



S. Preston Douglas & Associates, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

October 27, 2014

Mayor and Board of Commissioners
Town of Fairmont, North Carolina

We have audited the financial statements of the Town of Fairmont for the year ended June 30, 2014, and have issued our report thereon dated October 27, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town of Fairmont are described in the first note to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013-14. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were encountered.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

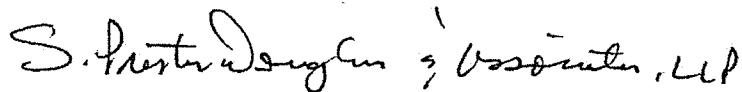
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the audit committee of Town of Fairmont, other cognizant agencies, and the North Carolina Department of State Treasurer and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully yours,

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

S. Preston Douglas & Associates, LLP
Lumberton, North Carolina

Town of Fairmont, North Carolina

Audited Financial Statements

**For the Fiscal Year Ended
June 30, 2014**



Town of Fairmont, North Carolina
Audited Financial Statements
For the Fiscal Year Ended June 30, 2014

Charles Townsend, Mayor

Board of Town Commissioners

Terry Evans

Carol Leak-McKenzie

Monte McCallum

Jeffrey J. McCree

Amelia Ann McLean

Wade Sealey

Linda Vause, Town Manager/Finance Officer

Jenny Larson, Town Clerk

Town of Fairmont, North Carolina
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S. Preston Douglas & Associates, LLP

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MEMBERS

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Fairmont, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information of the the Town of Fairmont, North Carolina as of June 30, 2014, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year ended in accordance with accounting principals generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

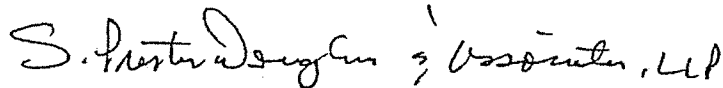
Supplementary and other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2014 on our consideration of the Town of Fairmont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Fairmont's internal control over financial reporting and compliance.



Lumberton, North Carolina
October 27, 2014

Town of Fairmont, North Carolina
Management's Discussion and Analysis
June 30, 2014

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, 2014. 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 \$6,707,018.

The government's total net position decreased in the amount of \$239,295.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$268,958. Approximately 18.76% of this total amount, or \$50,453, is available for spending at the government's discretion.

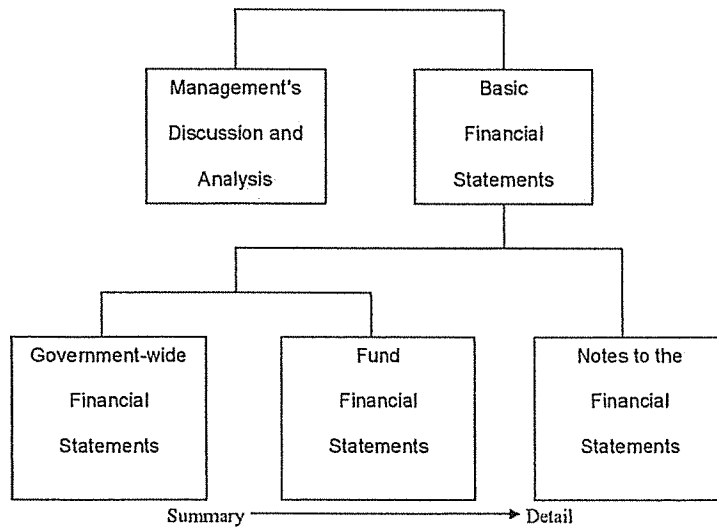
At the end of the current fiscal year, unreserved fund balance for the general fund was \$50,453 or 2.63% of total General Fund expenditures.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Financial Statements

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

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

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2014

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 position and how they have changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gage the Town's financial condition.

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

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

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

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

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

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2014

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 Position

	Governmental Activities 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013	Totals 2014	Totals 2013
Current and other assets	\$484,975	\$596,786	\$203,939	\$191,070	\$688,914	\$787,856
Capital assets	1,015,341	1,148,409	8,731,576	8,530,759	9,746,917	9,679,168
Total assets	1,500,316	1,745,195	8,935,515	8,721,829	10,435,831	10,467,024
Current liabilities	103,414	120,640	227,243	238,535	330,657	359,175
Non-current liabilities	324,324	566,387	3,073,832	2,595,149	3,398,156	3,161,536
Total liabilities	427,738	687,027	3,301,075	2,833,684	3,728,813	3,520,711
Net position						
Net investment in						
capital assets	960,788	801,714	5,569,107	5,855,775	6,529,895	6,657,489
Restricted	218,505	262,616	-	-	218,505	262,616
Unrestricted	(106,715)	(6,162)	65,333	32,370	-41,382	26,208
Total net position	\$1,072,578	\$1,058,168	\$5,634,440	\$5,888,145	\$6,707,018	\$6,946,313

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2014

Government-wide Financial Analysis (continued)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets of the Town exceeded liabilities by \$6,707,018 at the close of the current fiscal year.

By far the largest portion of the Town's net position, 92.85%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of net position, 3.26%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$261,444 or 0.39% of the total.

Town of Fairmont's Changes in Net Position.

	Governmental Activities 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013	Totals 2014	Totals 2013
Revenues:						
Program revenues						
Charges for services	\$ 246,295	\$ 247,873	\$ 1,152,525	\$ 1,089,926	\$ 1,398,820	\$ 1,337,799
Operating grants and contributions	145,062	165,767	-	-	145,062	165,767
Capital grants and contributions	-	-	124,509	-	124,509	-
General revenues						
Property taxes	777,221	736,582	-	-	777,221	736,582
Other taxes	632,660	708,744	-	-	632,660	708,744
Unrestricted revenues	28,008	11,281	-	-	28,008	11,281
Other	48,034	22,746	65	14	48,099	22,760
Total revenues	1,877,280	1,892,993	1,277,099	1,089,940	3,154,379	2,982,933
Expenses:						
General Government	448,971	460,123	-	-	448,971	460,123
Public Safety	981,103	1,035,786	-	-	981,103	1,035,786
Transportation	277,643	282,035	-	-	277,643	282,035
Environmental Protection	241,234	248,126	-	-	241,234	248,126
Economic Development	161,750	102,080	-	-	161,750	102,080
Interest on long-term debt	3,262	4,813	-	-	3,262	4,813
Water and Sewer	-	-	1,279,711	1,290,102	1,279,711	1,290,102
Total expenses	2,113,963	2,132,963	1,279,711	1,290,102	3,393,674	3,423,065
Change in net position	(236,683)	(239,970)	(2,612)	(200,162)	(239,295)	(440,132)
Net position - Beginning of year	1,058,168	1,298,138	5,888,145	6,088,307	6,946,313	7,386,445
Prior period adjustment	251,093	-	(251,093)	-	-	-
Net position - Beginning of year restated	1,309,261	-	5,637,052	-	6,946,313	-
Net position - End of year	\$ 1,072,578	\$ 1,058,168	\$ 5,634,440	\$ 5,888,145	\$ 6,707,018	\$ 6,946,313

Ad Valorem taxes were the largest revenue contributor with 41.40% of total revenues. Other taxes was the next largest at 33.70%.

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2014

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 position by \$2,612. Key elements of this decrease are as follows:

- User fees were \$1,152,525
- High levels of depreciation expense associated with infrastructure enhancements of \$270,423
- Interest expense associated with bonds in the amount of \$121,469

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 \$268,958 to include General and Capital Projects. Of this total amount, \$50,453 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 \$50,453 with a total fund balance of \$210,617. 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 2.63% of total General Fund expenditures.

Proprietary Funds. The Town of Fairmont's proprietary fund provides the same type of information found in the governmental-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$65,333. Other factors concerning this fund have been discussed in the Town's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories:

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

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2014

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, 2014, totals \$9,746,917 (net of accumulated depreciation). The investments in capital assets includes land, buildings, improvements, furniture and equipment, infrastructure (including distribution systems), and vehicles.

Town of Fairmont's Capital Assets

	Governmental Activities 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013	Totals 2014	Totals 2013
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	658,817	650,244	608,393	608,393	1,267,210	1,258,637
Vehicles	952,231	952,231	-	-	952,231	952,231
Construction in progress	-	-	471,240	-	471,240	-
Water & Sewer infrastructure	-	-	13,073,104	13,073,104	13,073,104	13,073,104
Total depreciable assets	3,764,649	3,756,076	14,165,492	13,694,252	17,930,141	17,450,328
Less – Accumulated dep.	2,910,354	2,768,713	5,441,007	5,170,584	8,351,361	7,939,297
Total depreciable assets, net	854,295	987,363	8,724,485	8,523,668	9,578,780	9,511,031
Total capital assets, net	\$1,015,341	\$1,148,409	\$8,731,576	\$8,530,759	\$9,746,917	\$9,679,168

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 \$2,933,000.

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

	Governmental Activities 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013	Totals 2014	Totals 2013
Water Serial & USDA Bonds	\$ -	\$ -	\$ 2,933,000	\$ 2,604,500	\$ 2,933,000	\$ 2,604,500
Total outstanding debt	\$ -	\$ -	\$ 2,933,000	\$ 2,604,500	\$ 2,933,000	\$ 2,604,500

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 \$5,089,959 (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 (continued)
June 30, 2014

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town and surrounding area is 9.3% at June 30, 2014, which is a decrease from a rate of 13.0% a year ago. This comparison is higher than the state's rate of 6.4% and the national rate of 6.1%.

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 Position

June 30, 2014

	Primary Government			Component
	Business		Total	Unit
	Governmental Activities	Type Activities		ABC Board
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 58,359	\$ 85,450	\$ 143,809	\$ 124,640
Taxes receivable - net	208,111	-	208,111	-
Accounts receivable - net	39,064	83,524	122,588	-
Due from other governments	80,728	-	80,728	-
Inventories	-	32,348	32,348	64,426
Prepaid items	9,612	2,617	12,229	2,226
Restricted cash and cash equivalents	89,101	-	89,101	35,876
Total current assets	484,975	203,939	688,914	227,168
Non-current assets:				
Capital assets;				
Land	161,046	7,091	168,137	26,500
Other capital assets, net of depreciation	854,295	8,724,485	9,578,780	96
Total capital assets	1,015,341	8,731,576	9,746,917	26,596
Total assets	1,500,316	8,935,515	10,435,831	253,764
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued expenses	7,906	20,161	28,067	76,539
Current portion of long-term debt	33,055	88,637	121,692	-
Deposits	-	88,715	88,715	-
Compensated absences	62,453	29,730	92,183	-
Total current liabilities	103,414	227,243	330,657	76,539
Long-term liabilities:				
Non-current portion of long-term debt	324,324	3,073,832	3,398,156	-
Total liabilities	427,738	3,301,075	3,728,813	76,539
<u>NET POSITION</u>				
Net investment in capital assets	960,788	5,569,107	6,529,895	26,596
Restricted for:				
Stabilization by State Statute	129,404	-	129,404	-
Other functions	89,101	-	89,101	17,514
Unrestricted	(106,715)	65,333	(41,382)	133,115
Total net position	\$ 1,072,578	\$ 5,634,440	\$ 6,707,018	\$ 177,225

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, 2014

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position			Component Unit
	Expenses	Charges for Services		Operating Grants and Contributions	Primary Government		Total	
		Capital Grants and Contributions	Governmental Activities		Business-type Activities	ABC Board		
Primary Government								
Governmental activities:								
General Government	\$ 448,971	\$ 3,998	\$ -	\$ 42,941	\$ (402,032)	\$ -	\$ (402,032)	\$ -
Public Safety	981,103	-	-	-	(981,103)	-	(981,103)	-
Transportation	277,643	-	-	90,899	(186,744)	-	(186,744)	-
Environmental Protection	241,234	242,297	-	-	1,063	-	1,063	-
Economic and Community Dev.	161,750	-	-	11,222	(150,528)	-	(150,528)	-
Interest on long-term debt	3,262	-	-	-	(3,262)	-	(3,262)	-
Total governmental activities	2,113,963	246,295	-	145,062	(1,722,606)	-	(1,722,606)	-
Business-type activities:								
Water and Sewer	1,279,711	1,152,525	124,509	-	-	(2,677)	(2,677)	-
Total business-type activities	1,279,711	1,152,525	124,509	-	-	(2,677)	(2,677)	-
Total primary government	\$ 3,393,674	\$ 1,398,820	\$ 124,509	\$ 145,062	(1,722,606)	(2,677)	(1,725,283)	-
Component unit								
Fairmont ABC Board	585,811	588,921	-	-	-	-	-	3,110
Total component unit	\$ 585,811	\$ 588,921	\$ -	\$ -	-	-	-	3,110
General revenues:								
Ad Valorem taxes					777,221		777,221	
Other taxes and licenses					632,660		632,660	
Unrestricted intergovernmental revenues					28,008		28,008	
Investment earnings					36	65	101	141
Other revenue (expense)					47,998		47,998	
Transfers in (out)					-		-	
Total general revenues and transfers					1,485,923	65	1,485,988	141
Change in net position					(236,683)	(2,612)	(239,295)	3,251
Net position - Beginning of year					1,058,168	5,888,145	6,946,313	173,974
Prior period adjustment					251,093	(251,093)	-	-
Net position - Beginning of year restated					1,309,261	5,637,052	6,946,313	173,974
Net position - End of year					\$ 1,072,578	\$ 5,634,440	\$ 6,707,018	\$ 177,225

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

Town of Fairmont, North Carolina
Balance Sheet - Governmental Funds
June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 58,359	\$ -	\$ 58,359
Restricted cash	30,760	58,341	89,101
Taxes receivable - net	208,111	-	208,111
Due from other governments	80,728	-	80,728
Prepaid assets	9,612	-	9,612
Accounts receivable - net	39,064	-	39,064
Total assets	426,634	58,341	484,975
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	7,906	-	7,906
Total liabilities	7,906	-	7,906
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes receivable	208,111	-	208,111
Total deferred inflows of resources	208,111	-	208,111
<u>FUND BALANCES</u>			
Restricted			
Stabilization by State Statute	129,404	-	129,404
Streets	29,852	-	29,852
Public Safety	908	-	908
Economic Development	-	58,341	58,341
Unassigned	50,453	-	50,453
Total fund balances	210,617	58,341	268,958
Total liabilities, deferred inflows of resources, and fund balances	\$ 426,634	\$ 58,341	
Amounts reported for governmental activities in the statement of net position are different because:			
Total Fund Balance, Governmental Funds			268,958
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.			
Gross capital assets at historical cost		\$ 3,925,695	
Accumulated depreciation		(2,910,354)	1,015,341
Liabilities for earned revenues considered deferred inflows of resources in fund statements			
			208,111
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			(302,826)
Gross long-term debt		\$ (95,602)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)		41,049	(54,553)
Compensated absences not expected to be materially liquidated with expendable available resources			
			(62,453)
Net position of governmental activities			\$ 1,072,578

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, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Ad Valorem taxes	\$ 767,582	\$ -	\$ 767,582
Other taxes and licenses	632,660	-	632,660
Unrestricted intergovernmental revenues	28,008	-	28,008
Restricted intergovernmental revenues	137,838	11,222	149,060
Other general revenue	47,998	-	47,998
Sales and services	242,297	-	242,297
Interest earned on investments	2	34	36
Total revenues	1,856,385	11,256	1,867,641
Expenditures			
General Government	379,568	-	379,568
Public Safety	865,861	-	865,861
Transportation	272,583	-	272,583
Environmental Protection	240,845	-	240,845
Economic and Physical Development	113,546	48,204	161,750
Debt service			
Principal repayment	41,049	-	41,049
Interest	3,262	-	3,262
Total expenditures	1,916,714	48,204	1,964,918
Revenue over (under) expenditures	(60,329)	(36,948)	(97,277)
Other financing sources (uses)			
Transfer in	-	-	-
Loan proceeds	-	-	-
Fund balance appropriated	-	-	-
Net change in fund balances	(60,329)	(36,948)	(97,277)
Fund balance - Beginning of year	270,946	95,289	366,235
Fund balance - End of year	\$ 210,617	\$ 58,341	\$ 268,958

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, 2014

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

Net change in fund balances - total governmental funds	\$	(97,277)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay expenditures which were capitalized	\$ 8,574	
Depreciation expense for governmental assets	<u>(141,642)</u>	(133,068)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue for tax revenues		9,639
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	-	
Principal payments on long-term debt	<u>41,049</u>	41,049

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(14,941)	
Net pension obligation	<u>(42,085)</u>	<u>(57,026)</u>

Total change in net position of governmental activities	\$	<u>(236,683)</u>
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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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Ad Valorem taxes	\$ 775,080	\$ 766,834	\$ 767,582	\$ 748
Other taxes and licenses	644,500	632,624	632,660	36
Unrestricted intergovernmental revenues	27,750	28,006	28,008	2
Restricted intergovernmental revenues	137,095	137,835	137,838	3
Other general revenue	67,200	47,241	47,998	757
Sales and services	249,059	241,788	242,297	509
Interest earned on investments	1	1	2	1
Total revenues	<u>1,900,685</u>	<u>1,854,329</u>	<u>1,856,385</u>	<u>2,056</u>
Expenditures				
General Government	366,255	380,479	379,568	911
Public Safety	861,086	866,415	865,861	554
Transportation	263,379	275,139	272,583	2,556
Environmental Protection	242,000	240,975	240,845	130
Economic and Physical Dev.	123,587	113,552	113,546	6
Debt service				
Principal repayment	44,378	44,377	41,049	3,328
Interest	-	-	3,262	(3,262)
Total expenditures	<u>1,900,685</u>	<u>1,920,937</u>	<u>1,916,714</u>	<u>4,157</u>
Revenue under expenditures	<u>-</u>	<u>(66,608)</u>	<u>(60,329)</u>	<u>6,279</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Loan proceeds	-	-	-	-
Fund balance appropriated	-	66,608	-	(56,800)
Total other financing sources (uses)	<u>-</u>	<u>66,608</u>	<u>-</u>	<u>(56,800)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(60,329)</u>	<u>\$ (50,521)</u>
Fund balance - Beginning of year			<u>270,946</u>	
Fund balance - End of year			<u>\$ 210,617</u>	

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

Town of Fairmont, North Carolina
Statement of Net Position - Proprietary Fund
June 30, 2014

	Enterprise Fund
	Water and Sewer Fund
<u>ASSETS</u>	
Current assets	
Cash and cash equivalents	\$ 85,450
Accounts receivable - Net	83,524
Prepaid assets	2,617
Due from other governments	-
Inventories	32,348
Total current assets	203,939
Non-current assets	
Land	7,091
Depreciable assets - net	8,724,485
Total non-current assets	8,731,576
Total assets	8,935,515
<u>LIABILITIES</u>	
Current liabilities	
Accounts payable and accrued expenses	20,161
Current portion of long-term debt	88,637
Due to General Fund	-
Meter Deposits	88,715
Total current liabilities	197,513
Non-current liabilities	
Compensated absences	29,730
Non-current portion of long-term debt	3,073,832
Total non-current liabilities	3,103,562
Total liabilities	3,301,075
<u>NET POSITION</u>	
Net investment in capital assets	5,569,107
Net position - Unrestricted	65,333
Total net position	\$ 5,634,440

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 Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	<u>Enterprise Fund</u> <u>Water and Sewer Fund</u>
Operating revenues	
Charges for services	\$ 1,152,525
Other operating revenue	-
Total operating revenues	<u>1,152,525</u>
Operating expenses	
Administration	200,508
Operations - Water treatment	136,862
Operations - Water maintenance	91,184
Operations - Sewer treatment	282,794
Operations - Sewer maintenance	93,590
Operations - Sewer contract operations and maintenance	32,789
Non-departmental	50,092
Depreciation	<u>270,423</u>
Total operating expenses	<u>1,158,242</u>
Operating income (loss)	<u>(5,717)</u>
Non-operating revenue (expenses)	
Interest expense	(121,469)
Interest earned on investments	<u>65</u>
Total non-operating revenue (expenses)	<u>(121,404)</u>
Net income (loss) before operating transfers	(127,121)
Transfers	
Transfers in (out)	-
Capital contributions and grants	<u>124,509</u>
Total transfers	<u>124,509</u>
Change in net position	(2,612)
Total net position - Beginning of year	5,888,145
<i>Prior period adjustment</i>	<u>(251,093)</u>
Total net position - Beginning of year restated	<u>5,637,052</u>
Total net position - End of year	<u>\$ 5,634,440</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, 2014

	Enterprise Fund
	Water and Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 1,151,327
Cash paid for goods and services	(540,847)
Cash paid to employees	(323,572)
Increase (decrease) in meter deposits	(382)
Net cash provided (used) by operating activities	286,526
Cash flows from non-capital financing activities	
Transfers to other funds	-
Net cash provided (used) by non-capital financing activities	-
Cash flows from capital and related financing activities	
Acquisition and construction of assets	(471,240)
Capital contributions and grants	124,509
USDA Revenue Bonds	385,000
Repayment of revenue bond principal during the year	(6,000)
Payment of debt-related interest - all	(121,469)
Debt principal repayment	(142,608)
Net cash provided (used) by capital and related financing activities	(231,808)
Cash flows from investing activities	
Interest on investments	65
Net cash provided (used) by investing activities	65
Net increase (decrease) in cash	54,783
Cash and cash equivalents - Beginning of year	30,667
Cash and cash equivalents - End of year	\$ 85,450
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (5,717)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -	
Depreciation	270,423
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	43,382
(Increase) decrease in inventory	1,149
(Increase) decrease in prepaid expenses	(2,617)
Increase (decrease) in accounts payable and accrued liabilities	(19,712)
Increase (decrease) in meter deposits	(382)
Increase (decrease) in compensated absences	-
Total adjustments	292,243
Net cash provided (used) by operating activities	\$ 286,526

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

Town of Fairmont, North Carolina
Notes to Financial Statements
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Fairmont, North Carolina, and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A - Reporting Entity

The Town of Fairmont is a municipal corporation that is governed by an elected mayor and a six-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Fairmont ABC Board

The Town appoints the members of the ABC Board's governing board. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a Proprietary Fund. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Fairmont ABC Board, c/o Town of Fairmont, Post Office Box 248, Fairmont, North Carolina 28340.

B - Basis of Presentation - Fund Accounting

Government-wide Statements: The Statement of Net Position and Statement of Activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods and services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – government and proprietary – are presented. The emphasis of the fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from the exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major Governmental funds:

Town of Fairmont, North Carolina
Notes to Financial Statements (continued)
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B - Basis of Presentation - Fund Accounting (continued)

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

The Town reports the following non-major Governmental funds

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

Proprietary Funds include the following fund type:

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

C - Measurement Focus and Basis of Accounting

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

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

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

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

Town of Fairmont, North Carolina
Notes to Financial Statements (continued)
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources. Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. 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 (continued)
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deposits and Investments

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

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

The Town 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. Restricted cash at June 30, 2014 in the Governmental Activities was \$89,101.

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 (continued)
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet these criteria. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only one item that meet the criteria for this category – property taxes receivable.

Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Town of Fairmont, North Carolina
Notes to Financial Statements (continued)
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

Net Position / Fund Balances

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position 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.

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

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

Town of Fairmont, North Carolina
Notes to Financial Statements (continued)
June 30, 2014

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

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

B – Excess of Expenditures over Appropriations

There are none noted.

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, 2014, the Town's deposits had a carrying amount of \$232,910, and a bank balance of \$240,469. Federal Deposit Insurance covered the bank balance of the Town. (Petty cash amounted to \$850.)

At June 30, 2014, the carrying amount of deposits for the ABC Board was \$124,640, and the bank balance was \$126,749. Federal Deposit Insurance covered all of the bank balance.

Investments

At June 30, 2014, the Town's investment balances were as follows:

	Fair Value	Maturity	Rating
North Carolina Capital Management Trust Cash Portfolio	\$ 32,340	N/A	AAAm

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

Town of Fairmont, North Carolina
Notes to Financial Statements (continued)
June 30, 2014

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A – Assets (continued)

Investments (continued)

Credit Risk. The Town has no policy regarding credit risk. The Town's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2014.

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, 2014, the Town had \$32,340 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, 2014, was as follows:

Governmental activities -	Beginning			Ending
Capital assets	Balances	Increases	Decreases	Balances
Land (non-depreciable)	\$ 161,046	\$ -	\$ -	\$ 161,046
Buildings and infrastructure	2,153,601	-	-	2,153,601
Equipment	650,243	8,574	-	658,817
Vehicles/motorized equipment	952,231	-	-	952,231
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets	\$ 3,917,121	\$ 8,574	\$ -	\$ 3,925,695
	<hr/>	<hr/>	<hr/>	<hr/>
Less -				
Accumulated depreciation				
Buildings and infrastructure	\$ 1,601,485	\$ 18,694	\$ -	\$ 1,620,179
Equipment	523,845	36,139	-	559,984
Vehicles/motorized equipment	643,382	86,809	-	730,191
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	2,768,712	\$ 141,642	\$ -	2,910,354
	<hr/>	<hr/>	<hr/>	<hr/>
Governmental activities -				
Capital assets - Net	<u>\$ 1,148,409</u>			<u>\$ 1,015,341</u>

Town of Fairmont, North Carolina
Notes to Financial Statements (continued)
June 30, 2014

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A -- Assets (continued)

Capital Assets (continued)

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

General Government	\$	12,377
Public Safety		123,816
Transportation		5,060
Environmental Protection		<u>389</u>
 Total depreciation expense	 \$	 <u><u>141,642</u></u>

Business-type activities -

Water and Sewer Fund -

	Beginning			Ending
Capital assets	Balances	Increases	Decreases	Balances
Land (non-depreciable)	\$ 7,091	\$ -	\$ -	\$ 7,091
Public works building	12,755	-	-	12,755
Water and sewer system	13,073,104	-	-	13,073,104
Equipment	608,393	-	-	608,393
Construction in progress	-	471,240	-	471,240
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets	\$ 13,701,343	\$ 471,240	\$ -	\$ 14,172,583
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 Less -				
Accumulated depreciation				
Public works building	\$ 12,439	\$ 319	\$ -	\$ 12,758
Water and sewer system	4,649,248	243,923	-	4,893,171
Equipment	508,897	26,181	-	535,078
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total accumulated depreciation	5,170,584	\$ 270,423	\$ -	5,441,007
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 Business-type activities				
Capital assets - Net	\$ 8,530,759			\$ 8,731,576
	<u> </u>			<u> </u>

The following is a summary of Proprietary Fund type fixed assets for the ABC Board at June 30, 2014:

Land	\$	26,500
Buildings and equipment		<u>176,192</u>
		202,692
Less - Accumulated depreciation		<u>(176,096)</u>
Total ABC fixed assets	\$	<u><u>26,596</u></u>

See Independent Auditor's Report.

Town of Fairmont, North Carolina
Notes to Financial Statements (continued)
June 30, 2014

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, 2014, 2013, and 2012, were \$59,849, \$59,741, and \$60,252, 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, 2014, 2013, and 2012, were \$5,439, \$5,443, and \$6,038, 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, 2013, 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 (continued)
June 30, 2014

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. The annual pension cost for the Town is immaterial.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014, were \$41,787, which consisted of \$23,646 from the Town and \$18,141 from the law enforcement officers.

Deferred Outflows and Inflows of Resources

Deferred inflows of resources at year-end is comprised of property taxes receivable of \$208,111.

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, 2014, the Town made payments for post-retirement health benefit premiums of \$38,066.

Membership of the Plan consisted of the following at June 30, 2014:

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

See Independent Auditor's Report.

Town of Fairmont, North Carolina
Notes to Financial Statements (continued)
June 30, 2014

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

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 8.27% of annual covered payroll. For the current year the Town contributed \$38,066 or 4.08% 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 OBEP obligation for the health care benefits:

	Governmental Activities
Annual required contribution	\$ 77,069
Interest on net OPEB obligation	3,082
Adjustments to annual required	-
Annual OPEB cost (expense)	<u>\$ 80,151</u>
Contributions made	(38,066)
Increase (decrease) in net OPEB	42,085
Net OPEB obligation beginning of year	<u>260,741</u>
Net OPEB obligation, end of year	<u>\$ 302,826</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows:

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

Fund Status and Funding Progress. As of December 31, 2013, 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 \$736,990. The covered payroll (annual payroll) of active employees covered by the plan was \$932,110 and the ratio of the UAAL to the covered payroll was 79.0%. 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 (continued)
June 30, 2014

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

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, 2013 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, 2014, was 27 years.

As of December 31, 2013, management has not decided on the finding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service prioritized by the Town Council.

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 liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

In accordance with G.S. 159-29, the finance officer and tax collector are individually bonded for \$50,000 and \$10,000, respectively. The remaining employees that have access to cash are covered under a blanket insurance policy.

See Independent Auditor's Report.

Town of Fairmont, North Carolina
Notes to Financial Statements (continued)
June 30, 2014

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.

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 12,587	\$ 12,480	\$ 107
Total	<u>\$ 12,587</u>	<u>\$ 12,480</u>	<u>\$ 107</u>

On October 30, 2006 the town entered in to a Financing Agreement with a bank to purchase a flusher truck for \$233,987 plus interest. The payments began on December 30, 2006, and will be made monthly thereafter for the next nine years, ending October 30, 2015. Future payments will be made from the water/sewer fund. See next page for flusher loan repayment schedule.

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

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 11,880	\$ 10,878	\$ 1,002
2016	11,880	11,369	511
Total	<u>\$ 23,760</u>	<u>\$ 22,247</u>	<u>\$ 1,513</u>

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

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 10,373	\$ 9,697	\$ 676
2016	10,373	10,129	244
Total	<u>\$ 20,746</u>	<u>\$ 19,826</u>	<u>\$ 920</u>

Summary of activity	Beginning Balances	Increase (Decrease)	Ending Balance	Current Portion
BB&T bank loan	\$ 33,837	\$ (21,357)	\$ 12,480	\$ 12,480
USDA loan	32,657	(10,410)	22,247	10,878
New USDA Loan	29,108	(9,282)	19,826	9,697
	<u>\$ 95,602</u>	<u>\$ (41,049)</u>	<u>\$ 54,553</u>	<u>\$ 33,055</u>
OPEB	<u>\$ 260,741</u>	<u>\$ 42,085</u>	<u>\$ 302,826</u>	<u>\$ -</u>
Compensated absences	<u>\$ 47,512</u>	<u>\$ 14,941</u>	<u>\$ 62,453</u>	<u>\$ 62,453</u>

See Independent Auditor's Report.

Town of Fairmont, North Carolina
Notes to Financial Statements (continued)
June 30, 2014

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, 2014, 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%	\$ 1,065,000
\$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%	1,489,000
\$385,000 – 2014 Water Serial Bonds due in various annual installments through 2053; interest at 2.25%	<u>379,000</u>
Total	<u>\$ 2,933,000</u>

Annual debt service requirements to maturity for general obligation bonds, including interest of \$2,068,873 on the Water and Sewer bonds, are as follows:

2002A & 2002B Bonds

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 166,930	\$ 52,000	\$ 114,930
2016	167,590	55,000	112,590
2017	167,615	57,500	110,115
2018	167,528	60,000	107,528
2019	167,327	62,500	104,827
2020-2024	834,975	353,500	481,475
2025-2029	837,059	443,500	393,559
2030-2034	834,601	552,000	282,601
2035-2039	803,050	654,000	149,050
2040-2041	<u>281,820</u>	<u>264,000</u>	<u>17,820</u>
Total	<u>\$4,428,495</u>	<u>\$2,554,000</u>	<u>\$1,874,495</u>

Town of Fairmont, North Carolina
Notes to Financial Statements (continued)
June 30, 2014

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

Long-Term Obligations (continued)

2014 Bonds			
<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 14,528	\$ 6,000	\$ 8,528
2016	14,393	6,000	8,393
2017	14,258	6,000	8,258
2018	15,123	7,000	8,123
2019	14,965	7,000	7,965
2020-2024	73,463	36,000	37,463
2025-2029	73,188	40,000	33,188
2030-2034	73,463	45,000	28,463
2035-2039	74,175	51,000	23,175
2040-2044	74,190	57,000	17,190
2045-2049	73,508	63,000	10,508
2050-2053	58,124	55,000	3,124
Total	<u>\$ 573,378</u>	<u>\$ 379,000</u>	<u>\$ 194,378</u>

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

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 31,820	\$ 30,637	\$ 1,183
2016	10,607	10,512	95
Total	<u>\$ 42,427</u>	<u>\$ 41,149</u>	<u>\$ 1,278</u>

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

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 62,773	\$ 62,773	\$ -
2016	62,773	62,773	-
2017	62,774	62,774	-
Total	<u>\$ 188,320</u>	<u>\$ 188,320</u>	<u>\$ -</u>

At June 30, 2014, 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 \$5,089,959.

Town of Fairmont, North Carolina
Notes to Financial Statements (continued)
June 30, 2014

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

Long-Term Obligations (continued)

Changes in Water and Sewer Fund Long-Term Liabilities

Summary of activity	Beginning Balances	Increase (Decrease)	Ending Balance	Current Portion
Bank loan	\$ 70,484	\$ (29,335)	\$ 41,149	\$ 30,637
2002 Bonds	2,604,500	(50,500)	2,554,000	52,000
2014 Bonds	-	379,000	379,000	6,000
NC Department of Commerce	<u>251,093</u>	<u>(62,773)</u>	<u>188,320</u>	<u>-</u>
	<u>\$ 2,926,077</u>	<u>\$ 236,392</u>	<u>\$3,162,469</u>	<u>\$ 88,637</u>
Compensated absences	<u>\$ 29,730</u>	<u>\$ -</u>	<u>\$ 29,730</u>	<u>\$ 29,730</u>

NOTE 4 - RELATED ORGANIZATION

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

NOTE 5 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 6 - PRIOR PERIOD ADJUSTMENT

The Prior Period Adjustment was associated with a rare grant repayment due to a non-performance issue. Two years ago, after year-end but before report issuance, the aforementioned repayment issue satisfied the criteria to book a contingent liability, i.e., the amount was known and likelihood of repayment, high. The liability was booked in the Statement of Net Position under Governmental Activities to expedite the matter. This year, both the Town and LGC agreed, that since the original grant was related to Water and Sewer infrastructure, the liability should be moved to the Business-type activities section of the Statement of Net Position. Indeed, the Town realized this when it budgeted repayment in the Water and Sewer Fund. Therefore, beginning Water and Sewer debt, reflected in the footnotes herein, has been retroactively increased and the debt related to Governmental Activities has been reduced. Overall net position of the Town remained unchanged.

Town of Fairmont, North Carolina
Notes to Financial Statements (continued)
June 30, 2014

NOTE 7 – FUND BALANCE

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

Total fund balance-General Fund	\$ 210,617
Less:	
Stabilization by State Statute	129,404
Streets-Powell Bill	29,852
Public Safety	908
Remaining Fund Balance	50,453

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events were evaluated through October 27, 2014, which is the date the financial statements were available to be issued.

Section III.

Required Supplementary Financial Data

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

Schedule of Funding Progress for Other Post Employment Benefits.

Schedule of Employer Contributions for Other Post Employment Benefits.

Town of Fairmont, North Carolina
Other Post-Employment Benefits
Required Supplementary Information

Schedule of Funding Progress

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

Schedule of Employer Contributions

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

Section IV.

Individual Fund Statements and Schedules Section:

Town of Fairmont, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Fiscal Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Ad Valorem taxes				
Current year			\$ 663,123	
Prior years			85,250	
Tax discounts			(9,193)	
Tax penalties			28,402	
Foreclosure fees			-	
Total Ad Valorem taxes	<u>775,080</u>	<u>766,834</u>	<u>767,582</u>	<u>748</u>
Other taxes and licenses				
Utility franchise tax			116,404	
Local sales tax			486,783	
Privilege and gaming license			12,330	
Cable tax revenue and franchise fees			16,218	
Zoning permits			925	
Total other taxes and licenses	<u>644,500</u>	<u>632,624</u>	<u>632,660</u>	<u>36</u>
Unrestricted intergovernmental				
Beer and wine tax			11,557	
ABC profit distribution			16,451	
Total unrestricted intergovernmental	<u>27,750</u>	<u>28,006</u>	<u>28,008</u>	<u>2</u>
Restricted intergovernmental				
Powell Bill allocation			90,899	
Court fees			3,998	
Grants			42,941	
Total restricted intergovernmental	<u>137,095</u>	<u>137,835</u>	<u>137,838</u>	<u>3</u>
Other general revenue				
Lot cutting			1,000	
Fire inspections			838	
Park and recreation fees			2,980	
Miscellaneous			24,689	
Sale of fixed assets			1,226	
Net equipment and building rental			17,265	
Total other general revenue	<u>\$ 67,200</u>	<u>\$ 47,241</u>	<u>\$ 47,998</u>	<u>\$ 757</u>

Town of Fairmont, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Fiscal Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues (continued)				
Miscellaneous revenue				
Sales and service - Sanitation fees	\$	\$	\$ 242,297	\$
Investment earnings			2	
Total miscellaneous revenue	<u>249,060</u>	<u>241,789</u>	<u>242,299</u>	<u>510</u>
Total revenues	<u>1,900,685</u>	<u>1,854,329</u>	<u>1,856,385</u>	<u>2,056</u>
Expenditures				
General Government-				
Governing body				
Salaries and employee benefits			12,055	
Departmental supplies			123	
Postage			188	
Auto			2,150	
Dues and subscriptions			295	
Total governing body	<u>13,010</u>	<u>14,816</u>	<u>14,811</u>	<u>5</u>
Administration				
Salaries and employee benefits			72,379	
Postage			388	
Auto			2,400	
Departmental supplies			189	
Dues and subscriptions			50	
Total administration	<u>75,788</u>	<u>75,411</u>	<u>75,406</u>	<u>5</u>
Clerk				
Salaries and employee benefits			53,631	
Training			310	
Postage			196	
Departmental supplies			2,862	
Dues and subscriptions			210	
Total clerk	<u>55,811</u>	<u>54,826</u>	<u>57,209</u>	<u>(2,383)</u>
Elections - supplies	<u>3,500</u>	<u>2,395</u>	<u>-</u>	<u>2,395</u>
Finance				
Salaries and employee benefits			23,011	
Professional services			13,400	
Training			-	
Postage			588	
Maintenance and repairs /rental			3,724	
Advertising			1,658	
Departmental supplies			1,507	
Dues and subscriptions			-	
Total finance	<u>\$ 48,096</u>	<u>\$ 43,936</u>	<u>\$ 43,888</u>	<u>\$ 48</u>

Town of Fairmont, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -

Budget and Actual (continued)

For the Fiscal Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures (continued)				
General Government (continued)				
Tax listing				
Salaries and employee benefits	\$	\$	\$ 20,805	\$
Robeson County collections fee			18,903	
Training			-	
Postage			326	
Maintenance and repairs - Equipment			-	
Advertising			-	
Departmental supplies			266	
Total tax listing	<u>40,902</u>	<u>40,313</u>	<u>40,300</u>	<u>13</u>
Legal				
Professional services	<u>14,500</u>	<u>11,500</u>	<u>10,926</u>	<u>574</u>
Planning				
Professional services			2,571	
Postage			46	
Noise abatement			460	
Total planning	<u>5,700</u>	<u>3,077</u>	<u>3,077</u>	<u>-</u>
Public building				
Salaries and employee benefits			46,680	
Telephone			17,718	
Utilities			24,946	
Maintenance and repairs - Buildings			35,745	
Uniforms			566	
Departmental supplies			8,296	
Total public building	<u>108,948</u>	<u>134,205</u>	<u>133,951</u>	<u>254</u>
Total General Government	<u>\$ 366,255</u>	<u>\$ 380,479</u>	<u>\$ 379,568</u>	<u>\$ 911</u>

Town of Fairmont, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -

Budget and Actual (continued)

For the Fiscal Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures (continued)				
Public Safety				
Police department				
Salaries and employee benefits	\$	\$	\$ 634,994	\$
Robeson County communications			39,870	
Training			1,862	
Postage			7,242	
Maintenance and repairs - equipment			15,345	
Maintenance agreements			18,415	
Maintenance and repairs - vehicles			7,275	
Equipment rental			3,259	
Auto supplies			39,207	
Departmental supplies			12,106	
Uniforms			9,690	
Medical exams			1,189	
Dues and subscriptions			225	
Capital outlay			8,574	
Grant-related expenditures			9,254	
Total police department	<u>810,547</u>	<u>808,634</u>	<u>808,507</u>	<u>127</u>
Fire department				
Salaries and employee benefits			24,931	
Training			130	
Postage			442	
Maintenance and repairs - equipment			8,323	
Maintenance and repairs - vehicles			15,108	
Auto supplies			4,982	
Departmental supplies			2,278	
Uniforms			260	
Grant related expenditures			-	
Dues			900	
Total fire department	<u>50,539</u>	<u>57,781</u>	<u>57,354</u>	<u>427</u>
Total Public Safety	<u>861,086</u>	<u>866,415</u>	<u>865,861</u>	<u>554</u>
Transportation				
Powell Bill				
Salaries and employee benefits			47,086	
Repairs and maintenance			30,784	
Total Powell Bill	<u>\$ 67,595</u>	<u>\$ 80,074</u>	<u>\$ 77,870</u>	<u>\$ 2,204</u>

Town of Fairmont, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Fiscal Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures (continued)				
Transportation (continued)				
Garage				
Salaries and employee benefits	\$	\$	\$ 46,157	\$
Uniforms			406	
Total garage	<u>46,597</u>	<u>46,586</u>	<u>46,563</u>	<u>23</u>
Streets				
Salaries and employee benefits			25,636	
Utilities			71,209	
Maintenance and repairs - equipment			10,726	
Maintenance and repairs - vehicles			6,149	
Auto supplies			15,480	
Departmental supplies			12,482	
Uniforms			558	
Training			37	
Mosquito spraying			5,873	
Total streets	<u>149,187</u>	<u>148,479</u>	<u>148,150</u>	<u>329</u>
Total Transportation	<u>263,379</u>	<u>275,139</u>	<u>272,583</u>	<u>2,556</u>
Environmental Protection				
Sanitation				
Maintenance and repairs - equipment			2,695	
Maintenance and repairs - vehicles			1,572	
Auto supplies			5,307	
Departmental supplies			807	
Contracted services			230,464	
Total Environmental Protection	<u>242,000</u>	<u>240,975</u>	<u>240,845</u>	<u>130</u>
Economic and Community Development				
Community service				
Salaries and employee benefits			12,899	
Maintenance and repairs			233	
Departmental supplies			4	
Dues and subscriptions			4,107	
Insurance			73,629	
Activities			2,973	
Grant-related expenditures			3,000	
Miscellaneous			16,701	
Capital outlay			-	
Total Economic and Community Development	<u>\$ 123,587</u>	<u>\$ 113,552</u>	<u>\$ 113,546</u>	<u>\$ 6</u>

Town of Fairmont, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -

Budget and Actual (continued)

For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued)				
Debt Service				
Principal repayment	\$ -	\$ -	\$ 41,049	\$ -
Interest			3,262	
Total debt service	44,378	44,377	44,311	66
Total expenditures	1,900,685	1,920,937	1,916,714	4,223
Total revenues	1,900,685	1,854,329	1,856,385	2,056
Total expenditures	1,900,685	1,920,937	1,916,714	4,223
Revenue over (under) expenditures	-	(66,608)	(60,329)	6,279
Other financing sources (uses)				
Transfers in	-	-	-	-
Loan proceeds	-	-	-	-
Fund balance appropriated	-	66,608	-	(66,608)
Total other financing sources (uses)	-	66,608	-	(66,608)
Net change in fund balance	\$ -	\$ -	(60,329)	\$ (60,329)
Fund balance				
Beginning of year			270,946	
End of year			\$ 210,617	

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

June 30, 2014

(With Comparative Totals for June 30, 2013)

	Rural Business Enterprise Grant Fund				Parks and Recreation Fund		Community Development Fund		Totals			
									2014	2013		
<u>Assets</u>												
Cash and investments	\$	39,559	\$	18,782	\$	-	\$	-	\$	58,341	\$	95,289
Grant receivable		-		-		-		-		-		-
Total assets	\$	<u>39,559</u>	\$	<u>18,782</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>58,341</u>	\$	<u>95,289</u>
<u>Liabilities and Fund Balances</u>												
Liabilities	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Fund balances		39,559		18,782		-		-		58,341		95,289
Total liabilities and fund balances	\$	<u>39,559</u>	\$	<u>18,782</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>58,341</u>	\$	<u>95,289</u>

Town of Fairmont, North Carolina
Non-Major Governmental Funds
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014
(With Comparative Totals for the Fiscal Year Ended June 30, 2013)

	Rural Business Enterprise Grant Fund	Cemetery Fund	Parks and Recreation Fund	Community Development Fund	Totals
	2014	2014	2014	2014	2013
Revenues					
Interest income	\$ -	\$ 34	\$ -	\$ -	\$ 78
State Grant	-	-	-	-	-
CDBG Grant	-	-	-	-	-
Golden Leaf Grant	-	-	-	-	-
Local match	-	-	-	-	-
Contributions	-	-	-	-	-
Loan repayments	11,222	-	-	11,222	6,067
Total revenues	<u>11,222</u>	<u>34</u>	<u>-</u>	<u>11,256</u>	<u>6,145</u>
Expenditures					
Administration	-	-	-	-	-
Rehabilitation	-	-	-	-	-
Relocation	-	-	-	-	-
Other	-	-	-	-	-
Clearance	-	-	-	-	-
Community service	48,204	-	-	48,204	2,183
Total expenditures	<u>48,204</u>	<u>-</u>	<u>-</u>	<u>48,204</u>	<u>2,183</u>
Revenue over (under) expenditures	(36,982)	34	-	(36,948)	3,962
Operating transfer (out)	-	-	-	-	-
Fund balances					
Beginning of year	76,541	18,748	-	95,289	91,327
End of year	<u>\$ 39,559</u>	<u>\$ 18,782</u>	<u>\$ -</u>	<u>\$ 58,341</u>	<u>\$ 95,289</u>

Town of Fairmont, North Carolina
Special Revenue Fund - Rural Business Enterprise Grant Fund
Schedules of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Fiscal Year Ended June 30, 2014
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
Revenue				
Interest	\$ -	\$ -	\$ -	\$ 12
USDA Loan		-		-
Loan repayments		11,222		6,067
Total revenue	<u>8,840</u>	<u>11,222</u>	<u>2,382</u>	<u>6,079</u>
Expenditures				
Other		-		183
Loans to businesses		48,204		2,000
Total expenditures	<u>48,204</u>	<u>48,204</u>	<u>-</u>	<u>2,183</u>
Revenue over (under) expenditures	(39,364)	(36,982)	2,382	3,896
Other financing sources (uses)				
Fund balance appropriated	<u>39,364</u>	<u>-</u>	<u>(39,364)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(36,982)</u>	<u>\$ (36,982)</u>	<u>3,896</u>
Fund balance				
Beginning of year		<u>76,541</u>		<u>72,645</u>
End of year		<u>\$ 39,559</u>		<u>\$ 76,541</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, 2014
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenue				
Interest income	\$	\$ 34	\$	\$ 66
Contributions		-		-
Total revenue	<u>-</u>	<u>34</u>	<u>34</u>	<u>66</u>
Expenditures				
Administration		-		-
Total expenditures	<u>18,775</u>	<u>-</u>	<u>18,775</u>	<u>-</u>
Revenue over (under) expenditures	(18,775)	34	18,809	66
Other financing sources (uses)				
Fund balance appropriated	<u>18,775</u>	<u>-</u>	<u>(18,775)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>34</u>	<u>\$ 34</u>	<u>66</u>
Fund balance				
Beginning of year		<u>18,748</u>		<u>18,682</u>
End of year		<u>\$ 18,782</u>		<u>\$ 18,748</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, 2014
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
Revenue				
Interest income	\$	\$ -	\$	\$ -
Golden Leaf Grant		-		-
Local funds		-		-
Contributions		-		-
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Community service		-		-
Community service - Golden Leaf Funds		-		-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Fund balance appropriated	-	-	-	-
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Fund balance				
Beginning of year		<u>-</u>		<u>-</u>
End of year		<u>\$ -</u>		<u>\$ -</u>

Town of Fairmont, North Carolina
Special Revenue Fund - Community Development
Schedule of Revenues and Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2014

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

Town of Fairmont, North Carolina
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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenue</u>				
Operating revenue				
Water sales	\$	\$	\$ 390,927	\$
Sewer sales			722,676	
Late fees			22,396	
Reconnection fees			11,845	
Other operating revenue			4,681	
Total operating revenue	<u>1,144,420</u>	<u>1,187,510</u>	<u>1,152,525</u>	<u>(34,985)</u>
Non-operating revenue				
Interest income			-	
Total non-operating revenue	<u>15</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,144,435</u>	<u>1,187,510</u>	<u>1,152,525</u>	<u>(34,985)</u>
<u>Expenditures</u>				
Water and sewer administration				
Salaries and employee benefits			145,132	
Training			170	
Postage and telephone			9,752	
Utilities			12,584	
Maintenance and repairs - equipment			4,090	
Maintenance and repairs - vehicles			-	
Equipment rental			4,250	
Advertising			45	
Auto supplies			6,790	
Departmental supplies			15,782	
Uniforms			1,438	
Medical exams			475	
Contracted services			-	
Total water and sewer administration	<u>\$ 209,700</u>	<u>\$ 207,417</u>	<u>\$ 200,508</u>	<u>\$ 6,909</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (continued)</u>				
Water treatment				
Salaries and employee benefits	\$	\$	\$ 65,158	\$
Training			785	
Telephone			5,071	
Utilities			14,876	
Maintenance and repairs - equipment			44,661	
Departmental supplies			4,704	
Uniforms			777	
Dues			830	
Total water treatment	<u>154,619</u>	<u>139,547</u>	<u>136,862</u>	<u>2,685</u>
Water maintenance				
Salaries and employee benefits			41,358	
Maintenance and repairs - equipment			5,207	
Maintenance and repairs - vehicles			7,461	
Auto supplies			19,323	
Departmental supplies			17,249	
Uniforms			586	
Total water maintenance	<u>87,475</u>	<u>92,764</u>	<u>91,184</u>	<u>1,580</u>
Sewage treatment				
Salaries and employee benefits			27,675	
Professional services			70,874	
Training			170	
Telephone			10,230	
Utilities			114,389	
Maintenance and repairs - equipment			42,326	
Departmental supplies			16,437	
Uniforms			693	
Total sewage treatment	<u>274,437</u>	<u>293,443</u>	<u>282,794</u>	<u>10,649</u>
Non-departmental				
Insurance and bonds			23,071	
Vacation			23,009	
Bad debt expense			(844)	
Building maintenance			2,910	
Professional services			1,946	
Total non-departmental	<u>\$ 44,738</u>	<u>\$ 55,233</u>	<u>\$ 50,092</u>	<u>\$ 5,141</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (continued)</u>				
Sewer maintenance				
Salaries and employee benefits	\$	\$	\$ 44,249	\$
Maintenance and repairs - equipment			5,483	
Maintenance and repairs - vehicles			13,953	
Auto supplies			22,367	
Departmental supplies			6,814	
Uniforms			724	
Total sewer maintenance	<u>75,167</u>	<u>95,278</u>	<u>93,590</u>	<u>1,688</u>
Sewer contract operations and maintenance				
Other operating expenses	<u>36,000</u>	<u>33,750</u>	<u>32,789</u>	<u>961</u>
Total operating expenditures	<u>882,136</u>	<u>917,432</u>	<u>887,819</u>	<u>29,613</u>
Net capital outlay				
Capital outlay			-	
Net capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service				
Principal repayment		-	142,608	
Interest		-	121,469	
Total debt service	<u>262,299</u>	<u>270,078</u>	<u>264,077</u>	<u>6,001</u>
Total expenditures	<u>1,144,435</u>	<u>1,187,510</u>	<u>1,151,896</u>	<u>35,614</u>
Revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>629</u>	<u>629</u>
Other financing sources (uses)				
Appropriated retained earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 629</u>	<u>\$ 629</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Revenue over (under) expenditures			\$ 629	
Reconciling items:				
Debt principal repayment			142,608	
Depreciation			(270,423)	
Interest income from Water and Sewer				
Capital Projects Fund			65	
Capital contribution			124,509	
Total reconciling items			<u>(3,241)</u>	
Change in net position			<u>\$ (2,612)</u>	

Town of Fairmont, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:					
Sewer line rehabilitation project					
CWMTF State Grant	\$ 173,773	\$ 49,260	\$ 124,509	\$ 173,769	\$ 4
Interest income	-	-	65	65	(65)
Total revenue	<u>173,773</u>	<u>49,260</u>	<u>124,574</u>	<u>173,834</u>	<u>(61)</u>
Expenditures:					
Sewer line rehabilitation project					
Construction	928,212	-	426,924	426,924	(501,288)
Professional services	-	49,260	44,316	93,576	93,576
Contingency	-	-	-	-	-
Total expenditures	<u>928,212</u>	<u>49,260</u>	<u>471,240</u>	<u>520,500</u>	<u>(407,712)</u>
Revenue over (under) expenditures	<u>(754,439)</u>	<u>-</u>	<u>(346,666)</u>	<u>(346,666)</u>	<u>(407,773)</u>
Other financing sources:					
Transfers from Water and Sewer Fund	-		-	-	-
USDA revenue bonds	754,439		385,000	385,000	369,439
Total other sources	<u>754,439</u>	<u>-</u>	<u>385,000</u>	<u>385,000</u>	<u>369,439</u>
Revenue and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,334</u>	<u>\$ 38,334</u>	<u>\$ (38,334)</u>

Section V.

Statistical Section

Town of Fairmont, North Carolina
Schedule of Cash and Investments
June 30, 2014

	<u>Cost and Market Values</u>
Cash	
Petty cash	\$ 850
Demand deposit - First Bank	1,182
Demand deposits - Branch Banking & Trust	115,249
Savings account - Branch Banking & Trust	50,000
Savings account - Branch Banking & Trust	15,689
Certificate of deposit - First Bank	17,600
Total cash	<u>200,570</u>
 Investments	
North Carolina Capital Management Trust	<u>32,340</u>
Total investments	<u>32,340</u>
 Total cash and investments	
	<u><u>\$ 232,910</u></u>
 Distribution by fund:	
General Fund	\$ 89,119
Special Revenue Funds -	
Community Development Block Grant	-
Cemetery Fund	18,782
Parks and Recreation Fund	-
Golden Leaf Project Fund	-
Capital Projects	38,334
USDA - RBEG Program	39,559
NCHFA	-
Enterprise Fund	<u>47,116</u>
Total	<u><u>\$ 232,910</u></u>

Town of Fairmont, North Carolina
Analysis of Current Year Tax Levy
For the Fiscal Year Ended June 30, 2014

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 103,837,260	0.73	\$ 758,012	\$ 680,452	\$ 77,560
Releases			-	-	-
Net levy			758,012	680,452	77,560
Less-Uncollected taxes at June 30, 2014			68,519	59,425	9,094
Current year's taxes collected			<u>\$ 689,493</u>	<u>\$ 621,027</u>	<u>\$ 68,466</u>
Current levy collection percentage			<u>90.96%</u>	<u>91.27%</u>	<u>88.27%</u>

Town of Fairmont, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2014

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2012</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2013</u>
2013-2014	\$ -	\$ 758,012	\$ 689,492	\$ 68,520
2012-2013	90,534	-	48,504	42,030
2011-2012	33,886	-	4,426	29,460
2010-2011	20,242	-	1,846	18,396
2009-2010	16,475	-	1,516	14,959
2008-2009	11,751	-	520	11,231
2007-2008	9,642	-	116	9,526
2006-2007	6,793	-	596	6,197
2005-2006	3,851	-	110	3,741
2004-2005	3,717	-	(334)	4,051
2003-2004	1,581	-	1,581	-
Prior years	-	-	-	-
	<u>\$ 198,472</u>	<u>\$ 758,012</u>	<u>\$ 748,373</u>	208,111

Less - Allowance for uncollectible accounts - General Fund

-

Ad valorem taxes receivable - Net

\$ 208,111

Reconciliation with revenue:

Taxes - Ad Valorem - General Fund	\$ 767,582
Penalties	(28,402)
Discoveries	-
Amount written off -	
For tax year 2003-2004 per statute of limitations	1,581
Other	7,612

Total collections and credits

\$ 748,373

Section VI.

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Fairmont, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Town of Fairmont's basic financial statements and have issued our report thereon dated October 27, 2014. The financial statements of the Fairmont ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider significant deficiencies. 2014-01.

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

Post Office Drawer 2339 • 907 N. Walnut Street • Lumberton, NC 28359 • Phone (910) 739-7523 • Fax (910) 739-5477
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statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2014-01.

Town of Fairmont's Response to Findings

The Town of Fairmont's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion in it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

S. Preston Douglas & Associates, LLP

Lumberton, North Carolina
October 27, 2014

Town of Fairmont, North Carolina
For the Year Ended June 30, 2014

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Finding 2014-01

A prior period adjustment was made in these financial statements. The adjustment moved debt from one activities section to the other. Overall net position of the Town remained unchanged. However, guidance from the AICPA suggests a material prior period adjustment be considered a significant deficiency. See Note 6 for a more detailed explanation of the circumstances surrounding the prior period adjustment.

Description of Condition

A rare obligation to repay certain proceeds due to non-performance of certain grant requirements was carried in the Governmental Activities section of the Statement of Net Position rather than in the Business-type Activities section.

Cause of condition

To expedite booking what was a contingent liability two years ago, the obligation was recorded in the Governmental Activities section of the Statement of Net Position. At the time it was felt the obligation was the responsibility of the Town, in general. Subsequent discussion with the Finance Officer and members of the Local Government Commission indicated that since the original grant pertained to Water & Sewer Fund infrastructure, the corresponding obligation to repay the original grant should be contained there as well.

Effect of condition

While the overall financial condition of the Town remains unaffected, the financial health of the individual Activities of the Town are affected.

Recommendation

The previously described prior period adjustment properly addresses the matter.

The Town's response

Essentially agrees with the foregoing. During the year ended June 30, 2014, the Town's Finance Officer properly budgeted the repayment of the obligation in the Water and Sewer Fund.

Auditor's Remarks

We appreciate the Town's efforts and commitment in resolving this finding and thank the Town for its diligent efforts in this matter and its extreme co-operation and assistance during the audit process.

Applicable Laws and Regulations

Noted above.