

**Town of Fairmont, North Carolina**

**Audited Financial Statements**

**For the Fiscal Year Ended  
June 30, 2016**



**Town of Fairmont, North Carolina**  
**Audited Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

**Charles Townsend, Mayor**

**Board of Town Commissioners**

**Terry Evans**

**Casandra Gaddy**

**Charles Kemp**

**Monte McCallum**

**Jeffrey J. McCree**

**Felecia McLean-Kesler**

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**Katrina Tatum, Town Manager**

**Linda Vause, Finance Officer**

**Jenny Larson, Town Clerk**

**Town of Fairmont, North Carolina**  
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**June 30, 2016**

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**Financial Section**

# S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## MEMBERS

American Institute of CPAs

N. C. Association of CPAs

### Independent Auditor's Report

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

#### **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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information of the Town of Fairmont, North Carolina as of June 30, 2016, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year ended in accordance with accounting principals generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

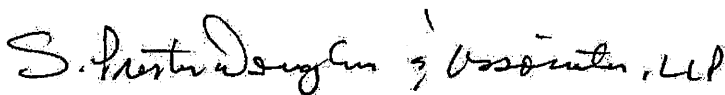
### ***Supplementary and other Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016 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  
December 19, 2016



**Town of Fairmont, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2016**

**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, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

**Financial Highlights**

The assets of the Town of Fairmont exceeded its liabilities at the close of the fiscal year by \$7,046,566.

The government's total net position increased in the amount of \$17,486.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$630,246. Approximately 54.18% of this total amount, or \$341,474, is available for spending at the government's discretion.

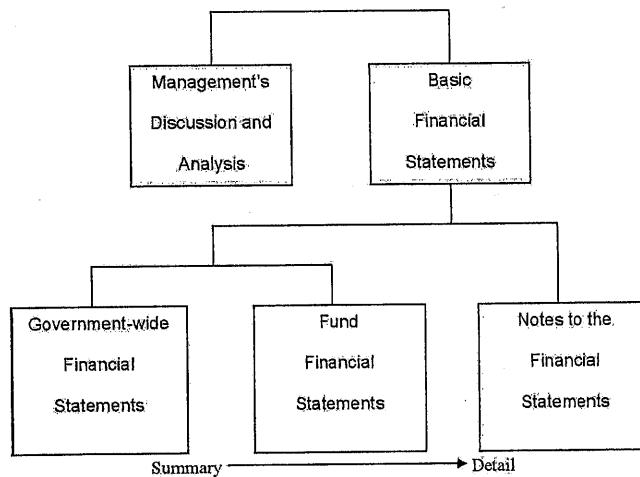
At the end of the current fiscal year, unreserved fund balance for the general fund was \$341,474 or 19.25% of total General Fund expenditures.

**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, 2016**

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

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

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

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

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

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

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

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

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

**Town of Fairmont, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2016**

**Basic Financial Statements (continued)**

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

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

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

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

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

**Government-wide Financial Analysis**

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

	Governmental Activities 2016	Governmental Activities 2015	Business-type Activities 2016	Business-type Activities 2015	Totals 2016	Totals 2015
Current and other assets	\$ 910,585	\$ 677,377	\$ 277,611	\$ 268,480	\$ 1,188,196	\$ 945,857
Non-current assets	1,710,823	991,412	8,650,646	8,890,142	10,361,469	9,881,554
<b>Total assets</b>	<b>2,621,408</b>	<b>1,668,789</b>	<b>8,928,257</b>	<b>9,158,622</b>	<b>11,549,665</b>	<b>10,827,411</b>
Deferred Outflows of Resources	39,522	38,112	13,819	12,966	53,341	51,078
Current liabilities	42,221	52,511	264,719	264,719	306,940	317,230
Non-current liabilities	524,609	390,148	2,906,504	2,906,504	3,431,113	3,296,652
<b>Total liabilities</b>	<b>566,830</b>	<b>442,659</b>	<b>3,171,223</b>	<b>3,171,223</b>	<b>3,738,053</b>	<b>3,613,882</b>
Deferred Inflows of Resources	45,324	176,645	15,925	58,882	61,249	235,527
Net position						
Net investment in capital assets	800,238	904,540	5,773,872	5,857,292	6,574,110	6,761,832
Restricted	288,772	244,084	-	-	288,772	244,084
Unrestricted	49,181	(61,027)	134,503	84,191	183,684	23,164
<b>Total net position</b>	<b>\$ 1,138,191</b>	<b>\$ 1,087,597</b>	<b>\$ 5,908,375</b>	<b>\$ 5,941,483</b>	<b>\$ 7,046,566</b>	<b>\$ 7,029,080</b>

**Town of Fairmont, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2016**

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$7,046,566 at the close of the current fiscal year. By far the largest portion of the Town's net position, 93.30%, 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, 4.10%, 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 \$183,684 or 2.60% of the total.

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

	Governmental Activities 2016	Governmental Activities 2015	Business-type Activities 2016	Business-type Activities 2015	Totals 2016	Totals 2015
<b>Revenues:</b>						
<b>Program revenues</b>						
Charges for services	\$ 241,728	\$ 242,055	\$ 1,216,149	\$ 1,160,553	\$ 1,457,877	\$ 1,402,608
Operating grants and contributions	103,843	138,812	-	-	103,843	138,812
Capital grants and contributions	-	-	27,000	364,013	27,000	364,013
<b>General revenues</b>						
Property taxes	850,175	768,380	-	-	850,175	768,380
Other taxes	735,889	711,036	-	-	735,889	711,036
Unrestricted revenues	35,906	35,432	-	-	35,906	35,432
Other	36,938	33,396	-	-	36,938	33,396
<b>Total revenues</b>	<b>2,004,479</b>	<b>1,929,111</b>	<b>1,243,149</b>	<b>1,524,566</b>	<b>3,247,628</b>	<b>3,453,677</b>
<b>Expenses:</b>						
General Government	513,066	394,220	-	-	513,066	394,220
Public Safety	830,042	817,374	-	-	830,042	817,374
Transportation	254,580	253,891	-	-	254,580	253,891
Environmental Protection	214,286	221,552	-	-	214,286	221,552
Economic Development	141,271	113,426	-	-	141,271	113,426
Interest on long-term debt	640	2,038	-	-	640	2,038
Water and Sewer	-	-	1,276,257	1,180,432	1,276,257	1,180,432
<b>Total expenses</b>	<b>1,953,885</b>	<b>1,802,501</b>	<b>1,276,257</b>	<b>1,180,432</b>	<b>3,230,142</b>	<b>2,982,933</b>
<b>Change in net position</b>	<b>50,594</b>	<b>126,610</b>	<b>(33,108)</b>	<b>344,134</b>	<b>17,486</b>	<b>470,744</b>
<b>Net position - Beginning of year</b>	<b>1,050,506</b>	<b>1,072,578</b>	<b>5,978,574</b>	<b>5,634,440</b>	<b>7,029,080</b>	<b>6,707,018</b>
<b>Prior period adjustment</b>	<b>37,091</b>	<b>(148,682)</b>	<b>(37,091)</b>	<b>-</b>	<b>-</b>	<b>(148,682)</b>
<b>Net position - Beginning of year restated</b>	<b>1,087,597</b>	<b>923,896</b>	<b>5,941,483</b>	<b>5,634,440</b>	<b>7,029,080</b>	<b>6,558,336</b>
<b>Net position - End of year</b>	<b>\$ 1,138,191</b>	<b>\$ 1,050,506</b>	<b>\$ 5,908,375</b>	<b>\$ 5,978,574</b>	<b>\$ 7,046,566</b>	<b>\$ 7,029,080</b>

**Town of Fairmont, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2016**

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

Ad Valorem taxes were the largest revenue contributor for the governmental funds with 42.41% of total revenues. Other taxes was the next largest at 36.71%.

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 \$(33,108). Key elements of this decrease are as follows:

- User fees increased and totaled \$1,216,149 for the fiscal year
- Capital contributions decreased compared to the prior year and totaled \$27,000
- Total expenses increased compared with the prior year

**Financial Analysis of the Government's Funds**

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

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

At the end of the current fiscal year, the Town's governmental funds reported a combined fund balance of \$630,246 to include General and Capital Projects. Of this total amount, \$341,474 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 \$341,474 with a total fund balance of \$566,492. 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 19.25% 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 \$134,503. Other factors concerning this fund have been discussed in the Town's business-type activities.

**Town of Fairmont, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2016**

**General Fund Budgetary Highlights**

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

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

**Capital Assets and Debt Administration Capital Assets**

The Town of Fairmont's investments in capital assets for its governmental and business-type activities as of June 30, 2016, totals \$9,794,389 (net of accumulated depreciation). The investments in capital assets includes land, buildings, improvements, furniture and equipment, infrastructure (including distribution systems), and vehicles.

**Town of Fairmont's Capital Assets**

	Governmental Activities 2016	Governmental Activities 2015	Business-type Activities 2016	Business-type Activities 2015	Totals 2016	Totals 2015
Land	\$ 161,046	\$ 161,046	\$ 7,091	\$ 7,091	\$ 168,137	\$ 168,137
Buildings & infrastructure	2,153,601	2,153,601	12,755	12,755	2,166,356	2,166,356
Equipment	677,325	677,325	613,393	613,393	1,290,718	1,290,718
Vehicles	989,531	982,231	-	-	989,531	982,231
Construction in progress	-	-	900,587	873,587	900,587	873,587
Water & Sewer infrastructure	-	-	13,098,104	13,073,104	13,098,104	13,073,104
Total depreciable assets	3,820,457	3,813,157	14,624,839	14,572,839	18,445,296	18,385,996
Less – Accumulated dep.	3,181,265	3,048,165	5,981,284	5,711,579	9,162,549	8,759,744
Total depreciable assets, net	639,192	764,992	8,643,555	8,861,260	9,282,747	9,626,252
Total capital assets, net	\$800,238	\$926,038	\$8,650,646	\$8,868,351	\$9,450,884	\$9,794,389

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

**Town of Fairmont, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2016**

**Long-term debt.** At the end of the current fiscal year, the Town of Fairmont had total bonded debt outstanding of \$2,814,000.

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

	Governmental		Business-type		Totals	
	Activities 2016	Activities 2015	Activities 2016	Activities 2015	2016	2015
Water Serial & USDA Bonds	\$ -	\$ -	\$ 2,814,000	\$ 2,875,000	\$ 2,814,000	\$ 2,875,000
Total outstanding debt	\$ -	\$ -	\$ 2,814,000	\$ 2,875,000	\$ 2,814,000	\$ 2,875,000

North Carolina's general statutes limit the amount of general obligation debt that a governmental unit can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Fairmont is presently at \$5,654,645 (the amount of additional debt the town could obligate itself to under NC General Statute).

Additional information pertaining to the Town of Fairmont's long-term debt can be found in the notes on page 36 of this report.

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

- The unemployment rate for the Town and surrounding area is 7.4% at June 30, 2016, which is a decrease from a rate of 9.1% a year ago. This comparison is higher than the state's rate of 4.9% and the national rate of 4.9%.

**Request for Information**

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

**Basic Financial Statements**



**Town of Fairmont, North Carolina**  
**Statement of Net Position**  
**June 30, 2016**

	<u>Primary Government</u>			<b>Fairmont ABC Board</b>
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	
<b><u>ASSETS</u></b>				
Current assets:				
Cash and cash equivalents	\$ 383,695	\$ 141,337	\$ 525,032	\$ 77,086
Taxes receivable (net)	238,118	-	238,118	-
Accounts receivable (net)	40,421	101,507	141,928	-
Due from other governments	100,268	-	100,268	-
Inventories	-	34,767	34,767	109,051
Prepaid items	-	-	-	3,210
Restricted cash and cash equivalents	148,083	-	148,083	35,953
<b>Total current assets</b>	<b>910,585</b>	<b>277,611</b>	<b>1,188,196</b>	<b>225,300</b>
Non-current assets:				
Capital assets (Note 3)				
Land	161,046	7,091	168,137	26,500
Other capital assets, net of depreciation	639,192	8,643,555	9,282,747	9,787
<b>Total capital assets</b>	<b>800,238</b>	<b>8,650,646</b>	<b>9,450,884</b>	<b>36,287</b>
<b>Total assets</b>	<b>1,710,823</b>	<b>8,928,257</b>	<b>10,639,080</b>	<b>261,587</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Contributions to pension plan in current fiscal year				
	39,522	13,819	53,341	-
<b>Total deferred outflows of resources</b>	<b>39,522</b>	<b>13,819</b>	<b>53,341</b>	<b>-</b>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable and accrued expenses	42,221	7,379	49,600	62,214
Current portion of long-term liabilities	-	126,273	126,273	-
Deposits	-	88,339	88,339	-
<b>Total current liabilities</b>	<b>42,221</b>	<b>221,991</b>	<b>264,212</b>	<b>62,214</b>
Long-term liabilities:				
Net pension liability	44,270	15,554	59,824	-
Compensated absences	62,453	29,730	92,183	-
Due in more than one year	417,886	2,750,501	3,168,387	-
<b>Total liabilities</b>	<b>566,830</b>	<b>3,017,776</b>	<b>3,584,606</b>	<b>62,214</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Pension deferrals				
	45,324	15,925	61,249	-
<b>Total deferred inflows of resources</b>	<b>45,324</b>	<b>15,925</b>	<b>61,249</b>	<b>-</b>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	800,238	5,773,872	6,574,110	36,287
Restricted for:				
Stabilization by State Statute	140,689	-	140,689	-
Other functions	148,083	-	148,083	18,448
Unrestricted	49,181	134,503	183,684	144,638
<b>Total net position</b>	<b>\$ 1,138,191</b>	<b>\$ 5,908,375</b>	<b>\$ 7,046,566</b>	<b>\$ 199,373</b>

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

**Town of Fairmont, North Carolina**  
**Statement of Activities**  
**June 30, 2016**

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	Fairmont ABC Board
<b>Primary Government</b>								
<b>Governmental activities:</b>								
General Government	\$ 513,066	\$ 3,144	\$ -	\$ 7,632	\$ (502,290)	\$ -	\$ (502,290)	\$ -
Public Safety	830,042	-	-	-	(830,042)	-	(830,042)	-
Transportation	254,580	-	-	90,565	(164,015)	-	(164,015)	-
Environmental Protection	214,286	238,584	-	-	24,298	-	24,298	-
Economic and Community Dev.	141,271	-	-	5,646	(135,625)	-	(135,625)	-
Interest on long-term debt	640	-	-	-	(640)	-	(640)	-
<b>Total governmental activities</b>	<u>1,953,885</u>	<u>241,728</u>	<u>-</u>	<u>103,843</u>	<u>(1,608,314)</u>	<u>-</u>	<u>(1,608,314)</u>	<u>-</u>
<b>Business-type activities:</b>								
Water and Sewer	1,276,257	1,216,149	27,000	-	-	(33,108)	(33,108)	-
<b>Total business-type activities</b>	<u>1,276,257</u>	<u>1,216,149</u>	<u>27,000</u>	<u>-</u>	<u>-</u>	<u>(33,108)</u>	<u>(33,108)</u>	<u>-</u>
<b>Total primary government</b>	<u>\$ 3,230,142</u>	<u>\$ 1,457,877</u>	<u>\$ 27,000</u>	<u>\$ 103,843</u>	<u>(1,608,314)</u>	<u>(33,108)</u>	<u>(1,641,422)</u>	<u>-</u>
<b>Component unit</b>								
Fairmont ABC Board	615,615	618,819	-	-	-	-	-	3,204
<b>Total component unit</b>	<u>\$ 615,615</u>	<u>\$ 618,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,204</u>
<b>General revenues:</b>								
Ad valorem taxes					850,175	-	850,175	-
Other taxes and licenses					735,889	-	735,889	-
Unrestricted intergovernmental revenues					35,906	-	35,906	-
Investment earnings					39	-	39	39
Other revenue (expense)					36,899	-	36,899	-
Transfers in (out)					-	-	-	-
<b>Total general revenues and transfers</b>					<u>1,658,908</u>	<u>-</u>	<u>1,658,908</u>	<u>39</u>
<b>Change in net position</b>					50,594	(33,108)	17,486	3,243
<b>Net position - beginning of year</b>					1,050,506	5,978,574	7,029,080	196,130
<i>Restatement</i>					37,091	(37,091)	-	-
<b>Net position - beginning of year restated</b>					<u>1,087,597</u>	<u>5,941,483</u>	<u>7,029,080</u>	<u>196,130</u>
<b>Net position - end of year</b>					<u>\$ 1,138,191</u>	<u>\$ 5,908,375</u>	<u>\$ 7,046,566</u>	<u>\$ 199,373</u>

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

**Town of Fairmont, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	General	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 383,695	\$ -	\$ 383,695
Restricted cash	84,329	63,754	148,083
Taxes receivable - net	238,118	-	238,118
Due from other governments	100,268	-	100,268
Accounts receivable - net	40,421	-	40,421
<b>Total assets</b>	<b>846,831</b>	<b>63,754</b>	<b>910,585</b>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued liabilities	42,221	-	42,221
<b>Total liabilities</b>	<b>42,221</b>	<b>-</b>	<b>42,221</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Property taxes receivable	238,118	-	238,118
<b>Total deferred inflows of resources</b>	<b>238,118</b>	<b>-</b>	<b>238,118</b>
<b><u>FUND BALANCES</u></b>			
Restricted			
Stabilization by State Statute	140,689	-	140,689
Streets	77,614	-	77,614
Public Safety	6,715	-	6,715
Economic Development	-	63,754	63,754
Unassigned	341,474	-	341,474
<b>Total fund balances</b>	<b>566,492</b>	<b>63,754</b>	<b>630,246</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 846,831</b>	<b>\$ 63,754</b>	

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

Total Fund Balance, Governmental Funds		630,246
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$ 3,981,503	
Accumulated depreciation	(3,181,265)	800,238
Deferred outflows of resources related to pensions are not reported in the funds		39,522
Earned revenues considered deferred inflows of resources in fund statements		238,118
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		(417,886)
Gross long-term debt	\$ (21,498)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	21,498	
Net pension liability	(44,270)	(44,270)
Deferred inflows of resources related to pensions are not reported in the funds		(45,324)
Compensated absences not expected to be materially liquidated with expendable available resources		(62,453)
<b>Net position of governmental activities</b>		<b>\$ 1,138,191</b>

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

**Town of Fairmont, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 840,771	\$ -	\$ 840,771
Other taxes and licenses	735,889	-	735,889
Unrestricted intergovernmental revenues	35,906	-	35,906
Restricted intergovernmental revenues	101,341	5,646	106,987
Other general revenue	36,899	-	36,899
Sales and services	238,584	-	238,584
Interest earned on investments	12	27	39
<b>Total revenues</b>	<u>1,989,402</u>	<u>5,673</u>	<u>1,995,075</u>
<b>Expenditures:</b>			
General government	403,174	-	403,174
Public safety	747,675	-	747,675
Transportation	255,824	-	255,824
Environmental protection	212,397	-	212,397
Economic and physical development	132,940	8,331	141,271
Debt service			
Principal repayment	21,498	-	21,498
Interest	640	-	640
<b>Total expenditures</b>	<u>1,774,148</u>	<u>8,331</u>	<u>1,782,479</u>
<b>Revenues over (under) expenditures</b>	<u>215,254</u>	<u>(2,658)</u>	<u>212,596</u>
<b>Other financing sources (uses)</b>			
Transfer in	-	-	-
Loan proceeds	-	-	-
Fund balance appropriated	-	-	-
<b>Net change in fund balances</b>	215,254	(2,658)	212,596
<b>Fund balance - beginning of year</b>	<u>351,238</u>	<u>66,412</u>	<u>417,650</u>
<b>Fund balance - end of year</b>	<u>\$ 566,492</u>	<u>\$ 63,754</u>	<u>\$ 630,246</u>

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

**Town of Fairmont, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2016**

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

Net change in fund balances - total governmental funds	\$	212,596
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period</p>		
Capital outlay expenditures which were capitalized	\$ 7,300	
Depreciation expense for governmental assets	<u>(133,100)</u>	(125,800)
<p>Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities</p>		
		39,522
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in deferred revenue for tax revenues		9,404
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net 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.</p>		
New long-term debt issued	-	
Principal payments on long-term debt	<u>21,498</u>	21,498
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	-	
Pension expense	(16,435)	
Other postemployment benefits	<u>(90,191)</u>	<u>(106,626)</u>
<b>Total change in net position of governmental activities</b>	<b>\$</b>	<b><u>50,594</u></b>

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

**Town of Fairmont, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 751,800	\$ 839,544	\$ 840,771	\$ 1,227
Other taxes and licenses	673,500	725,336	735,889	10,553
Unrestricted intergovernmental revenues	27,750	35,904	35,906	2
Restricted intergovernmental revenues	115,380	102,199	101,341	(858)
Other general revenue	41,650	32,729	36,899	4,170
Sales and services	237,300	237,158	238,584	1,426
Investment earnings	-	-	12	12
<b>Total revenues</b>	<u>1,847,380</u>	<u>1,972,870</u>	<u>1,989,402</u>	<u>16,532</u>
<b>Expenditures:</b>				
General government	396,685	417,087	403,174	13,913
Public safety	777,999	760,903	747,675	13,228
Transportation	296,983	303,478	255,824	47,654
Environmental protection	238,500	217,200	212,397	4,803
Economic and physical development	115,073	138,906	132,940	5,966
Debt service				
Principal repayment	21,500	21,500	21,498	2
Interest	640	640	640	-
<b>Total expenditures</b>	<u>1,847,380</u>	<u>1,859,714</u>	<u>1,774,148</u>	<u>85,564</u>
<b>Revenues under expenditures</b>	<u>-</u>	<u>113,156</u>	<u>215,254</u>	<u>102,098</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Loan proceeds	-	-	-	-
Fund balance appropriated	-	(113,156)	-	113,156
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(113,156)</u>	<u>-</u>	<u>113,156</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	215,254	<u>\$ 215,254</u>
<b>Fund balance - beginning of year</b>			<u>351,238</u>	
<b>Fund balance - end of year</b>			<u>\$ 566,492</u>	

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

**Town of Fairmont, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Fund**  
**June 30, 2016**

	<b>Enterprise Fund</b>
	<b>Water and Sewer Fund</b>
<b><u>ASSETS</u></b>	
Current assets:	
Cash and cash equivalents	\$ 141,337
Accounts receivable - net	101,507
Prepaid assets	-
Due from other governments	-
Inventories	34,767
Total current assets	277,611
Non-current assets:	
Capital assets:	
Land	7,091
Other capital assets, net of depreciation	8,643,555
Total capital assets	8,650,646
Total assets	8,928,257
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Contributions to pension plan	13,819
Total deferred outflows of resources	13,819
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable and accrued expenses	7,379
Current portion of long-term liabilities	126,273
Meter Deposits	88,339
Total current liabilities	221,991
Noncurrent liabilities:	
Net pension liability	15,554
Compensated absences	29,730
Noncurrent portion of long-term debt	2,750,501
Total noncurrent liabilities	2,795,785
Total liabilities	3,017,776
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Pension deferrals	15,925
Total deferred inflows of resources	15,925
<b><u>NET POSITION</u></b>	
Net investment in capital assets	5,773,872
Unrestricted	134,503
Total net position	\$ 5,908,375

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

**Town of Fairmont, North Carolina**  
**Statement of Revenue, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2016**

	<u>Enterprise</u> <u>Fund</u> <u>Water and</u> <u>Sewer Fund</u>
<b>Operating revenues</b>	
Charges for services	\$ 1,216,149
Other operating revenue	-
<b>Total operating revenues</b>	<u>1,216,149</u>
<b>Operating expenses</b>	
Administration	215,582
Operations - Water treatment	87,139
Operations - Water maintenance	86,256
Operations - Sewer treatment	355,556
Operations - Sewer maintenance	86,198
Operations - Sewer contract operations and maintenance	25,585
Non-departmental	29,162
Depreciation	269,705
<b>Total operating expenses</b>	<u>1,155,183</u>
<b>Operating income (loss)</b>	<u>60,966</u>
<b>Non-operating revenues (expenses)</b>	
Interest expense	(121,074)
Interest earned on investments	-
<b>Total non-operating revenues (expenses)</b>	<u>(121,074)</u>
<b>Net income (loss) before operating transfers</b>	(60,108)
<b>Transfers</b>	
Transfers in (out)	-
Capital contributions and grants	27,000
<b>Total transfers</b>	<u>27,000</u>
<b>Change in net position</b>	(33,108)
<b>Total net position - beginning of year</b>	5,978,574
<i>Restatement</i>	<u>(37,091)</u>
<b>Total net position - beginning of year, restated</b>	5,941,483
<b>Total net position - end of year</b>	<u>\$ 5,908,375</u>

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



**Town of Fairmont, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2016**

	<b>Enterprise Fund</b>
	<b>Water and Sewer Fund</b>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 1,197,509
Cash paid for goods and services	(618,607)
Cash paid to employees	(303,542)
Increase (decrease) in meter deposits	22
<b>Net cash provided (used) by operating activities</b>	<b>275,382</b>
<b>Cash flows from non-capital financing activities</b>	
Transfers to other funds	-
<b>Net cash provided (used) by non-capital financing activities</b>	<b>-</b>
<b>Cash flows from capital and related financing activities</b>	
Acquisition and construction of assets	(52,000)
Capital contributions and grants	27,000
Payment of debt-related interest - all	(121,074)
Debt principal repayment	(134,285)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(280,359)</b>
<b>Cash flows from investing activities</b>	
Interest on investments	-
<b>Net cash provided (used) by investing activities</b>	<b>-</b>
<b>Net increase (decrease) in cash</b>	(4,977)
<b>Cash and cash equivalents - Beginning of year</b>	146,314
<b>Cash and cash equivalents - End of year</b>	<b>\$ 141,337</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
<b>Operating income (loss)</b>	<b>\$ 60,966</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -</b>	
Depreciation	269,705
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(10,911)
(Increase) decrease in inventory	(3,197)
Decrease in net pension asset	(37,091)
Increase in deferred outflows of resources - pensions	(853)
Increase in net pension liability	15,554
Decrease in deferred inflows of resources - pensions	15,925
Increase (decrease) in accounts payable and accrued liabilities	(34,738)
Increase (decrease) in meter deposits	22
<b>Total adjustments</b>	<b>214,416</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 275,382</b>

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

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A - Reporting Entity**

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

**Town of Fairmont ABC Board**

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

**B - Basis of Presentation - Fund Accounting**

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

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

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

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

The Town reports the following major Governmental funds:

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

**B - Basis of Presentation - Fund Accounting (continued)**

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

The Town reports the following non-major Governmental funds

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

Proprietary Funds include the following fund type:

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

**C - Measurement Focus and Basis of Accounting**

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

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

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

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

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

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

Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Fairmont because the tax is levied by Robeson County and then remitted to and distributed by the State. Most intergovernmental revenue and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenue that is unearned at year-end is recorded as deferred revenue.

**D - Budgetary Data**

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

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

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

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

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

Deposits and Investments

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

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

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

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

Deposits and Investments (continued)

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

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

In accordance with State law, the Town of Fairmont has invested in securities that are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Restricted Assets

Money in the Rural Business Enterprise Grant Fund and Cemetery Fund are classified as restricted assets because its use is restricted to those funds. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Restricted cash at June 30, 2016 in the Governmental Activities was \$148,083.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2011. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenue is reported net of such discounts.

Inventory

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. The inventories of the Town's Enterprise Funds and those of the Town of Fairmont ABC Board consist of materials and supplies held for consumption. The cost of these inventories is recorded as an expense as the inventories are consumed.

Capital Assets

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

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

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

Capital Assets (continued)

Capital assets of the Town are depreciated on a class life basis at the following rates:

Buildings	2%
Improvements	10%
Equipment and vehicles	17%

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

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

Deferred outflows/inflows of resources

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

Long-Term Debt

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

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

Compensated Absences

The vacation policies of the Town and the ABC Board provide for the accumulation of up to thirty days of earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned – when material. The Town has assumed a first-in, first-out method of using accumulated compensated time.

Both the Town and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

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

Net Position / Fund Balances

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Fairmont's employer contributions are recognized when due and the Town of Fairmont has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

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

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

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**

**A - Assets**

Deposits

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

Deposits

At June 30, 2016, the Town's deposits had a carrying amount of \$661,903, and a bank balance of \$717,120. Federal Deposit Insurance covered the bank balance of the Town. (Petty cash amounted to \$850.)

At June 30, 2016, the carrying amount of deposits for the ABC Board was \$113,039, and the bank balance was \$112,275. Federal Deposit Insurance covered all of the bank balance.

Investments

At June 30, 2016, the Town's investment balances were as follows:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Maturity</b>	<b>Rating</b>
North Carolina Capital Management Trust Cash Portfolio	<u>\$ 11,212</u>	n/a	AAAm

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



**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

**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, 2016.

*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, 2016, the Town had \$11,212 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, 2016, was as follows:

<b>Governmental activities -</b>	Beginning			Ending
<b>Capital assets</b>	Balances	Increases	Decreases	Balances
Land (non-depreciable)	\$ 161,046	\$ -	\$ -	\$ 161,046
Buildings and infrastructure	2,153,601	-	-	2,153,601
Equipment	677,325	-	-	677,325
Vehicles/motorized equipment	982,231	7,300	-	989,531
	<u>\$ 3,974,203</u>	<u>\$ 7,300</u>	<u>\$ -</u>	<u>\$ 3,981,503</u>
<b>Less -</b>				
<b>Accumulated depreciation</b>				
Buildings and infrastructure	\$ 1,635,286	\$ 15,107	\$ -	\$ 1,650,393
Equipment	595,879	29,510	-	625,389
Vehicles/motorized equipment	817,000	88,483	-	905,483
	<u>3,048,165</u>	<u>\$ 133,100</u>	<u>\$ -</u>	<u>3,181,265</u>
<b>Governmental activities -</b>				
<b>Capital assets - Net</b>	<u>\$ 926,038</u>			<u>\$ 800,238</u>

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

General Government	\$ 12,377
Public Safety	115,861
Transportation	2,973
Environmental Protection	1,889
	<u>133,100</u>
Total depreciation expense	<u>\$ 133,100</u>

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

**A – Assets (continued)**

Capital Assets (continued)

**Business-type activities -**

**Water and Sewer Fund -**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets</b>				
Land (non-depreciable)	\$ 7,091	\$ -	\$ -	\$ 7,091
Public works building	12,755	-	-	12,755
Water and sewer system	13,073,104	25,000	-	13,098,104
Equipment	613,393	-	-	613,393
Construction in progress	873,587	27,000	-	900,587
	<u>\$ 14,579,930</u>	<u>\$ 52,000</u>	<u>\$ -</u>	<u>\$ 14,631,930</u>
<b>Total capital assets</b>				
<b>Less -</b>				
<b>Accumulated depreciation</b>				
Public works building	\$ 12,758	\$ -	\$ -	\$ 12,758
Water and sewer system	5,137,023	242,985	-	5,380,008
Equipment	561,798	26,720	-	588,518
	<u>5,711,579</u>	<u>\$ 269,705</u>	<u>\$ -</u>	<u>5,981,284</u>
<b>Total accumulated depreciation</b>				
<b>Business-type activities</b>				
<b>Capital assets - Net</b>	<u>\$ 8,868,351</u>			<u>\$ 8,650,646</u>

The following is a summary of Proprietary Fund type fixed assets for the ABC Board at June 30, 2016:

Land	\$ 26,500
Buildings and equipment	<u>187,067</u>
	213,567
Less - Accumulated depreciation	<u>(177,280)</u>
<b>Total ABC fixed assets</b>	<u>\$ 36,287</u>

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

**B – Liabilities**

Pension Plan and Postemployment Obligations

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

*Plan Description.* The Town of Fairmont is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Fairmont employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Fairmont's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Fairmont were \$53,341 for the year ended June 30, 2016.

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

**B – Liabilities**

Pension Plan and Postemployment Obligations (continued)

*Local Governmental Employees' Retirement System (continued)*

*Refunds of Contributions* – Town employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2016, the Town reported a liability of \$59,824 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.013%, which was a decrease of 0.002% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$23,791. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 14,062
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	17,032
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	30,155
Town contributions subsequent to the measurement date	53,341	-
Total	\$ 53,341	\$ 61,249

\$53,341 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>		
2017	\$	(28,996)
2018		(28,996)
2019		(28,917)
2020		25,660
2021		-
Thereafter		-
	\$	(61,249)

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

**B – Liabilities**

Pension Plan and Postemployment Obligations (continued)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)***

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100.0%	

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

**B – Liabilities**

Pension Plan and Postemployment Obligations (continued)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)***

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 417,161	\$ 59,824	\$(241,225)

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

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

**B – Liabilities**

Pension Plan and Postemployment Obligations (continued)

*Law Enforcement Officers' Special Separation Allowance*

*Plan Description.* The Town of Fairmont administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increase in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The annual pension cost for the Town is immaterial.

The Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2015, the Separation Allowance's membership consisted of:

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

*Summary of Significant Accounting Policies*

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

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

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

*Contributions*

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

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

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

**B – Liabilities**

Pension Plan and Postemployment Obligations (continued)

***Supplemental Retirement Income Plan for Law Enforcement Officers***

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of the State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The annual pension cost for the Town is immaterial.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016, were \$63,140, which consisted of \$38,246 from the Town and \$24,894 from the law enforcement officers.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end is comprised of pension related deferrals of \$53,341.

Deferred inflows of resources at year-end is comprised of property taxes receivable of \$238,118 and pension deferrals of \$61,249.

Other Postemployment Benefits

According to a Town resolution, the Town provides post-employment health care benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and have at least five years of creditable service with the Town. In addition, the Town pays the full cost of these benefits with a minimum of twenty years of creditable service with the Town. Retirees who do not meet the aforementioned criteria have the option to purchase coverage themselves and their dependents through the Town for eighteen months. The entire cost of this insurance is borne by the retirees. The Town maintains health care coverage through private insurers. Currently, 4 retirees participate in the post-retirement health benefits. For the fiscal year ended June 30, 2016, the Town made payments for post-retirement health benefit premiums of \$40,776.

Membership of the Plan consisted of the following at December 31, 2015:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	5	1
Terminated plan members entitled to, but not yet receiving benefits	-	-
Active plan members	12	10
Total	17	11



**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

**B – Liabilities**

Pension Plan and Postemployment Obligations (continued)

Other Postemployment Benefits (continued)

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

The current ARC rate is 18.61% of annual covered payroll. For the current year the Town contributed \$40,776 or 5.82% of annual covered payroll. The Town purchases insurance from a private carrier for health care coverage. There were no contributions made by the employees except for dependent coverage. The Town's obligation to contribute to the Plan is established and may be amended by the Town Council.

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

	Governmental Activities
Annual required contribution	\$ 130,381
Interest on net OPEB obligation	13,108
Adjustments to annual required	(12,522)
Annual OPEB cost (expense)	\$ 130,967
Contributions made	(40,776)
Increase (decrease) in net OPEB	90,191
Net OPEB obligation beginning of year	327,695
Net OPEB obligation, end of year	\$ 417,886

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contrib.	Net OPEB Obligation
2016	\$130,967	31.10%	\$417,886
2015	64,307	61.32%	327,695
2014	80,151	47.49%	302,826

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

**B – Liabilities**

Pension Plan and Postemployment Obligations (continued)

Other Postemployment Benefits (continued)

*Fund Status and Funding Progress.* As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$1,866,480. The covered payroll (annual payroll) of active employees covered by the plan was \$700,594 and the ratio of the UAAL to the covered payroll was 266.4%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about the actuarial accrued liabilities for benefit.

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

In the December 31, 2015 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 7.75 to 5.00 percent annually. The investment rate included a 3.00 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, 2016, was 30 years.

As of December 31, 2015, management has not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service prioritized by the Town Council.

Other Employment Benefits

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

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

**B – Liabilities**

Risk Management

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

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

Long-Term Obligations

Summary of activity - Governmental activities	Beginning Balances	Increase (Decrease)	Ending Balance	Current Portion
USDA loan	\$ 11,369	\$ (11,369)	\$ -	\$ -
New USDA Loan	10,129	(10,129)	-	-
	<u>\$ 21,498</u>	<u>\$ (21,498)</u>	<u>\$ -</u>	<u>\$ -</u>
OPEB	<u>\$ 327,695</u>	<u>\$ 90,191</u>	<u>\$ 417,886</u>	<u>\$ -</u>
Compensated absences	<u>\$ 62,453</u>	<u>\$ -</u>	<u>\$ 62,453</u>	<u>\$ -</u>

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

**B – Liabilities (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, 2016, 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%	\$ 1,020,500
\$1,750,000 - 2002B Water Serial Bonds due in annual installments ranging from \$19,000 to \$76,000, beginning in 2004 through 2041; interest at 4.5%	1,426,500
\$385,000 – 2014 Water Serial Bonds due in various annual installments through 2053; interest at 2.25%	<u>367,000</u>
Total	<u>\$ 2,814,000</u>

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

**B – Liabilities (continued)**

General Obligation Indebtedness (continued)

Annual debt service requirements to maturity for general obligation bonds, including interest of \$1,824,435 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>
2017	\$ 167,615	\$ 57,500	\$ 110,115
2018	167,528	60,000	107,528
2019	167,327	62,500	104,827
2020	167,015	65,000	102,015
2021	167,090	66,000	101,090
2022-2026	835,237	388,500	446,737
2027-2031	836,767	484,000	352,767
2032-2036	836,296	603,500	232,796
2037-2041	749,100	660,000	89,100
Total	<u>\$ 4,093,975</u>	<u>\$ 2,447,000</u>	<u>\$ 1,646,975</u>

**2014 Bonds**

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 14,258	\$ 6,000	\$ 8,258
2018	15,123	7,000	8,123
2019	14,965	7,000	7,965
2020	14,808	7,000	7,808
2021	14,650	7,000	7,650
2022-2026	73,820	38,000	35,820
2027-2031	73,365	42,000	31,365
2032-2036	73,415	47,000	26,415
2037-2041	73,858	53,000	20,858
2042-2046	73,603	59,000	14,603
2047-2051	73,650	66,000	7,650
2052-2053	28,945	28,000	945
Total	<u>\$ 544,460</u>	<u>\$ 367,000</u>	<u>\$ 177,460</u>

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

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

**B – Liabilities (continued)**

At June 30, 2016, 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 \$5,654,645.

Summary of activity - Business-type activities	Beginning Balances	Increase (Decrease)	Ending Balance	Current Portion
Bank loan	\$ 10,512	\$ (10,512)	\$ -	\$ -
2002 Bonds	2,502,000	(55,000)	2,447,000	57,500
2014 Bonds	373,000	(6,000)	367,000	6,000
NC Department of Commerce	125,547	(62,773)	62,774	62,773
	<u>\$ 3,011,059</u>	<u>\$ (134,285)</u>	<u>\$2,876,774</u>	<u>\$ 126,273</u>
Compensated absences	<u>\$ 29,730</u>	<u>\$ -</u>	<u>\$ 29,730</u>	<u>\$ -</u>

**NOTE 4 - RELATED ORGANIZATION**

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

**NOTE 5 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

**Federal and State Assisted Programs**

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

**Town of Fairmont, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2016**

**NOTE 6 – FUND BALANCE**

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

Total fund balance-General Fund	\$ 566,492
Less:	
Stabilization by State Statute	140,689
Streets-Powell Bill	77,614
Public Safety	6,715
Remaining Fund Balance	341,474

**NOTE 7 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through December 19, 2016, which is the date the financial statements were available to be issued.

**NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT**

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental decreased by \$148,682 for the 2015 fiscal year. A restatement for the fiscal year ending June 30, 2016 was made increasing the governmental activities beginning net position and decreasing the business-type activities beginning net position for \$37,091 to properly allocate between funds the GASB 68 implementation last year.

### **Required Supplementary Financial Data**

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

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



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

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/15	-	1,866,480	1,866,480	0.00%	700,594	266.40%
06/30/15	-	618,587	618,587	0.00%	831,379	74.00%
06/30/14	-	736,990	736,990	0.00%	932,110	79.00%
06/30/13	-	854,520	854,520	0.00%	1,017,309	84.00%
06/30/12	-	807,048	807,048	0.00%	965,105	84.00%
06/30/11	-	732,398	732,398	0.00%	908,967	81.00%
06/30/10	-	625,844	625,844	0.00%	920,032	68.00%

**Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2016	\$ 130,967	47.50%
2015	64,307	61.32%
2014	80,151	47.49%
2013	103,817	20.54%
2012	93,279	29.99%
2011	90,361	29.25%
2010	78,773	37.77%

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

**Local Government Employees' Retirement System**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Fairmont's proportion of the net pension liability (asset) (%)	0.00013%	0.00015%	0.00017%
Fairmont's proportion of the net pension liability (asset) (\$)	\$ 59,824	\$ (87,165)	\$ 208,531
Fairmont's covered-employee payroll	\$ 708,639	\$ 835,741	\$ 835,741
Fairmont's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.79%	(12.30%)	24.95%
Plan fiduciary net position as a percentage of the total pension liability.	98.09%	102.64%	94.35%

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

**Local Government Employees' Retirement System**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 53,341	\$ 51,078	\$ 59,849
Contributions in relation to the contractually required contribution	<u>53,341</u>	<u>51,078</u>	<u>59,849</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fairmont's covered-employee payroll	\$ 768,387	\$ 708,639	\$ 835,741
Contributions as a percentage of covered-employee payroll	6.94%	7.21%	7.16%

**Individual Fund Statements and Schedules**

**Town of Fairmont, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance --**  
**Budget and Actual**  
**For the Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>				
<b>Ad valorem taxes</b>				
Current year			\$ 702,003	
Prior years			127,792	
Tax discounts			(8,137)	
Tax penalties			19,113	
Foreclosure fees			-	
<b>Total</b>	<u>751,800</u>	<u>839,544</u>	<u>840,771</u>	<u>1,227</u>
<b>Other taxes and licenses</b>				
Utility franchise tax			148,669	
Local sales tax			570,378	
Privilege and gaming license			225	
Cable tax revenue and franchise fees			15,527	
Zoning permits			1,090	
<b>Total</b>	<u>673,500</u>	<u>725,336</u>	<u>735,889</u>	<u>10,553</u>
<b>Unrestricted intergovernmental</b>				
Beer and wine tax			11,662	
ABC profit distribution			24,244	
<b>Total</b>	<u>27,750</u>	<u>35,904</u>	<u>35,906</u>	<u>2</u>
<b>Restricted intergovernmental</b>				
Powell Bill allocation			90,565	
Court fees			3,144	
Grants			7,632	
<b>Total</b>	<u>115,380</u>	<u>102,199</u>	<u>101,341</u>	<u>(858)</u>
<b>Other general revenues</b>				
Lot cutting			1,000	
Fire inspections			688	
Park and recreation fees			-	
Miscellaneous			3,429	
Sale of fixed assets			12,682	
Net equipment and building rental			19,100	
<b>Total</b>	<u>\$ 41,650</u>	<u>\$ 32,729</u>	<u>\$ 36,899</u>	<u>\$ 4,170</u>

**Town of Fairmont, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues (continued)</b>				
<b>Miscellaneous revenue</b>				
Sales and service - sanitation fees	\$	\$	\$ 238,584	\$
Investment earnings			12	
<b>Total</b>	<u>237,300</u>	<u>237,158</u>	<u>238,596</u>	<u>1,438</u>
<b>Total revenues</b>	<u>1,847,380</u>	<u>1,972,870</u>	<u>1,989,402</u>	<u>16,532</u>
<b>Expenditures:</b>				
<b>General government-</b>				
<b>Governing body</b>				
Salaries and employee benefits			12,098	
Departmental supplies			305	
Postage			342	
Travel			429	
Dues and subscriptions			312	
<b>Total</b>	<u>13,550</u>	<u>13,491</u>	<u>13,486</u>	<u>5</u>
<b>Administration</b>				
Salaries and employee benefits			28,565	
Postage			417	
Auto			2,530	
Departmental supplies			1,305	
<b>Total</b>	<u>38,405</u>	<u>33,048</u>	<u>32,817</u>	<u>231</u>
<b>Clerk</b>				
Salaries and employee benefits			52,896	
Training			523	
Postage			774	
Repairs and maintenance			-	
Departmental supplies			393	
Dues and subscriptions			222	
<b>Total</b>	<u>54,942</u>	<u>55,024</u>	<u>54,808</u>	<u>216</u>
<b>Elections - supplies</b>	<u>3,500</u>	<u>2,161</u>	<u>-</u>	<u>2,161</u>
<b>Finance</b>				
Salaries and employee benefits			103,387	
Professional services			13,446	
Postage			549	
Maintenance and repairs /rental			6,988	
Advertising			3,860	
Departmental supplies			1,471	
Dues and subscriptions			50	
<b>Total</b>	<u>\$ 125,048</u>	<u>\$ 130,884</u>	<u>\$ 129,751</u>	<u>\$ 1,133</u>

**Town of Fairmont, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (continued)</b>				
<b>General government (continued)</b>				
<b>Tax listing</b>				
Robeson County collections fee	\$	\$	\$ 21,616	\$
Postage			173	
Departmental supplies			-	
<b>Total</b>	<u>19,325</u>	<u>22,175</u>	<u>21,789</u>	<u>386</u>
<b>Legal</b>				
Professional services	<u>12,000</u>	<u>17,000</u>	<u>16,194</u>	<u>806</u>
<b>Planning</b>				
Professional services			730	
Postage			153	
Noise abatement			580	
Departmental supplies			171	
<b>Total</b>	<u>10,900</u>	<u>2,200</u>	<u>1,634</u>	<u>566</u>
<b>Public building</b>				
Salaries and employee benefits			44,010	
Telephone			30,775	
Utilities			22,329	
Maintenance and repairs - buildings			23,928	
Uniforms			337	
Departmental supplies			11,316	
<b>Total</b>	<u>119,015</u>	<u>141,104</u>	<u>132,695</u>	<u>8,409</u>
<b>Total general government</b>	<u>\$ 396,685</u>	<u>\$ 417,087</u>	<u>\$ 403,174</u>	<u>\$ 13,913</u>

**Town of Fairmont, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (continued)</b>				
<b>Public safety</b>				
<b>Police department</b>				
Salaries and employee benefits	\$	\$	\$ 528,785	\$
Robeson County communications			39,870	
Training			7,890	
Postage			9,885	
Maintenance and repairs - equipment			10,727	
Maintenance agreements			14,454	
Maintenance and repairs - vehicles			14,262	
Equipment rental			2,641	
Auto supplies			32,383	
Departmental supplies			4,567	
Uniforms			7,886	
Medical exams			2,246	
Dues and subscriptions			30	
Miscellaneous			-	
Capital outlay			7,300	
Grant-related expenditures			765	
<b>Total</b>	<u>703,549</u>	<u>695,988</u>	<u>683,691</u>	<u>12,297</u>
<b>Fire department</b>				
Salaries and employee benefits			26,793	
Training			-	
Postage			516	
Maintenance and repairs - equipment			8,628	
Maintenance and repairs - vehicles			5,420	
Auto supplies			893	
Departmental supplies			5,599	
Uniforms			15,375	
Dues			760	
<b>Total</b>	<u>74,450</u>	<u>64,915</u>	<u>63,984</u>	<u>931</u>
<b>Total public safety</b>	<u>777,999</u>	<u>760,903</u>	<u>747,675</u>	<u>13,228</u>
<b>Transportation</b>				
<b>Powell Bill</b>				
Salaries and employee benefits			46,305	
Repairs and maintenance			6,450	
Capital outlay			-	
<b>Total</b>	<u>\$ 90,500</u>	<u>\$ 90,564</u>	<u>\$ 52,755</u>	<u>\$ 37,809</u>



**Town of Fairmont, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (continued)</b>				
<b>Transportation (continued)</b>				
<b>Garage</b>				
Salaries and employee benefits	\$	\$	\$ 53,246.	\$
Uniforms			554	
<b>Total</b>	<u>60,118</u>	<u>53,831</u>	<u>53,800</u>	<u>31</u>
<b>Streets</b>				
Salaries and employee benefits			26,930	
Professional			-	
Utilities			69,422	
Maintenance and repairs - equipment			17,204	
Maintenance and repairs - vehicles			1,734	
Auto supplies			13,682	
Departmental supplies			14,594	
Uniforms			583	
Training			34	
Mosquito spraying			5,086	
Capital outlay			-	
<b>Total</b>	<u>146,365</u>	<u>159,083</u>	<u>149,269</u>	<u>9,814</u>
<b>Total transportation</b>	<u>296,983</u>	<u>303,478</u>	<u>255,824</u>	<u>47,654</u>
<b>Environmental protection</b>				
<b>Sanitation</b>				
Maintenance and repairs - equipment			2,169	
Maintenance and repairs - vehicles			3,544	
Auto supplies			2,385	
Departmental supplies			1,179	
Contracted services			180,120	
Landfill			23,000	
Capital outlay			-	
<b>Total environmental protection</b>	<u>238,500</u>	<u>217,200</u>	<u>212,397</u>	<u>4,803</u>
<b>Economic and community development</b>				
<b>Community service</b>				
Salaries and employee benefits			8,406	
Maintenance and repairs			6,865	
Departmental supplies			223	
Dues and subscriptions			4,464	
Insurance			83,745	
Activities			3,624	
Grant-related expenditures			14,791	
Miscellaneous			10,822	
<b>Total economic and community development</b>	<u>\$ 115,073</u>	<u>\$ 138,906</u>	<u>\$ 132,940</u>	<u>\$ 5,966</u>

**Town of Fairmont, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (continued)</b>				
<b>Debt Service</b>				
Principal repayment	\$ -	\$ -	\$ 21,498	\$ -
Interest			640	
<b>Total debt service</b>	<u>22,140</u>	<u>22,140</u>	<u>22,138</u>	<u>2</u>
<b>Total expenditures</b>	<u>1,847,380</u>	<u>1,859,714</u>	<u>1,774,148</u>	<u>85,566</u>
<b>Total revenues</b>	1,847,380	1,972,870	1,989,402	16,532
<b>Total expenditures</b>	<u>1,847,380</u>	<u>1,859,714</u>	<u>1,774,148</u>	<u>85,566</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>113,156</u>	<u>215,254</u>	<u>102,098</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Loan proceeds	-	-	-	-
Fund balance appropriated		(113,156)	-	113,156
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(113,156)</u>	<u>-</u>	<u>113,156</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	215,254	<u>\$ 215,254</u>
<b>Fund balance</b>				
Beginning of year			<u>351,238</u>	
End of year			<u>\$ 566,492</u>	

**Town of Fairmont, North Carolina**  
**Non-Major Governmental Funds**  
**Combining Balance Sheets**  
**June 30, 2016**  
**(With Comparative Totals for June 30, 2015)**

	<b>Rural Business Enterprise Grant Fund</b>	<b>Cemetery Fund</b>	<b>Parks and Recreation Fund</b>	<b>Community Development Fund</b>	<b>Totals</b>	
					<b>2016</b>	<b>2015</b>
<b><u>Assets</u></b>						
Cash and investments	\$ 44,918	\$ 18,836	\$ -	\$ -	\$ 63,754	\$ 66,412
Grant receivable	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 44,918</b>	<b>\$ 18,836</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 63,754</b>	<b>\$ 66,412</b>
<b><u>Liabilities and Fund Balances</u></b>						
<b>Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balances</b>	<b>44,918</b>	<b>18,836</b>	<b>-</b>	<b>-</b>	<b>63,754</b>	<b>66,412</b>
<b>Total liabilities and fund balances</b>	<b>\$ 44,918</b>	<b>\$ 18,836</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 63,754</b>	<b>\$ 66,412</b>

**Town of Fairmont, North Carolina**  
**Non-Major Governmental Funds**  
**Combining Statements of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	<b>Rural Business Enterprise Grant Fund</b>	<b>Cemetery Fund</b>	<b>Parks and Recreation Fund</b>	<b>Community Development Fund</b>	<b>Totals</b>	
					<b>2016</b>	<b>2015</b>
<b>Revenues</b>						
Interest income	\$ -	\$ 27	\$ -	\$ -	\$ 27	\$ 27
Loan repayments	5,646	-	-	-	5,646	14,444
<b>Total revenues</b>	<u>5,646</u>	<u>27</u>	<u>-</u>	<u>-</u>	<u>5,673</u>	<u>14,471</u>
<b>Expenditures</b>						
Community service	8,331	-	-	-	8,331	6,400
<b>Total expenditures</b>	<u>8,331</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,331</u>	<u>6,400</u>
<b>Revenue over (under) expenditures</b>	(2,685)	27	-	-	(2,658)	8,071
Operating transfer (out)	-	-	-	-	-	-
<b>Fund balances</b>						
Beginning of year	47,603	18,809	-	-	66,412	58,341
End of year	<u>\$ 44,918</u>	<u>\$ 18,836</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,754</u>	<u>\$ 66,412</u>

**Town of Fairmont, North Carolina**  
**Special Revenue Fund – Rural Business Enterprise Grant Fund**  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	<u>2016</u>		<b>Variance Favorable (Unfavorable)</b>	<u>2015</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues:</b>				
Interest	\$ -	\$ -	\$ -	\$ -
USDA Loan		-		-
Loan repayments		5,646		14,444
<b>Total revenues</b>	<u>5,645</u>	<u>5,646</u>	<u>1</u>	<u>14,444</u>
<b>Expenditures:</b>				
Other		-		-
Loans to businesses		8,331		6,400
<b>Total expenditures</b>	<u>8,335</u>	<u>8,331</u>	<u>4</u>	<u>6,400</u>
<b>Revenues over (under) expenditures</b>	(2,690)	(2,685)	5	8,044
<b>Other financing sources (uses)</b>				
Fund balance appropriated	<u>2,690</u>	<u>-</u>	<u>(2,690)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>(2,685)</u>	<u>\$ (2,685)</u>	<u>8,044</u>
<b>Fund balance</b>				
Beginning of year		<u>47,603</u>		<u>39,559</u>
End of year		<u>\$ 44,918</u>		<u>\$ 47,603</u>

**Town of Fairmont, North Carolina**  
**Special Revenue Fund – Cemetery Fund**  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	<u>2016</u>		Variance Favorable (Unfavorable)	<u>2015</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues:</b>				
Interest income	\$	27	\$	27
<b>Total revenues</b>	<u>-</u>	<u>27</u>	<u>27</u>	<u>27</u>
<b>Expenditures:</b>				
Administration		-		-
<b>Total expenditures</b>	<u>18,775</u>	<u>-</u>	<u>18,775</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>	(18,775)	27	18,802	27
<b>Other financing sources (uses)</b>				
Fund balance appropriated	<u>18,775</u>	<u>-</u>	<u>(18,775)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>27</u>	<u>\$ 27</u>	<u>27</u>
<b>Fund balance</b>				
Beginning of year		<u>18,809</u>		<u>18,782</u>
End of year		<u>\$ 18,836</u>		<u>\$ 18,809</u>

**Town of Fairmont, North Carolina**  
**Special Revenue Fund – Parks and Recreation Fund**  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	<u>2016</u>		<b>Variance Favorable (Unfavorable)</b>	<u>2015</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues:</b>				
Interest income	\$	\$ -	\$	\$ -
Golden Leaf Grant		-		-
Local funds		-		-
Contributions		-		-
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
Community service		-		-
Community service - Golden Leaf Funds		-		-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>	-	-	-	-
<b>Other financing sources (uses)</b>				
Operating transfers in (out)	-	-	-	-
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
<b>Fund balance</b>				
Beginning of year		<u>-</u>		<u>-</u>
End of year		<u>\$ -</u>		<u>\$ -</u>

**Town of Fairmont, North Carolina**  
**Special Revenue Fund – Community Development**  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2016**

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



**Town of Fairmont, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues, Expenditures**  
**Budget and Actual (Non – GAAP)**  
**For the Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>				
<b>Operating revenue</b>				
Water sales	\$ -	\$ -	\$ 380,869	\$
Sewer sales			811,316	
Late fees			21,571	
Reconnection fees			2,391	
Other operating revenue			2	
<b>Total operating revenues</b>	<u>1,119,600</u>	<u>1,210,050</u>	<u>1,216,149</u>	<u>6,099</u>
<b>Non-operating revenues</b>				
Interest income			-	
<b>Total non-operating revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenues</b>	<u>1,119,600</u>	<u>1,210,050</u>	<u>1,216,149</u>	<u>6,099</u>
<b>Expenditures:</b>				
<b>Water and sewer administration</b>				
Salaries and employee benefits			162,881	
Training			-	
Postage and telephone			11,467	
Utilities			6,917	
Maintenance and repairs - equipment			5,440	
Maintenance and repairs - vehicles			3,151	
Equipment rental			4,396	
Advertising			775	
Auto supplies			4,060	
Departmental supplies			13,555	
Uniforms			1,601	
Medical exams			1,335	
Other			-	
<b>Total water and sewer administration</b>	<u>\$ 229,194</u>	<u>\$ 227,958</u>	<u>\$ 215,578</u>	<u>\$ 12,380</u>

**Town of Fairmont, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues, Expenditures**  
**Budget and Actual (Non - GAAP) (continued)**  
**For the Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (continued)</b>				
<b>Water treatment</b>				
Salaries and employee benefits	\$	\$	\$ 18,197	\$
Professional services			2,280	
Training			1,149	
Telephone			13,545	
Utilities			19,597	
Maintenance and repairs - equipment			27,298	
Departmental supplies			4,518	
Uniforms			770	
Dues			625	
<b>Total water treatment</b>	<u>120,972</u>	<u>95,546</u>	<u>87,979</u>	<u>7,567</u>
<b>Water maintenance</b>				
Salaries and employee benefits			39,807	
Maintenance and repairs - equipment			6,016	
Maintenance and repairs - vehicles			4,719	
Auto supplies			12,800	
Departmental supplies			24,153	
Uniforms			660	
<b>Total water maintenance</b>	<u>86,344</u>	<u>88,936</u>	<u>88,155</u>	<u>781</u>
<b>Sewage treatment</b>				
Salaries and employee benefits			82,657	
Professional services			44,071	
Training			100	
Telephone			14,395	
Utilities			116,009	
Maintenance and repairs - equipment			86,773	
Departmental supplies			13,760	
Uniforms			930	
<b>Total sewage treatment</b>	<u>296,616</u>	<u>372,271</u>	<u>358,695</u>	<u>13,576</u>
<b>Non-departmental</b>				
Insurance and bonds			21,485	
Vacation			-	
Bad debt expense			1,912	
Building maintenance			3,643	
Professional services			2,122	
<b>Total non-departmental</b>	<u>\$ 28,654</u>	<u>\$ 29,550</u>	<u>\$ 29,162</u>	<u>\$ 388</u>

**Town of Fairmont, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues, Expenditures**  
**Budget and Actual (Non – GAAP) (continued)**  
**For the Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (continued)</b>				
<b>Sewer maintenance</b>				
Salaries and employee benefits	\$	\$	\$ 14,812	\$
Maintenance and repairs - equipment			47,230	
Maintenance and repairs - vehicles			9,786	
Auto supplies			7,153	
Departmental supplies			7,579	
Uniforms			229	
<b>Total sewer maintenance</b>	<u>46,459</u>	<u>89,078</u>	<u>86,789</u>	<u>2,289</u>
<b>Sewer contract operations and maintenance</b>				
Other operating expenses	<u>31,000</u>	<u>26,350</u>	<u>25,585</u>	<u>765</u>
<b>Total operating expenditures</b>	<u>839,239</u>	<u>929,689</u>	<u>891,943</u>	<u>37,746</u>
<b>Net capital outlay</b>				
Capital outlay			<u>25,000</u>	
<b>Net capital outlay</b>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
<b>Debt Service</b>				
Principal repayment			134,285	
Interest			121,074	
<b>Total debt service</b>	<u>255,361</u>	<u>255,361</u>	<u>255,359</u>	<u>2</u>
<b>Total expenditures</b>	<u>1,119,600</u>	<u>1,210,050</u>	<u>1,172,302</u>	<u>37,748</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>43,847</u>	<u>43,847</u>
<b>Other financing sources (uses)</b>				
Appropriated retained earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,847</u>	<u>\$ 43,847</u>

**Reconciliation from budgetary basis (modified accrual) to full accrual:**

<b>Revenues over (under) expenditures</b>	\$ 43,847
<b>Reconciling items:</b>	
Principal retirement	134,285
Capital outlay	25,000
Increase in deferred outflows of resources - pensions	853
Increase in net pension liability	(15,554)
Decrease in net pension asset	(21,791)
Decrease in deferred inflows of resources - pensions	42,957
Depreciation	(269,705)
Capital contributions	27,000
<b>Total reconciling items</b>	<u>(76,955)</u>
<b>Change in net position</b>	<u>\$ (33,108)</u>

**Town of Fairmont, North Carolina**  
**Water and Sewer Capital Projects Fund**  
**Schedule of Revenues, Expenditures**  
**Budget and Actual (Non – GAAP) (continued)**  
**From Inception and for the Year Ended June 30, 2016**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
Waster mater treatment project					
CDBG	\$ 1,765,000	\$ -	\$ 27,000	\$ 27,000	\$ 1,738,000
Interest income	-	-	-	-	-
<b>Total revenues</b>	<u>1,765,000</u>	<u>-</u>	<u>27,000</u>	<u>27,000</u>	<u>1,738,000</u>
<b>Expenditures:</b>					
Administration	126,200	-	11,000	11,000	115,200
Preliminary engineering	20,000	-	-	-	20,000
Engineering and design	106,000	-	16,000	16,000	90,000
Bid and award	8,000	-	-	-	8,000
Construction management	86,000	-	-	-	86,000
Surveying	23,400	-	-	-	23,400
Construction	1,395,400	-	-	-	1,395,400
<b>Total expenditures</b>	<u>1,765,000</u>	<u>-</u>	<u>27,000</u>	<u>27,000</u>	<u>1,738,000</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources:</b>					
Other	-	-	-	-	-
<b>Total other sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues and other sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Other Schedules**

**Town of Fairmont, North Carolina**  
**Schedule of Cash and Investments**  
**June 30, 2016**

	<b>Cost and Market Values</b>
<b>Cash</b>	
Petty cash	\$ 850
Demand deposit - First Bank	1,184
Demand deposits - Branch Banking & Trust	592,217
Savings account - Branch Banking & Trust	50,000
Certificate of deposit - First Bank	17,653
<b>Total cash</b>	<u>661,904</u>
<b>Investments</b>	
North Carolina Capital Management Trust	11,212
<b>Total investments</b>	<u>11,212</u>
<b>Total cash and investments</b>	<u>\$ 673,116</u>
<b>Distribution by fund:</b>	
General Fund	\$ 468,024
Special Revenue Funds -	
Cemetery Fund	18,837
USDA - RBEG Program	44,918
Enterprise Fund	141,337
<b>Total</b>	<u>\$ 673,116</u>

**Town of Fairmont, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2016**

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2015</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2016</u>
2014-2016	\$ -	\$ 778,492	\$ 717,120	\$ 61,372
2014-2015	71,638	-	22,637	49,001
2013-2014	44,838	-	9,122	35,716
2012-2013	53,981	-	7,008	46,973
2011-2012	36,329	-	3,684	32,645
2010-2011	24,905	-	2,077	22,828
2009-2010	15,244	-	566	14,678
2008-2009	12,098	-	432	11,666
2007-2008	10,663	-	450	10,213
2006-2007	7,698	-	219	7,479
2005-2006	5,772	-	5,772	-
Prior years	-	-	-	-
	<u>\$ 283,166</u>	<u>\$ 778,492</u>	<u>\$ 769,087</u>	<u>292,571</u>

Less: allowance for uncollectible accounts - General Fund

54,453

**Ad valorem taxes receivable - net**

\$ 238,118

**Reconciliation to revenues:**

Ad valorem taxes - General Fund	\$ 840,771
Penalties collected on ad valorem taxes	(19,113)
Reconciling items:	
Discounts allowed	8,137
Taxes written off	5,772
Discoveries	<u>(66,480)</u>
<b>Total collections and credits</b>	<u>\$ 769,087</u>

**Town of Fairmont, North Carolina**  
**Analysis of Current Year Tax Levy**  
**For the Year Ended June 30, 2016**

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original levy</b>					
Property taxed at current year's rate	\$ 106,642,740	0.73	\$ 778,492	\$ 684,849	\$ 93,643
<b>Releases</b>			-	-	-
<b>Net levy</b>			778,492	684,849	93,643
<b>Less - uncollected taxes at June 30, 2016</b>			61,372	61,298	74
<b>Current year's taxes collected</b>			<u>\$ 717,120</u>	<u>\$ 623,551</u>	<u>\$ 93,569</u>
<b>Current levy collection percentage</b>			<u>92.12%</u>	<u>91.05%</u>	<u>99.92%</u>



**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***

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, 2016, 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 December 19, 2016. The financial statements of the Fairmont ABC Board were not audited in accordance with *Government Auditing Standards*.

#### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that were not identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Fairmont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

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

S. Kristin Douglas, CPA  
Assistant, LLP

Lumberton, North Carolina  
December 19, 2016



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

MEMBERS

American Institute of CPAs  
N. C. Association of CPAs

December 19, 2016

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, 2016, and have issued our report thereon dated December 19, 2016. 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 2015-16. 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*

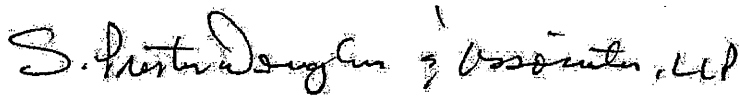
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination 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,



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