---|--------------|----------------|--|-----------------|
|   | Budget       | Actual         |  | Actual          |
| <b>Revenue</b>  |              |                |  |                 |
| Interest income   | \$           | \$ -           | \$                                     | \$ -            |
| Golden Leaf Grant   |              | -              |  | -               |
| Local funds   |              | -              |  | -               |
| Contributions   |              | -              |  | 978             |
| <b>Total revenue</b>  | <u>-</u>     | <u>-</u>       | <u>-</u>                               | <u>978</u>      |
| <b>Expenditures</b>   |              |                |  |                 |
| Community service   |              | 2,629          |  | 2,913           |
| Community service - Golden Leaf Funds   |              | -              |  | -               |
| <b>Total expenditures</b>   | <u>2,629</u> | <u>2,629</u>   | <u>-</u>                               | <u>2,913</u>    |
| <b>Revenue over (under)<br/>expenditures</b>  | (2,629)      | (2,629)        | -                                      | (1,935)         |
| <b>Other financing sources (uses)</b>   |              |                |  |                 |
| Operating transfers in.(out)  | -            | -              | -                                      | -               |
| Fund balance appropriated   | <u>2,629</u> | <u>-</u>       | <u>(2,629)</u>                         | <u>-</u>        |
| <b>Revenue and other financing<br/>sources over (under)<br/>expenditures and<br/>other financing uses</b> | <u>\$ -</u>  | <u>(2,629)</u> | <u>\$ (2,629)</u>                      | <u>(1,935)</u>  |
| <b>Fund balance</b>   |              |                |  |                 |
| Beginning of year   |              | <u>2,629</u>   |  | <u>4,564</u>    |
| End of year   |              | <u>\$ -</u>    |  | <u>\$ 2,629</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, 2012**

|  | Project<br>Authorization | Prior<br>Years      | Actual             |                  | Variance<br>Favorable<br>(Unfavorable) |
|--|--------------------------|---------------------|--------------------|------------------|--|
|  |                          |                     | Current<br>Year    | Total to<br>Date |  |
| <b>Revenue</b>   |                          |                     |                    |                  |  |
| NCHFA Urgent Repair Grant  |                          |                     |                    |                  |  |
| Interest income  | \$ 11                    | \$ 12               | \$ (1)             | \$ 11            | \$ -                                   |
| State Grant  | 75,000                   | 75,000              | -                  | 75,000           | -                                      |
| Local Match  | 4,500                    | 4,500               | -                  | 4,500            | -                                      |
| <br>CDBG-R 09-R-1961   | <br>500,000              | <br>500,000         | <br>-              | <br>500,000      | <br>-                                  |
| <b>Total revenue</b>   | <u>579,511</u>           | <u>579,512</u>      | <u>(1)</u>         | <u>579,511</u>   | <u>-</u>                               |
| <b>Expenditures</b>  |                          |                     |                    |                  |  |
| NCHFA Urgent Repair Grant  |                          |                     |                    |                  |  |
| Rehabilitation   | 79,511                   | 72,932              | 6,579              | 79,511           | -                                      |
| <br>CDBG-R 09-R-1961   | <br>22,600               | <br>22,600          | <br>-              | <br>22,600       | <br>-                                  |
| Acquisition  | 22,600                   | 22,600              | -                  | 22,600           | -                                      |
| Rehabilitation   | 336,000                  | 336,000             | -                  | 336,000          | -                                      |
| Clearance  | 10,000                   | 10,000              | -                  | 10,000           | -                                      |
| Relocation   | 106,400                  | 106,400             | -                  | 106,400          | -                                      |
| Administration   | 25,000                   | 25,000              | -                  | 25,000           | -                                      |
| <b>Total expenditures</b>  | <u>579,511</u>           | <u>572,932</u>      | <u>6,579</u>       | <u>579,511</u>   | <u>-</u>                               |
| <br><b>Revenue over (under)<br/>expenditures</b>                   | <br><u>-</u>             | <br><u>6,580</u>    | <br><u>(6,580)</u> | <br><u>-</u>     | <br><u>-</u>                           |
| <br><b>Other financing sources</b>                                 | <br><u>-</u>             | <br><u>-</u>        | <br><u>-</u>       | <br><u>-</u>     | <br><u>-</u>                           |
| <br><b>Revenue and other sources<br/>over (under) expenditures</b> | <br><u>\$ -</u>          | <br><u>\$ 6,580</u> | <br><u>(6,580)</u> | <br><u>\$ -</u>  | <br><u>\$ -</u>                        |
| <br>Fund balance, beginning  |                          |                     | <u>\$ 6,580</u>    |                  |  |
| <br>Fund balance, ending   |                          |                     | <u>\$ -</u>        |                  |  |



**Enterprise Fund:**

**Water and Sewer Fund**

Town of Fairmont, North Carolina  
 Enterprise Fund - Proprietary Fund Type  
 Water and Sewer Fund  
 Schedule of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP)  
 For the Fiscal Year Ended June 30, 2012

|   | Original<br>Budget | Final<br>Budget   | Actual            | Variance<br>Favorable<br>(Unfavorable) |
|---|--------------------|-------------------|-------------------|--|
| <b><u>Revenue</u></b>                       |                    |                   |                   |  |
| <b>Operating revenue</b>                    |                    |                   |                   |  |
| Water sales                                 | \$                 | \$                | \$ 369,490        | \$                                     |
| Sewer sales                                 |                    |                   | 649,485           |  |
| Water and sewer connections                 |                    |                   | 1,100             |  |
| Late fees                                   |                    |                   | 21,820            |  |
| Reconnection fees                           |                    |                   | 10,649            |  |
| Sales tax                                   |                    |                   | -                 |  |
| Grants                                      |                    |                   | -                 |  |
| Other operating revenue                     |                    |                   | 7,306             |  |
| <b>Total operating revenue</b>              | <u>1,070,800</u>   | <u>1,061,031</u>  | <u>1,059,850</u>  | <u>(1,181)</u>                         |
| <b>Non-operating revenue</b>                |                    |                   |                   |  |
| Interest income                             |                    |                   | 14                |  |
| <b>Total non-operating revenue</b>          | <u>100</u>         | <u>13</u>         | <u>14</u>         | <u>1</u>                               |
| <b>Total revenue</b>                        | <u>1,070,900</u>   | <u>1,061,044</u>  | <u>1,059,864</u>  | <u>(1,180)</u>                         |
| <b><u>Expenditures</u></b>                  |                    |                   |                   |  |
| <b>Water and sewer administration</b>       |                    |                   |                   |  |
| Salaries and employee benefits              |                    |                   | 140,721           |  |
| Training                                    |                    |                   | 266               |  |
| Postage and telephone                       |                    |                   | 8,808             |  |
| Utilities                                   |                    |                   | 8,513             |  |
| Maintenance and repairs - Equipment         |                    |                   | 6,328             |  |
| Maintenance and repairs - Vehicles          |                    |                   | 4,064             |  |
| Equipment rental                            |                    |                   | 5,063             |  |
| Advertising                                 |                    |                   | 63                |  |
| Auto supplies                               |                    |                   | 6,704             |  |
| Departmental supplies                       |                    |                   | 16,555            |  |
| Uniforms                                    |                    |                   | 1,073             |  |
| Medical exams                               |                    |                   | 405               |  |
| Debt service                                |                    |                   | -                 |  |
| Contracted services                         |                    |                   | -                 |  |
| <b>Total water and sewer administration</b> | <u>\$ 194,155</u>  | <u>\$ 198,103</u> | <u>\$ 198,563</u> | <u>\$ (460)</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, 2012**

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|----------------------------|-------------------------|------------------|---|
| <b><u>Expenditures (continued)</u></b> |                            |                         |                  |   |
| <b>Water treatment</b>                 |                            |                         |                  |   |
| Salaries and employee benefits         | \$                         | \$                      | \$ 41,522        | \$  |
| Training                               |                            |                         | 2,655            |   |
| Telephone                              |                            |                         | 3,920            |   |
| Utilities                              |                            |                         | 14,588           |   |
| Maintenance and repairs - Equipment    |                            |                         | 28,488           |   |
| Departmental supplies                  |                            |                         | 5,568            |   |
| Uniforms                               |                            |                         | 616              |   |
| Dues                                   |                            |                         | 605              |   |
| <b>Total water treatment</b>           | <u>110,611</u>             | <u>98,700</u>           | <u>97,962</u>    | <u>738</u>                                      |
| <b>Water maintenance</b>               |                            |                         |                  |   |
| Salaries and employee benefits         |                            |                         | 42,830           |   |
| Maintenance and repairs - Equipment    |                            |                         | 5,249            |   |
| Maintenance and repairs - Vehicles     |                            |                         | 9,162            |   |
| Auto supplies                          |                            |                         | 18,362           |   |
| Departmental supplies                  |                            |                         | 22,721           |   |
| Uniforms                               |                            |                         | 440              |   |
| <b>Total water maintenance</b>         | <u>89,237</u>              | <u>91,558</u>           | <u>98,764</u>    | <u>(7,206)</u>                                  |
| <b>Sewage treatment</b>                |                            |                         |                  |   |
| Salaries and employee benefits         |                            |                         | 101,561          |   |
| Professional services                  |                            |                         | 41,905           |   |
| Telephone                              |                            |                         | 8,642            |   |
| Utilities                              |                            |                         | 99,436           |   |
| Maintenance and repairs - Equipment    |                            |                         | 40,285           |   |
| Departmental supplies                  |                            |                         | 12,593           |   |
| Uniforms                               |                            |                         | 1,159            |   |
| Miscellaneous                          |                            |                         | -                |   |
| <b>Total sewage treatment</b>          | <u>313,602</u>             | <u>307,785</u>          | <u>305,581</u>   | <u>2,204</u>                                    |
| <b>Non-departmental</b>                |                            |                         |                  |   |
| Insurance and bonds                    |                            |                         | 32,474           |   |
| Vacation                               |                            |                         | -                |   |
| Bad debt expense                       |                            |                         | 1,233            |   |
| Building maintenance                   |                            |                         | 898              |   |
| I & I study                            |                            |                         | -                |   |
| Professional services                  |                            |                         | 1,603            |   |
| <b>Total non-departmental</b>          | <u>\$ 34,510</u>           | <u>\$ 41,073</u>        | <u>\$ 36,208</u> | <u>\$ 4,865</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, 2012

|  | Original<br>Budget | Final<br>Budget  | Actual              | Variance<br>Favorable<br>(Unfavorable) |
|--|--------------------|------------------|---------------------|--|
| <b>Expenditures (continued)</b>  |                    |                  |                     |  |
| <b>Sewer maintenance</b>   |                    |                  |                     |  |
| Salaries and employee benefits   | \$                 | \$               | \$ 36,625           | \$                                     |
| Maintenance and repairs - Equipment  |                    |                  | 6,560               |  |
| Maintenance and repairs - Vehicles   |                    |                  | 6,890               |  |
| Auto supplies  |                    |                  | 13,613              |  |
| Departmental supplies  |                    |                  | 6,576               |  |
| Uniforms   |                    |                  | 342                 |  |
| Total sewer maintenance  | <u>76,112</u>      | <u>70,896</u>    | <u>70,606</u>       | <u>290</u>                             |
| <b>Sewer contract operations and maint.</b>  |                    |                  |                     |  |
| Other operating expenses   | <u>28,420</u>      | <u>25,425</u>    | <u>25,314</u>       | <u>111</u>                             |
| Total operating expenditures   | <u>846,647</u>     | <u>833,540</u>   | <u>832,998</u>      | <u>542</u>                             |
| <b>Net capital outlay</b>  |                    |                  |                     |  |
| Capital outlay   |                    |                  | 9,914               |  |
| Net capital outlay   | <u>10,000</u>      | <u>9,915</u>     | <u>9,914</u>        | <u>1</u>                               |
| <b>Debt Service</b>  |                    |                  |                     |  |
| Principal repayment  |                    | -                | 72,895              |  |
| Interest   |                    | -                | 126,358             |  |
| Total debt service   | <u>199,253</u>     | <u>199,254</u>   | <u>199,253</u>      | <u>1</u>                               |
| Total expenditures   | <u>1,055,900</u>   | <u>1,042,709</u> | <u>1,042,165</u>    | <u>544</u>                             |
| Revenue over (under) expenditures  | 15,000             | 18,335           | 17,699              | (636)                                  |
| <b>Other financing sources (uses)</b>  |                    |                  |                     |  |
| Transfers to other funds:  |                    |                  |                     |  |
| Water and Sewer Capital Projects Fund  | (15,000)           | (19,680)         | (19,680)            | -                                      |
| Due from other funds   | -                  | -                | -                   | -                                      |
| Appropriated retained earnings   | -                  | 1,345            | -                   | (1,345)                                |
| Revenue and other financing sources<br>over (under) expenditures and<br>other financing uses | <u>\$ -</u>        | <u>\$ -</u>      | <u>\$ (1,981)</u>   | <u>\$ (1,981)</u>                      |
| <b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>               |                    |                  |                     |  |
| Revenue over (under) expenditures  |                    |                  | <u>\$ (1,981)</u>   |  |
| <b>Reconciling items:</b>  |                    |                  |                     |  |
| Capital outlay   |                    |                  | 9,914               |  |
| Debt principal repayment   |                    |                  | 72,895              |  |
| Capital contribution   |                    |                  | 19,680              |  |
| Depreciation   |                    |                  | (290,750)           |  |
| Total reconciling items  |                    |                  | <u>(188,261)</u>    |  |
| Change in net assets   |                    |                  | <u>\$ (190,242)</u> |  |

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, 2012

|   | Project<br>Authorization | Actual         |                 | Total to<br>Date | Variance<br>Favorable<br>(Unfavorable) |
|---|--------------------------|----------------|-----------------|------------------|--|
|   |                          | Prior<br>Years | Current<br>Year |                  |  |
| <b>Revenue:</b>   |                          |                |                 |                  |  |
| Sewer line rehabilitation project                             |                          |                |                 |                  |  |
| CWMTF State Grant   | \$ 600,000               | \$ -           | \$ -            | \$ -             | \$ 600,000                             |
| 07-E-1647   |                          |                |                 |                  |  |
| Interest income   |                          |                |                 |                  |  |
| Community Development Block Grant                             | 400,000                  | 398,795        | -               | 398,795          | (1,205)                                |
| Local Match   | -                        | -              | -               | -                | -                                      |
| Owner contribution  | -                        | -              | -               | -                | -                                      |
| <b>Total revenue</b>  | <u>1,000,000</u>         | <u>398,795</u> | <u>-</u>        | <u>398,795</u>   | <u>598,795</u>                         |
| <b>Expenditures:</b>  |                          |                |                 |                  |  |
| Sewer line rehabilitation project                             |                          |                |                 |                  |  |
| Construction  | 737,500                  | -              | -               | -                | (737,500)                              |
| Professional services   | 188,750                  | -              | 19,680          | 19,680           | (169,070)                              |
| Contingency   | 73,750                   | -              | -               | -                | (73,750)                               |
| <b>Total</b>  | <u>1,000,000</u>         | <u>-</u>       | <u>19,680</u>   | <u>19,680</u>    | <u>(980,320)</u>                       |
| 07-E-1647   |                          |                |                 |                  |  |
| Community service - revitalization<br>and development - sewer | 400,000                  | 398,795        | -               | 398,795          | 1,205                                  |
| <b>Total expenditures</b>                                     | <u>1,400,000</u>         | <u>398,795</u> | <u>19,680</u>   | <u>418,475</u>   | <u>(979,115)</u>                       |
| Revenue over (under)<br>expenditures                          | <u>(400,000)</u>         | <u>-</u>       | <u>(19,680)</u> | <u>(19,680)</u>  | <u>(380,320)</u>                       |
| <b>Other financing sources:</b>                               |                          |                |                 |                  |  |
| Transfers from Water and Sewer Fund                           | 15,000                   |                | 19,680          | 19,680           | (4,680)                                |
| USDA revenue bonds  | 385,000                  |                |                 | -                | 385,000                                |
| <b>Total other sources</b>                                    | <u>400,000</u>           | <u>-</u>       | <u>19,680</u>   | <u>19,680</u>    | <u>380,320</u>                         |
| Revenue and other sources<br>over (under) expenditures        | <u>\$ -</u>              | <u>\$ -</u>    | <u>\$ -</u>     | <u>\$ -</u>      | <u>\$ -</u>                            |

**Section V.**

**Statistical Section**

Town of Fairmont, North Carolina  
Schedule of Cash and Investments  
June 30, 2012

|  | <u>Cost and<br/>Market<br/>Values</u> |
|--|---------------------------------------|
| <b>Cash</b>                              |                                       |
| Petty cash                               | \$ 850                                |
| Demand deposit - First Bank              | 1,181                                 |
| Demand deposits - Branch Banking & Trust | 109,622                               |
| Savings account - Branch Banking & Trust | 50,000                                |
| Savings account - Branch Banking & Trust | -                                     |
| Certificate of deposit - RBC Centura     | <u>17,502</u>                         |
| <b>Total cash</b>                        | <u>179,155</u>                        |
| <br><b>Investments</b>                   |                                       |
| North Carolina Capital Management Trust  | <u>150,000</u>                        |
| <b>Total investments</b>                 | <u>150,000</u>                        |
| <br><b>Total cash and investments</b>    | <br><u><u>\$ 329,155</u></u>          |
| <br><b>Distribution by fund:</b>         |                                       |
| General Fund                             | \$ 223,577                            |
| Special Revenue Funds -                  |                                       |
| Community Development Block Grant        | -                                     |
| Cemetery Fund                            | 18,682                                |
| Parks and Recreation Fund                | -                                     |
| Golden Leaf Project Fund                 | -                                     |
| Capital Projects                         | -                                     |
| USDA - RBEG Program                      | 72,645                                |
| NCHFA                                    | -                                     |
| Enterprise Fund                          | <u>14,251</u>                         |
| <b>Total</b>                             | <u><u>\$ 329,155</u></u>              |

Town of Fairmont, North Carolina  
 Analysis of Current Year Tax Levy  
 For the Fiscal Year Ended June 30, 2012

|  | <u>Town-Wide Levy</u>         |             |                       | <u>Total Levy</u>   |  |
|--|-------------------------------|-------------|-----------------------|---|--|
|  | <u>Property<br/>Valuation</u> | <u>Rate</u> | <u>Total<br/>Levy</u> | <u>Property<br/>Excluding<br/>Registered<br/>Motor<br/>Vehicles</u> | <u>Registered<br/>Motor<br/>Vehicles</u> |
| <b>Original levy</b>                           |                               |             |                       |   |  |
| Property taxed at<br>current year's rate       | \$ 106,056,575                | 0.73        | \$ 774,213            | \$ 677,898  | \$ 96,315                                |
| <b>Releases</b>                                |                               |             | -                     | -   | -  |
| Net levy                                       |                               |             | 774,213               | 677,898   | 96,315                                   |
| <b>Less-Uncollected taxes at June 30, 2012</b> |                               |             | <u>91,262</u>         | <u>71,123</u>   | <u>20,139</u>                            |
| Current year's taxes collected                 |                               |             | <u>\$ 682,951</u>     | <u>\$ 606,775</u>   | <u>\$ 76,176</u>                         |
| Current levy collection percentage             |                               |             | <u>88.21%</u>         | <u>89.51%</u>   | <u>79.09%</u>                            |



Town of Fairmont, North Carolina  
Schedule of Ad Valorem Taxes Receivable  
June 30, 2012

| <u>Fiscal Year</u> | <u>Uncollected<br/>Balances<br/>June 30, 2011</u> | <u>Additions</u>  | <u>Collections<br/>and<br/>Credits</u> | <u>Uncollected<br/>Balances<br/>June 30, 2012</u> |
|--------------------|---|-------------------|--|---|
| 2011-2012          | \$ -  | \$ 774,213        | \$ 682,951                             | \$ 91,262   |
| 2010-2011          | 90,161  | -                 | 46,434                                 | 43,727  |
| 2009-2010          | 33,252  | -                 | 11,044                                 | 22,208  |
| 2008-2009          | 24,699  | -                 | 6,681                                  | 18,018  |
| 2007-2008          | 18,255  | -                 | 3,071                                  | 15,184  |
| 2006-2007          | 11,604  | -                 | 2,006                                  | 9,598   |
| 2005-2006          | 9,278   | -                 | 1,957                                  | 7,321   |
| 2004-2005          | 4,956   | -                 | 600                                    | 4,356   |
| 2003-2004          | 2,184   | -                 | 433                                    | 1,751   |
| 2002-2003          | 2,189   | -                 | 442                                    | 1,747   |
| Prior years        | 1,511   | -                 | 1,511                                  | -   |
|                    | <u>\$ 198,089</u>                                 | <u>\$ 774,213</u> | <u>\$ 757,130</u>                      | 215,172   |

Less - Allowance for uncollectible accounts - General Fund

-

Ad valorem taxes receivable - Net

\$ 215,172

Reconcilement with revenue:

|   |                   |
|---|-------------------|
| Taxes - Ad Valorem - General Fund                 | \$ 772,642        |
| Penalties   | (15,963)          |
| Discoveries                                       | -                 |
| Amount written off -                              |                   |
| For tax year 2001-2002 per statute of limitations | 1,511             |
| Other   | (1,060)           |
|   | <u>1,511</u>      |
| <b>Total collections and credits</b>              | <u>\$ 757,130</u> |

**Section VI.**

**Compliance Section**

# S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## MEMBERS

American Institute of CPAs  
N. C. Association of CPAs

### Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the Town of Fairmont, North Carolina, as of and for the year ended June 30, 2012, which collectively comprises the Town of Fairmont's basic financial statements and have issued our report thereon dated September 14, 2012. 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. Peter Douglas & Associates, LLP

Lumberton, North Carolina  
September 14, 2012