

Town of Fairmont, North Carolina

Audited Financial Statements

**For the Year Ended
June 30, 2019**

Town of Fairmont, North Carolina
Audited Financial Statements
For the Year Ended June 30, 2019

Charles Townsend, Mayor

Board of Town Commissioners

Terry Evans

Casandra Gaddy

Charles Kemp

Monte McCallum

Jeffrey J. McCree

Felecia McLean-Kesler

Katrina Tatum, Town Manager

Jenny Larson, Finance Officer and Town Clerk

Town of Fairmont, North Carolina
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Financial Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Fairmont, North Carolina, as of and for the year ended June 30, 2019, 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 *Governmental 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, 2019, 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 principles 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’ Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 50, respectively, the Local Government Employee’s Retirement System’s Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 46 and 47 respectively, and the Law Enforcement Officers’ Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 48 and 49 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express and opinion or provide any assurance.

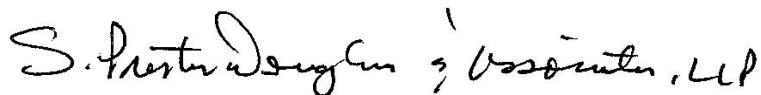
Supplementary and other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2019 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
November 21, 2019

**Town of Fairmont, North Carolina
Management's Discussion and Analysis
June 30, 2019**

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, 2019. 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 and deferred outflows of the Town of Fairmont exceeded its liabilities and deferred inflows at the close of the fiscal year by \$7,299,487.

The government's total net position increased in the amount of \$562,942, primarily due an increase in operating & capital grant revenues and as well as having a control over expenditures during the year.

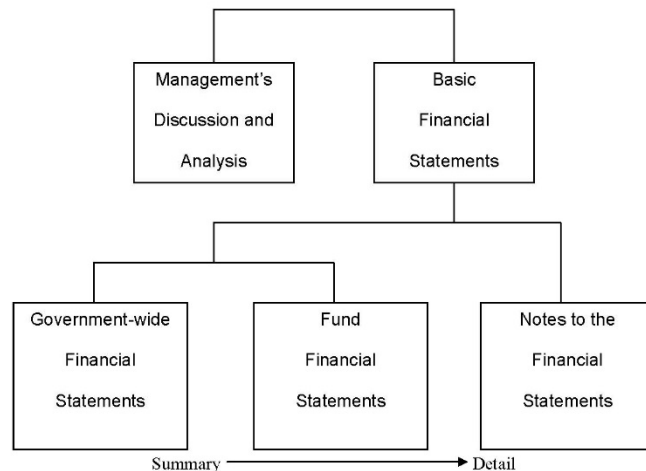
As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,182,059. Approximately 58.36% of this total amount, or \$689,792, is available for spending at the government's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$689,792 or 29.04% 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, 2019

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 gauge 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, 2019

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 has one type of proprietary 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. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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 19-45 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 46.

Interdependence with Other Entities. The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, The Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-wide Financial Analysis

The Town of Fairmont's Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,490,860	\$ 1,229,297	\$ 386,388	\$ 763,669	\$ 1,877,248	\$ 1,992,966
Non-current assets	889,051	898,015	9,964,699	9,564,199	10,853,750	10,462,214
Total assets	2,379,911	2,127,312	10,351,087	10,327,868	12,730,998	12,455,180
Deferred Outflows of Resources	210,540	119,129	52,285	35,895	262,825	155,024
Current liabilities	73,078	71,541	175,546	646,473	248,624	718,014
Non-current liabilities	1,884,420	1,771,138	3,221,950	3,125,847	5,106,370	4,896,985
Total liabilities	1,957,498	1,842,679	3,397,496	3,772,320	5,354,994	5,614,999
Deferred Inflows of Resources	191,768	191,768	51,164	5,063	242,932	196,831
Net position						
Net investment in capital assets	780,087	764,133	7,080,699	6,880,699	7,860,786	7,644,832
Restricted	492,267	294,786	-	-	492,267	294,786
Unrestricted	(833,125)	(873,550)	(220,441)	(329,523)	(1,053,566)	(1,203,073)
Total net position	\$ 439,229	\$ 185,369	\$ 6,860,258	\$ 6,551,176	\$ 7,299,487	\$ 6,736,545

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

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 \$7,299,487 at the close of the current fiscal year. By far the largest portion of the Town's net position, 107.69%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted portion of net position, \$492,267, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance, \$(1,053,566), is unrestricted.

Town of Fairmont's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues						
Charges for services	\$ 238,096	\$ 233,132	\$ 1,098,877	\$ 1,116,319	\$ 1,336,973	\$ 1,349,451
Operating grants and contributions	399,059	179,020	197,356	1,197,653	596,415	1,376,673
Capital grants and contributions	-	-	463,111	12,366	463,111	12,366
General revenues						
Property taxes	837,404	865,059	-	-	837,404	865,059
Other taxes	165	180	-	-	165	180
Unrestricted revenues	869,846	834,403	-	-	869,846	834,403
Other	312,731	62,848	12,169	-	324,900	62,848
Total revenues	2,657,301	2,174,642	1,771,513	2,326,338	4,428,814	4,500,980
Expenses:						
General government	695,443	604,018	-	-	695,443	604,018
Public safety	806,818	800,657	-	-	806,818	800,657
Transportation	301,574	260,469	-	-	301,574	260,469
Environmental protection	311,241	241,101	-	-	311,241	241,101
Economic development	163,973	70,956	-	-	163,973	70,956
Non-departmental	120,055	103,929	-	-	120,055	103,929
Water and sewer	4,337	-	1,462,431	1,272,401	1,466,768	1,272,401
Total expenses	2,403,441	2,081,130	1,462,431	1,272,401	3,865,872	3,353,531
Change in net position	253,860	93,512	309,082	1,053,937	562,942	1,147,449
Net position, beginning	(290,667)	1,105,238	7,027,212	5,973,275	6,736,545	7,078,513
Restatement	476,036	(1,489,417)	(476,036)	-	-	(1,489,417)
Net position, beginning, restated	185,369	(384,179)	6,551,176	5,973,275	6,736,545	5,589,096
Net position, ending	\$ 439,229	\$ (290,667)	\$ 6,860,258	\$ 7,027,212	\$ 7,299,487	\$ 6,736,545

Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Governmental activities. Governmental activities increased the Town's net position by \$253,860. The increase in net position was primarily due to an increase in revenues compared to the prior year. Operating expenditures increased compared to the prior year. Unrestricted intergovernmental revenues were the largest revenue contributor for the governmental funds with 32.73% of total revenues. Ad valorem tax revenues were the next largest at 31.51%.

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 increased the Town's net position by \$309,082. Key elements of this increase are as follows:

- Although total revenues decreased compared to the prior year, expenditures were controlled and remained less than total revenues for the fiscal 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.

At the end of the current fiscal year, the Town's governmental funds reported a combined fund balance of \$1,182,059. Of this total amount, \$689,792 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 chief operating fund of the Town of Fairmont. At the end of the fiscal year, unreserved fund balance for the general fund was \$689,792 with a total fund balance of \$1,136,556. 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 29.04% of total General Fund expenditures.

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: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Proprietary Funds. The Town of Fairmont's proprietary fund provides the same type of information found in the government-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 a negative (\$220,441). 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, 2019

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, 2019, totals \$10,583,750 (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		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
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	848,588	835,235	757,400	727,760	1,605,988	1,562,995
Vehicles	1,081,282	1,054,282	-	-	1,081,282	1,054,282
Construction in progress	-	-	3,500	1,380,726	3,500	1,380,726
Water & Sewer infrastructure	-	-	15,725,530	13,971,693	15,725,530	13,971,693
Total depreciable assets	4,083,471	4,043,118	16,499,185	16,092,934	20,582,656	20,136,052
Less - accumulated depreciation	3,355,466	3,306,149	6,811,577	6,535,826	10,167,043	9,841,975
Total depreciable assets, net	728,005	736,969	9,687,608	9,557,108	10,415,613	10,294,077
Total capital assets, net	\$889,051	\$898,015	\$9,694,699	\$9,564,199	\$10,583,750	\$10,462,214

Additional information on the Town's capital assets can be found in Note 3, beginning on page 26.

**Town of Fairmont, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019**

Long-term debt. As of June 30, 2019, the Town of Fairmont had total bonded debt outstanding of \$2,614,000.

Town of Fairmont's Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ -	\$ -	\$ 2,614,000	\$ 2,683,500	\$ 2,614,000	\$ 2,683,500
Direct placement						
installment debt	108,964	133,882	-	-	108,964	133,882
Compensated absences	62,453	62,453	14,699	29,730	77,152	92,183
OPEB	1,443,805	1,475,828	431,267	440,832	1,875,072	1,916,660
Pension related debt (LGERS)	195,640	130,737	58,438	41,285	254,078	172,022
Pension related debt (LEO)	99,372	54,985	-	-	99,372	54,985
Total	\$ 1,910,234	\$ 1,857,885	\$ 3,118,404	\$ 3,195,347	\$ 5,028,638	\$ 5,053,232

Town of Fairmont's Outstanding Debt

The Town of Fairmont's total debt decreased by \$24,594 during the fiscal year.

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 \$6,678,296 (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 Note 3, beginning on page 40.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town and surrounding area is 6.2% at June 30, 2019, which is an decrease from a rate of 6.4% a year ago. This comparison is higher than the state's rate of 4.1% and the national rate of 3.7 %.

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, 2019

	<u>Primary Government</u>			Fairmont ABC Board
	Governmental Activities	Business Type Activities	Total	
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 737,056	\$ 111,156	\$ 848,212	\$ 47,526
Taxes receivable (net)	261,537	-	261,537	-
Accounts receivable (net)	56,685	89,911	146,596	-
Due from other governments	313,939	131,475	445,414	-
Inventories	-	53,846	53,846	110,658
Prepaid items	-	-	-	2,269
Restricted cash and cash equivalents	121,643	-	121,643	25,945
Total current assets	1,490,860	386,388	1,877,248	186,398
Non-current assets:				
Capital assets (Note 3)				
Land	161,046	7,091	168,137	26,500
Other capital assets, net of depreciation	728,005	9,687,608	10,415,613	21,979
Total capital assets	889,051	9,694,699	10,583,750	48,479
Total assets	2,379,911	10,081,087	12,460,998	234,877
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension deferrals	210,540	52,285	262,825	-
Total deferred outflows of resources	210,540	52,285	262,825	-
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued expenses	47,264	9,930	57,194	31,570
Current portion of long-term liabilities	25,814	72,000	97,814	-
Customer deposits	-	93,616	93,616	-
Total current liabilities	73,078	175,546	248,624	31,570
Long-term liabilities:				
Net pension liability	195,640	58,438	254,078	-
Total pension liability	99,372	-	99,372	-
Total OPEB liability	1,443,805	431,267	1,875,072	-
Compensated absences	62,453	14,699	77,152	-
Due in more than one year	83,150	2,542,000	2,625,150	-
Total liabilities	1,957,498	3,221,950	5,179,448	31,570
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension deferrals	27,764	1,592	29,356	-
OPEB deferrals	165,960	49,572	215,532	-
Total deferred inflows of resources	193,724	51,164	244,888	-
<u>NET POSITION</u>				
Net investment in capital assets	780,087	7,080,699	7,860,786	48,479
Restricted for:				
Stabilization by State Statute	370,624	-	370,624	-
Other functions	121,643	-	121,643	28,334
Unrestricted	(833,125)	(220,441)	(1,053,566)	126,494
Total net position	\$ 439,229	\$ 6,860,258	\$ 7,299,487	\$ 203,307

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

Town of Fairmont, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position			Fairmont ABC Board
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 695,443	\$ 2,626	\$ -	\$ 301,768	\$ (391,049)	\$ -	\$ (391,049)	\$ -
Public safety	806,818	-	-	1,095	(805,723)	-	(805,723)	-
Transportation	301,574	-	-	86,619	(214,955)	-	(214,955)	-
Environmental protection	311,241	235,470	-	1,827	(73,944)	-	(73,944)	-
Economic and community dev.	163,973	-	-	7,750	(156,223)	-	(156,223)	-
Non-departmental	120,055	-	-	-	(120,055)	-	(120,055)	-
Interest on long-term debt	4,337	-	-	-	(4,337)	-	(4,337)	-
Total governmental activities	2,403,441	238,096	-	399,059	(1,766,286)	-	(1,766,286)	-
Business-type activities:								
Water and sewer	1,462,431	1,098,877	463,111	197,356	-	296,913	296,913	-
Total business-type activities	1,462,431	1,098,877	463,111	197,356	-	296,913	296,913	-
Total primary government	\$ 3,865,872	\$ 1,336,973	\$ 463,111	\$ 596,415	(1,766,286)	296,913	(1,469,373)	-
Component unit								
Fairmont ABC Board	\$ 732,773	\$ 736,704	\$ -	\$ -	-	-	-	3,931
Total component unit	\$ 732,773	\$ 736,704	\$ -	\$ -	-	-	-	3,931
General revenues:								
Ad valorem taxes					837,404	-	837,404	-
Other taxes and licenses					165	-	165	-
Grants and contributions not restricted to specific programs					869,846	-	869,846	-
Investment earnings					4,467	-	4,467	11
Miscellaneous					308,264	12,169	320,433	571
Transfers in (out)					-	-	-	-
Total general revenues and transfers					2,020,146	12,169	2,032,315	582
Change in net position					253,860	309,082	562,942	4,513
Net position, beginning, previously reported					(290,667)	7,027,212	6,736,545	198,794
<i>Restatement</i>					<i>476,036</i>	<i>(476,036)</i>	<i>-</i>	<i>-</i>
Net position, beginning, restated					185,369	6,551,176	6,736,545	198,794
Net position, ending					\$ 439,229	\$ 6,860,258	\$ 7,299,487	\$ 203,307

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

Town of Fairmont, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	Major Fund General	Nonmajor Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 737,056	\$ -	\$ 737,056
Restricted cash	76,140	45,503	121,643
Taxes receivable - net	261,537	-	261,537
Accounts receivable - net	56,685	-	56,685
Due from other governments	313,939	-	313,939
Total assets	1,445,357	45,503	1,490,860
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	47,264	-	47,264
Total liabilities	47,264	-	47,264
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes receivable	261,537	-	261,537
Total deferred inflows of resources	261,537	-	261,537
<u>FUND BALANCES</u>			
Restricted			
Stabilization by State Statute	370,624	-	370,624
Streets	68,235	-	68,235
Public Safety	7,905	-	7,905
Economic Development	-	45,503	45,503
Unassigned	689,792	-	689,792
Total fund balances	1,136,556	45,503	1,182,059
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,445,357	\$ 45,503	
Amounts reported for governmental activities in the Statement of Net Position (Page 10) are different because:			
Total Fund Balance, Governmental Funds			1,182,059
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.			
Gross capital assets at historical cost		\$ 4,244,517	
Accumulated depreciation		(3,355,466)	889,051
Deferred outflows of resources related to pensions are not reported in the funds			
			210,540
Earned revenues considered deferred inflows of resources in fund statements			
			261,537
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds			
Gross long-term debt, beginning		\$ (196,335)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)		24,918	
Net pension liability		(195,640)	
Total pension liability		(99,372)	
OPEB liability		(1,443,805)	(1,910,234)
Deferred inflows of resources related to pensions and OPEB are not reported in the funds			
			(193,724)
Net position of governmental activities			\$ 439,229

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, 2019

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 843,650	\$ -	\$ 843,650
Other taxes and licenses	165	-	165
Unrestricted intergovernmental revenues	869,846	-	869,846
Restricted intergovernmental revenues	393,935	7,750	401,685
Permits and fees	2,418	-	2,418
Sales and services	235,470	-	235,470
Investment earnings	4,447	20	4,467
Miscellaneous	305,846	-	305,846
Total revenues	<u>2,655,777</u>	<u>7,770</u>	<u>2,663,547</u>
Expenditures:			
General government	631,755	-	631,755
Public safety	834,616	-	834,616
Transportation	309,678	-	309,678
Environmental protection	307,047	-	307,047
Economic and community development	143,023	20,950	163,973
Non-departmental	120,055	-	120,055
Debt service:			
Principal	24,918	-	24,918
Interest	4,337	-	4,337
Total expenditures	<u>2,375,429</u>	<u>20,950</u>	<u>2,396,379</u>
Revenues over (under) expenditures	<u>280,348</u>	<u>(13,180)</u>	<u>267,168</u>
Other financing sources (uses)			
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	280,348	(13,180)	267,168
Fund balance - beginning of year	856,208	58,683	914,891
Fund balance - end of year	<u>\$ 1,136,556</u>	<u>\$ 45,503</u>	<u>\$ 1,182,059</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, 2019

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

Net change in fund balances - total governmental funds	\$	267,168
<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	\$ 40,353	
Depreciation expense for governmental assets	<u>(49,317)</u>	(8,964)
<p>Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities</p>		
		56,794
<p>Benefit payments paid and administrative expense for the LEOSSA are not included in the Statement of Activities</p>		
		29,657
<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		(6,246)
<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>24,918</u>	24,918
<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	(63,729)	
OPEB plan expense	<u>(45,738)</u>	<u>(109,467)</u>
Total change in net position of governmental activities	\$	<u>253,860</u>

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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 853,427	\$ 843,602	\$ 843,650	\$ 48
Other taxes and licenses	-	165	165	-
Unrestricted intergovernmental	853,672	858,695	869,846	11,151
Restricted intergovernmental	91,646	201,881	393,935	192,054
Permits and fees	800	2,384	2,418	34
Sales and services	233,200	237,119	235,470	(1,649)
Investment earnings	1,000	4,447	4,447	-
Miscellaneous	24,200	306,744	305,846	(898)
Total revenues	<u>2,057,945</u>	<u>2,455,037</u>	<u>2,655,777</u>	<u>200,740</u>
Expenditures:				
General government	496,362	640,984	631,755	9,229
Public safety	814,968	837,550	834,616	2,934
Transportation	324,290	323,840	309,678	14,162
Environmental protection	246,600	307,099	307,047	52
Economic and community development	27,558	145,390	143,023	2,367
Non-departmental	118,912	170,919	120,055	50,864
Debt service				
Principal	24,918	24,918	24,918	-
Interest	4,337	4,337	4,337	-
Total expenditures	<u>2,057,945</u>	<u>2,455,037</u>	<u>2,375,429</u>	<u>79,608</u>
Revenues under expenditures	<u>-</u>	<u>-</u>	<u>280,348</u>	<u>280,348</u>
Other financing sources (uses):				
Loan proceeds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>280,348</u>	<u>\$ 280,348</u>
Fund balance, beginning			<u>856,208</u>	
Fund balance, ending			<u>\$ 1,136,556</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, 2019

	Enterprise Fund
	Water and Sewer Fund
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 111,156
Accounts receivable - net	89,911
Due from other governments	131,475
Inventories	53,846
Total current assets	386,388
Non-current assets:	
Capital assets:	
Land	7,091
Other capital assets, net of depreciation	9,687,608
Total capital assets	9,694,699
Total assets	10,081,087
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension deferrals	52,285
Total deferred outflows of resources	52,285
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and accrued expenses	9,930
Current portion of long-term liabilities	72,000
Customer deposits	93,616
Total current liabilities	175,546
Noncurrent liabilities:	
Net pension liability	58,438
Total OPEB liability	431,267
Compensated absences	14,699
Noncurrent portion of long-term debt	2,542,000
Total noncurrent liabilities	3,046,404
Total liabilities	3,221,950
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension deferrals	1,592
OPEB deferrals	49,572
Total deferred inflows of resources	51,164
<u>NET POSITION</u>	
Net investment in capital assets	7,080,699
Unrestricted	(220,441)
Total net position	\$ 6,860,258

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

Town of Fairmont, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2019

	Enterprise Fund <hr/> Water and Sewer Fund <hr/>
Operating revenues	
Charges for services	\$ 1,098,877
Total operating revenues	<hr/> 1,098,877 <hr/>
Operating expenses	
Administration	236,415
Water treatment	101,376
Water maintenance	111,382
Sewer treatment	516,838
Sewer maintenance	43,064
Sewer contract operations and maintenance	36,257
Non-departmental	28,556
Depreciation	275,751
Total operating expenses	<hr/> 1,349,639 <hr/>
Operating income (loss)	<hr/> (250,762) <hr/>
Non-operating revenues (expenses)	
Interest expense	(112,792)
Insurance reimbursements	12,169
Grants	197,356
Total non-operating revenues (expenses)	<hr/> 96,733 <hr/>
Income (loss) before contributions and transfers	(154,029)
Transfers in (out)	-
Capital contributions	463,111
Total	<hr/> 463,111 <hr/>
Change in net position	309,082
Total net position, beginning, previously reported	7,027,212
<i>Restatement</i>	(476,036)
Total net position, beginning, restated	<hr/> 6,551,176 <hr/>
Total net position, ending	<hr/> \$ 6,860,258 <hr/>

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, 2019

	Enterprise Fund
	Water and Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 1,104,499
Cash paid for goods and services	(906,147)
Cash paid to employees	(322,956)
Increase (decrease) in customer deposits	1,126
Net cash provided (used) by operating activities	(123,478)
Cash flows from non-capital financing activities	
Insurance reimbursement	12,169
FEMA grant	197,356
Net cash provided (used) by non-capital financing activities	209,525
Cash flows from capital and related financing activities	
Acquisition and construction of assets	(406,251)
Capital contributions and grants	463,111
Payment of debt-related interest - all	(112,792)
Debt principal repayment	(69,500)
Net cash provided (used) by capital and related financing activities	(125,432)
Cash flows from investing activities	
Interest on investments	-
Net cash provided (used) by investing activities	-
Net increase (decrease) in cash	(39,385)
Cash and cash equivalents - Beginning of year	150,541
Cash and cash equivalents - End of year	\$ 111,156
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (250,762)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -	
Depreciation	275,751
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	346,559
(Increase) decrease in inventory	(8,663)
Decrease in deferred outflows of resources - pensions	(16,390)
Increase (decrease) in accounts payable and accrued liabilities	(474,553)
Increase (decrease) in meter deposits	1,126
Decrease in compensated absences	(15,031)
Increase in net pension liability	17,153
Decrease in OPEB liability	(44,769)
Decrease in deferred inflows of resources - pensions	(3,471)
Increase in deferred inflows of resources - OPEB	49,572
Total adjustments	127,284
Net cash provided (used) by operating activities	\$ (123,478)

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, 2019

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

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, 2019

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 two Special Revenue Funds -- the Rural Business Enterprise Grant Fund and the Cemetery 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, 2019

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 inflows of resources.

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, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deposits and Investments (continued)

The Town's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2 a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating, and is measured at fair value. As of June 30, 2019, the Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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, 2019 in the Governmental Activities was \$121,643.

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, 2018. 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 received prior to June 30, 2015 are recorded at their estimated fair market value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. 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, 2019

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 – pension related deferrals. 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 several items that meet the criteria for this category – property taxes receivable, pension and OPEB related deferrals.

Long-Term Obligations

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, 2019

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 – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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.

Defined Benefit Cost-Sharing Plans

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, 2019

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

I. Noncompliance with North Carolina General Statutes

None

B - Deficit in Fund Balance or Net Position of Individual Funds

None

C - Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the Town's water and sewer fund exceeded the authorized appropriations made by the governing board for the Finance department in sewer contract operations by \$221. Management and the Board will more closely review the budget reports to ensure compliance in future years.

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, 2019, the Town's deposits had a carrying amount of \$753,978, and a bank balance of \$780,577. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$850.

At June 30, 2019, the carrying amount of deposits for the ABC Board was \$70,771, and the bank balance was \$71,612. Federal Deposit Insurance covered all of the bank balance.

Investments

At June 30, 2019, the Town of Fairmont had \$215,877 invested with the North Carolina Capital Management Trust's Governmental Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A – Assets (continued)

Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of the following allowances for doubtful accounts: General Fund – Taxes receivable: \$54,453.

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

Governmental activities:	Beginning			Ending
Capital assets	Balances	Increases	Decreases	Balances
Land (non-depreciable)	\$ 161,046	\$ -	\$ -	\$ 161,046
Buildings and infrastructure	2,153,601	-	-	2,153,601
Equipment	835,235	13,353	-	848,588
Vehicles/motorized equipment	1,054,282	27,000	-	1,081,282
Total capital assets	<u>\$ 4,204,164</u>	<u>\$ 40,353</u>	<u>\$ -</u>	<u>\$ 4,244,517</u>
Less accumulated depreciation for:				
Buildings and infrastructure	\$ 1,678,791	\$ 12,903	\$ -	\$ 1,691,694
Equipment	659,686	24,229	-	683,915
Vehicles/motorized equipment	967,672	12,185	-	979,857
Total accumulated depreciation	<u>3,306,149</u>	<u>\$ 49,317</u>	<u>\$ -</u>	<u>3,355,466</u>
Governmental activities				
capital assets, net	<u>\$ 898,015</u>			<u>\$ 889,051</u>

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

General Government	\$ 11,299
Public Safety	17,727
Transportation	11,097
Environmental Protection	9,194
Total depreciation expense	<u>\$ 49,317</u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A – Assets (continued)

Capital Assets (continued)

Business-type activities:

Water and Sewer Fund

	Beginning			Ending
Capital assets	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Land (non-depreciable)	\$ 7,091	\$ -	\$ -	\$ 7,091
Public works building	12,755	-	-	12,755
Water and sewer system	13,971,693	1,753,837	-	15,725,530
Equipment	727,760	29,640	-	757,400
Construction in progress	<u>1,380,726</u>	<u>376,611</u>	<u>1,753,837</u>	<u>3,500</u>
 Total capital assets	 <u>\$ 16,100,025</u>	 <u>\$ 2,160,088</u>	 <u>\$ 1,753,837</u>	 <u>\$ 16,506,276</u>
 Less accumulated depreciation for:				
Public works building	\$ 12,758	\$ -	\$ -	\$ 12,758
Water and sewer system	5,896,642	258,226	-	6,154,868
Equipment	<u>626,426</u>	<u>17,525</u>	<u>-</u>	<u>643,951</u>
 Total accumulated depreciation	 <u>6,535,826</u>	 <u>\$ 275,751</u>	 <u>\$ -</u>	 <u>6,811,577</u>
 Business-type activities				
capital assets, net	 <u>\$ 9,564,199</u>			 <u>\$ 9,694,699</u>

Activity for the ABC Board for the year ending June 30, 2019, was as follows:

ABC Board	Beginning			Ending
Capital assets	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Land (non-depreciable)	\$ 26,500	\$ -	\$ -	\$ 26,500
Buildings	101,945	-	-	101,945
Parking lot improvements	10,875	-	-	10,875
Equipment	<u>74,247</u>	<u>13,820</u>	<u>-</u>	<u>88,067</u>
 Total capital assets	 <u>\$ 213,567</u>	 <u>\$ 13,820</u>	 <u>\$ -</u>	 <u>\$ 227,387</u>
 Less accumulated depreciation for:				
Buildings	\$ 101,945	\$ -	\$ -	\$ 101,945
Parking lot improvements	2,176	540	-	2,716
Equipment	<u>74,247</u>	<u>-</u>	<u>-</u>	<u>74,247</u>
 Total accumulated depreciation	 <u>178,368</u>	 <u>\$ 540</u>	 <u>\$ -</u>	 <u>178,908</u>
 ABC Board				
capital assets, net	 <u>\$ 35,199</u>			 <u>\$ 48,479</u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

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.

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, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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 \$73,636 for the year ended June 30, 2019.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

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, 2019, the Town reported a liability of \$254,078 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the Town's proportion was 0.01071%, which was a decrease of 0.00055% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$64,980. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,198	\$ 1,315
Changes of assumptions	67,422	-
Net difference between projected and actual earnings on pension plan investments	34,878	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	12,602	5,606
Town contributions subsequent to the measurement date	73,636	-
Total	\$ 227,736	\$ 6,921

\$73,636 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	66,909
2020		46,332
2021		11,540
2022		22,398
2023		-
Thereafter		-
	\$	147,179

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2018 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%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

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 2017 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 7.00%. 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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 610,317	\$ 254,078	\$ (43,601)

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, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Law Enforcement Officers Special Separation Allowance

1. 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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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 increases 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.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>10</u>
Total	<u><u>10</u></u>

2. 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 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 criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Law Enforcement Officers Special Separation Allowance (continued)

3. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

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

At June 30, 2019, the Town reported a total pension liability of \$99,372. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$12,883.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,888	\$ 17,277
Changes of assumptions	3,201	5,158
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 35,089	\$ 22,435

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2020	\$	2,065
2021		2,065
2022		2,065
2023		2,065
2024		2,345
Thereafter		2,049
	\$	12,654

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

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

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 108,193	\$ 99,372	\$ 91,213

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

		2019
Beginning balance	\$	54,985
Service cost		9,080
Interest on the total pension liability		1,738
Changes of benefit terms		-
Differences between expected and actual experience in the measurement of the total pension liability		37,718
Changes of assumptions of other inputs		(4,149)
Benefit payments		-
Other changes		-
Ending balance of the total pension liability	\$	99,372

The plan currently uses mortality tables that vary by age, 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

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

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 64,980	\$ 12,883	\$ 77,863
Pension Liability	254,078	99,372	353,450
Proportionate share of the net pension liability	0.01071%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	39,198	31,888	71,086
Changes of assumptions	67,422	3,201	70,623
Net difference between projected and actual earnings on plan investments	34,878	-	34,878
Changes in proportion and differences between contributions and proportionate share of contributions	12,602	-	12,602
Benefit payments and administrative costs paid subsequent to the measurement date	73,636	-	73,636
Deferred Inflows of Resources			
Differences between expected and actual experience	1,315	17,277	18,592
Changes of assumptions		5,158	5,158
Net difference between projected and actual earnings on plan investments		-	-
Changes in proportion and differences between contributions and proportionate share of contributions	5,606	-	5,606

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

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 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 Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. 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. The law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019, were \$26,998, which consisted of \$19,283 from the Town and \$7,715 from the law enforcement officers.

Other Postemployment Benefits

According to a Town resolution, the Town provides postemployment 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.

Membership of the Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	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, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Other Postemployment Benefits (continued)

Total OPEB Liability

The Town’s total OPEB liability of \$1,875,072 was measured as of June 30, 2018 and was determined by an actuarial valuation date of June 30, 2017.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 to 7.75 percent, including inflation
Discount rate	3.89 percent
Healthcare cost trend rates	Pre-Medicare 7.5 percent Medicare 5.50 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 6/30/17	\$ 1,916,660
Service cost	42,092
Interest on the total pension liability	67,554
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(12,751)
Changes of assumptions of other inputs	(99,967)
Benefit payments	(38,516)
Other changes	-
Balance at 6/30/18	<u><u>\$ 1,875,072</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Mortality rates were based on the RP-2014 Total Date Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period of January 1, 2010 through December 31, 2014.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Other Postemployment Benefits (continued)

Sensitivity of the total OPEB Liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	\$2,204,144	\$1,875,072	\$1,614,975

Sensitivity of the total OPEB Liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$1,584,760	\$1,875,072	\$2,248,063

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ending June 30, 2019, the Town recognized OPEB expense of \$59,400. At June 30, 2019, the Town reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 11,683
Changes of assumptions	-	203,849
Benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ -	\$ 215,532

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

Pension Plan and Postemployment Obligations (continued)

Other Postemployment Benefits (continued)

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	(50,246)
2020		(50,246)
2021		(50,246)
2022		(47,441)
2023		(17,353)
Thereafter		-
	<u>\$</u>	<u>(215,532)</u>

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 employees 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.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end is comprised of pension related deferrals of \$262,825.

Deferred inflows of resources at year-end is comprised of property taxes receivable of \$261,537, pension deferrals of \$29,356, and OPEB deferrals of \$215,532.

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

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

Installment Purchase

During the 2018 fiscal year, the Town entered into a direct placement loan of \$133,882 with First bank for the purchase of two pieces of equipment. The equipment is pledged as collateral for the debt while the debt is outstanding. Payments are made annually in the amount of \$29,255, including interest at the rate of 2.9% for the next five years. In the event of default, the interest rate shall be increased by 5.0%.

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 29,255	\$ 25,814	\$ 3,441
2021	29,255	26,743	2,512
2022	29,255	27,705	1,550
2023	29,255	28,702	553
Total	<u>\$ 117,020</u>	<u>\$ 108,964</u>	<u>\$ 8,056</u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

Long-Term Obligations (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 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, 2019, 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%	\$	945,500
\$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%		1,321,500
\$385,000 - 2014 Water Serial Bonds due in various annual installments through 2053; interest at 2.25%		<u>347,000</u>
Total	\$	<u><u>2,614,000</u></u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

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 \$1,477,618 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>
2020	\$ 167,015	\$ 65,000	\$ 102,015
2021	167,090	66,000	101,090
2022	167,030	71,000	96,030
2023	166,835	74,000	92,835
2024	167,005	77,500	89,505
2025-2029	837,059	443,500	393,559
2030-2034	834,601	552,000	282,601
2035-2039	803,050	654,000	149,050
2040-2041	281,820	264,000	17,820
Total	<u>\$ 3,591,505</u>	<u>\$ 2,267,000</u>	<u>\$ 1,324,505</u>

2014 Bonds

<u>Years ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 14,808	\$ 7,000	\$ 7,808
2021	14,650	7,000	7,650
2022	14,493	7,000	7,493
2023	14,335	7,000	7,335
2024	15,178	8,000	7,178
2025-2029	73,188	40,000	33,188
2030-2034	73,463	45,000	28,463
2035-2039	74,175	51,000	23,175
2040-2044	74,190	57,000	17,190
2045-2049	73,508	63,000	10,508
2050-2053	58,125	55,000	3,125
Total	<u>\$ 500,113</u>	<u>\$ 347,000</u>	<u>\$ 153,113</u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

At June 30, 2019, 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 \$6,678,296.

Summary of activity - Governmental activities	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Direct Placement					
Installment purchase	\$ 133,882	\$ -	\$ 24,918	\$ 108,964	\$ 25,814
Compensated absences	62,453	-	-	62,453	-
Total OPEB liability	1,475,828	-	32,023	1,443,805	-
Net pension liability (LGERS)	130,737	64,903	-	195,640	-
Total pension liability (LEO)	54,985	44,387	-	99,372	-
Total	<u>\$ 1,857,885</u>	<u>\$ 109,290</u>	<u>\$ 56,941</u>	<u>\$1,910,234</u>	<u>\$ 25,814</u>
Business-type activities					
Compensated absences	\$ 29,730	\$ -	\$ 15,031	\$ 14,699	\$ -
Total OPEB liability	440,832	-	9,565	431,267	-
Net pension liability (LGERS)	41,285	17,153	-	58,438	-
General obligation bonds 2002	2,329,500	-	62,500	2,267,000	65,000
General obligation bonds 2014	354,000	-	7,000	347,000	7,000
	<u>\$ 3,195,347</u>	<u>\$ 17,153</u>	<u>\$ 94,096</u>	<u>\$3,118,404</u>	<u>\$ 72,000</u>

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 4 - RELATED ORGANIZATION

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

NOTE 5 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 6 – 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	\$1,136,556
Less:	
Stabilization by State Statute	370,624
Streets-Powell Bill	68,235
Public Safety	7,905
Remaining Fund Balance	689,792

Town of Fairmont, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events were evaluated through November 21, 2019, 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) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018, however, the Town allocated the whole OPEB liability to the governmental activities. During the fiscal year ending June 30, 2019 the Town has made a restatement to allocate the portion of the OPEB liability that belongs to the business-type activities. The restatement increases government activities net position by \$476,036 and decreases business-type activities net position by the same amount.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll
- Schedule of Changes in the Total OPEB Liability and Related Ratios

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

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Fairmont's proportion of the net pension liability (asset) (%)	0.01071%	0.01126%	0.01162%	0.01333%	0.00015%	0.00017%
Fairmont's proportion of the net pension liability (asset) (\$)	\$ 254,078	\$ 172,022	\$ 246,615	\$ 59,824	\$ (87,165)	\$ 208,531
Fairmont's covered-employee payroll	\$ 895,262	\$ 848,630	\$ 768,386	\$ 708,639	\$ 835,741	\$ 835,741
Fairmont's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	28.38%	20.27%	32.10%	7.79%	(12.30%)	24.95%
Plan fiduciary net position as a percentage of the total pension liability.	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 73,636	\$ 69,601	\$ 62,845	\$ 53,341	\$ 51,078	\$ 59,849
Contributions in relation to the contractually required contribution	<u>73,636</u>	<u>69,601</u>	<u>62,845</u>	<u>53,341</u>	<u>51,078</u>	<u>59,849</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fairmont's covered-employee payroll	\$ 928,617	\$ 895,262	\$ 848,630	\$ 768,387	\$ 708,639	\$ 835,741
Contributions as a percentage of covered-employee payroll	7.92%	7.78%	6.94%	6.94%	7.21%	7.16%

Town of Fairmont, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 54,985	\$ 67,068	\$ 58,727
Service cost	9,080	4,880	9,052
Interest on the total pension liability	1,738	2,589	2,097
Change of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	37,718	(23,999)	-
Changes of assumptions or other inputs	(4,149)	4,447	(2,808)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 99,372</u>	<u>\$ 54,985</u>	<u>\$ 67,068</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31

Town of Fairmont, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	2019	2018	2017
Total pension liability	\$ 99,372	\$ 54,985	\$ 67,068
Covered payroll	336,798	249,660	333,955
Total pension liability as a percentage of covered payroll	29.50%	22.02%	20.083%

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Town of Fairmont, North Carolina
Schedule of Changes in Total OPEB Liability and Related Ratios
June 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	\$ 42,092	\$ 48,001
Interest	67,554	60,667
Change of benefit terms	-	-
Differences between expected and actual experience	(12,751)	(1,648)
Changes of assumptions or other inputs	(99,967)	(182,585)
Benefit payments	(38,516)	(46,206)
Net change in total OPEB liability	(41,588)	(121,771)
Total OPEB liability - beginning	1,916,660	2,038,431
Total OPEB liability - ending	\$ 1,875,072	\$ 1,916,660
Covered payroll	\$ 664,632	\$ 664,632
Total OPEB liability as a percentage of covered payroll	282.12%	288.38%

Notes to the schedules:

Changes of assumptions: Changes of assumptions and other inputs reflects the effects of changes in the discount rate of each period. The Following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2019	3.89%
2018	3.56%

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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 843,650	\$ -
Total	<u>843,602</u>	<u>843,650</u>	<u>48</u>
Other taxes and licenses:			
Privilege and gaming license	165	165	-
Unrestricted intergovernmental:			
Local option sales taxes		691,926	
Utilities franchise tax		143,997	
Video franchise fee		14,128	
Beer and wine tax		11,260	
ABC profit distribution		8,535	
Total	<u>858,695</u>	<u>869,846</u>	<u>11,151</u>
Restricted intergovernmental:			
Powell Bill allocation		86,619	
Court fees		2,626	
Solid waste disposal tax		1,827	
FEMA grant		301,768	
State drug funds		1,095	
Total	<u>201,881</u>	<u>393,935</u>	<u>192,054</u>
Permits and fees:			
Fire inspection fees		933	
Zoning permits		1,485	
Total	<u>2,384</u>	<u>2,418</u>	<u>34</u>
Sales and services:			
Sanitation fees	237,119	235,470	(1,649)
Investment earnings:			
	4,447	4,447	-
Miscellaneous:			
Lot cutting		1,000	
Insurance reimbursement		265,621	
Miscellaneous		14,249	
Sale of capital assets		3,050	
Net equipment and building rental		21,926	
Total	<u>306,744</u>	<u>305,846</u>	<u>(898)</u>
Total revenues	<u>\$ 2,455,037</u>	<u>\$ 2,655,777</u>	<u>\$ 200,740</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Salaries and employee benefits	\$ -	\$ 12,012	\$ -
Other operating expenditures		1,384	
Total	<u>13,397</u>	<u>13,396</u>	<u>1</u>
Administration			
Salaries and employee benefits		94,094	
Auto		4,800	
Other operating expenditures		2,496	
Total	<u>101,918</u>	<u>101,390</u>	<u>528</u>
Clerk			
Salaries and employee benefits		49,621	
Other operating expenditures		2,682	
Total	<u>52,501</u>	<u>52,303</u>	<u>198</u>
Finance			
Salaries and employee benefits		56,859	
Professional services		14,446	
Maintenance and equipment rental		6,268	
Other operating expenditures		419	
Total	<u>78,633</u>	<u>\$ 77,992</u>	<u>641</u>
Taxes			
Robeson County collection fee		21,499	
Other operating expenditures		-	
Total	<u>21,499</u>	<u>21,499</u>	<u>-</u>
Legal			
Contracted services	21,013	21,011	2
Planning			
Nuisance abatement		-	
Other operating expenditures		2,642	
Total	<u>\$ 2,647</u>	<u>\$ 2,642</u>	<u>\$ 5</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public buildings			
Salaries and employee benefits	\$ -	\$ 51,323	\$ -
Utilities and telephone		47,896	
Maintenance and repairs		58,149	
Other operating expenditures		184,154	
Total	<u>349,376</u>	<u>341,522</u>	<u>7,854</u>
 Total general government	 <u>640,984</u>	 <u>631,755</u>	 <u>9,229</u>
 Public safety:			
Police and police dispatch			
Salaries and employee benefits		637,317	
Robeson County communications		39,780	
Vehicle maintenance		12,680	
Maintenance and repairs		8,960	
Auto supplies		35,420	
Other operating expenditures		34,316	
Capital outlay		21,653	
Total	<u>792,828</u>	<u>790,126</u>	<u>2,702</u>
 Fire			
Salaries and employee benefits		23,405	
Vehicle maintenance		1,202	
Maintenance and repairs		2,672	
Other operating expenditures		17,211	
Total	<u>44,722</u>	<u>44,490</u>	<u>232</u>
 Total public safety	 <u>\$ 837,550</u>	 <u>\$ 834,616</u>	 <u>\$ 2,934</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Powell Bill			
Salaries and employee benefits	\$ -	\$ 49,865	\$ -
Maintenance and repairs		20,389	
Capital outlay		3,700	
Total	<u>86,620</u>	<u>73,954</u>	<u>12,666</u>
Garage			
Salaries and employee benefits		53,961	
Other operating expenditures		520	
Total	<u>54,484</u>	<u>54,481</u>	<u>3</u>
Streets			
Salaries and employee benefits		35,653	
Street lights		60,155	
Vehicle maintenance		5,961	
Maintenance and repairs		20,454	
Auto supplies		9,223	
Other operating expenditures		39,797	
Capital outlay		10,000	
Total	<u>182,736</u>	<u>181,243</u>	<u>1,493</u>
Total transportation	<u>323,840</u>	<u>309,678</u>	<u>14,162</u>
Environmental protection:			
Sanitation			
Contracted services		203,874	
Vehicle maintenance		10,135	
Maintenance and repairs		27,389	
Landfill		30,000	
Other operating expenditures		30,649	
Capital outlay		5,000	
Total environmental protection	<u>\$ 307,099</u>	<u>\$ 307,047</u>	<u>\$ 52</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Economic and community development:			
Community Service			
Salaries and employee benefits	\$ -	\$ 8,990	\$ -
Activities		6,707	
Library		6,825	
Fairmont Cemetery		98,222	
Other operating expenditures		22,279	
Total economic and community development	<u>145,390</u>	<u>143,023</u>	<u>2,367</u>
Debt service			
Principal		24,918	
Interest		4,337	
Total debt service	<u>29,255</u>	<u>29,255</u>	<u>-</u>
Non-departmental			
Retiree insurance		61,333	
Other operating expenditures		15,964	
Insurance and bonds		42,758	
Total non-departmental	<u>170,919</u>	<u>120,055</u>	<u>50,864</u>
Total expenditures	<u>2,455,037</u>	<u>2,375,429</u>	<u>79,608</u>
Revenues over (under) expenditures	-	280,348	280,348
Other financing sources (uses)			
Loan proceeds	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>280,348</u>	<u>\$ 280,348</u>
Fund balance, beginning		<u>856,208</u>	
Fund balance, ending		<u>\$ 1,136,556</u>	

Town of Fairmont, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheets
June 30, 2019

	Rural Business Enterprise Grant Fund	Cemetery Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
<u>Assets</u>			
Cash and investments	\$ 26,592	\$ 18,911	\$ 45,503
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>
<u>Liabilities and Fund Balances</u>			
Liabilities	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
Fund balances	26,592	18,911	45,503
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>

Town of Fairmont, North Carolina
Nonmajor Governmental Funds
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2019

	Rural Business Enterprise Grant Fund	Cemetery Fund	Total Nonmajor Governmental Funds
Revenues:			
Interest income	\$ -	\$ 20	\$ 20
Loan repayments	7,750	-	7,750
Total revenues	<u>7,750</u>	<u>20</u>	<u>7,770</u>
Expenditures:			
Community service	20,950	-	20,950
Total expenditures	<u>20,950</u>	<u>-</u>	<u>20,950</u>
Revenues over (under) expenditures	(13,200)	20	(13,180)
Fund balance, beginning	39,792	18,891	58,683
Fund balance, ending	<u>\$ 26,592</u>	<u>\$ 18,911</u>	<u>\$ 45,503</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, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Loan repayments	\$ -	\$ 7,750	\$ -
Total revenues	<u>7,750</u>	<u>7,750</u>	<u>-</u>
Expenditures:			
Loans to businesses		20,950	
Total expenditures	<u>20,950</u>	<u>20,950</u>	<u>-</u>
Revenues over (under) expenditures	(13,200)	(13,200)	-
Apropriated fund balance	<u>13,200</u>	<u>-</u>	<u>13,200</u>
Net change in fund balance	<u>\$ -</u>	(13,200)	<u>\$ 13,200</u>
Fund balance, beginning		<u>39,792</u>	
Fund balance, ending		<u>\$ 26,592</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, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Interest income	\$	\$ 20	\$
Total revenues	<u>-</u>	<u>20</u>	<u>20</u>
Expenditures:			
Labor, supplies, etc	18,911	-	
Total expenditures	<u>18,911</u>	<u>-</u>	<u>18,911</u>
Revenues over (under) expenditures	\$ (18,911)	20	\$ 18,931
Appropriated fund balance	\$ 18,911	-	\$ (18,911)
Net change in fund balance	<u>\$ -</u>	<u>20</u>	<u>\$ 20</u>
Fund balance, beginning		<u>18,891</u>	
Fund balance, ending		<u>\$ 18,911</u>	

Town of Fairmont, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non – GAAP)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenue			
Water sales	\$ -	\$ 360,474	\$ -
Sewer sales		696,026	
Late fees		22,854	
Penalty revenue		18,828	
Other operating revenue		695	
Total operating revenues	<u>1,106,723</u>	<u>1,098,877</u>	<u>(7,846)</u>
Nonoperating revenues			
Insurance reimbursement		12,169	
Grants		197,356	
Total nonoperating revenues	<u>200,505</u>	<u>209,525</u>	<u>9,020</u>
Total revenues	<u>1,307,228</u>	<u>1,308,402</u>	<u>1,174</u>
Expenditures:			
Water and sewer administration			
Salaries and employee benefits		154,809	
Telephone		11,915	
Utilities		9,617	
Maintenance and repairs - equipment		10,131	
Maintenance and repairs - vehicles		3,444	
Equipment rental		4,959	
Auto supplies		7,503	
Departmental supplies		18,898	
Other operating expenditures		4,985	
Total water and sewer administration	<u>\$ 235,001</u>	<u>\$ 226,261</u>	<u>\$ 8,740</u>

Town of Fairmont, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non – GAAP) (continued)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued)			
Water treatment			
Salaries and employee benefits	\$ -	\$ 21,758	\$ -
Professional services		2,476	
Training		1,730	
Telephone		24,735	
Utilities		26,084	
Maintenance and repairs - equipment		27,006	
Other operating expenditures		(1,335)	
Total water treatment	<u>111,123</u>	<u>102,454</u>	<u>8,669</u>
Water maintenance			
Salaries and employee benefits		54,314	
Maintenance and repairs - equipment		7,579	
Maintenance and repairs - vehicles		3,198	
Auto supplies		13,950	
Departmental supplies		17,924	
Other operating expenditures		17,105	
Total water maintenance	<u>120,375</u>	<u>114,070</u>	<u>6,305</u>
Sewage treatment			
Salaries and employee benefits		92,075	
Professional services		62,526	
Telephone		19,147	
Utilities		123,314	
Maintenance and repairs - equipment		22,226	
Departmental supplies		26,826	
Other operating expenditures		175,017	
Total sewage treatment	<u>521,136</u>	<u>521,131</u>	<u>5</u>
Nondepartmental			
Insurance and bonds		18,183	
Professional services		1,462	
Building maintenance		1,300	
Other operating expenditures		7,611	
Total nondepartmental	<u>\$ 28,558</u>	<u>\$ 28,556</u>	<u>\$ 2</u>

Town of Fairmont, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non – GAAP) (continued)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued)			
Sewer maintenance			
Professional services	\$ -	\$ 367	\$ -
Maintenance and repairs - equipment		2,375	
Maintenance and repairs - vehicles		5,578	
Auto supplies		16,304	
Departmental supplies		15,077	
Other		3,363	
Total sewer maintenance	<u>43,067</u>	<u>43,064</u>	<u>3</u>
Sewer contract operations and maintenance			
Other operating expenses	<u>36,036</u>	<u>36,257</u>	<u>(221)</u>
Total operating expenditures	<u>1,095,296</u>	<u>1,071,793</u>	<u>23,503</u>
Capital outlay	<u>29,640</u>	<u>29,640</u>	<u>-</u>
Debt Service			
Principal repayment		69,500	
Interest		112,792	
Total debt service	<u>182,292</u>	<u>182,292</u>	<u>-</u>
Total expenditures	<u>1,307,228</u>	<u>1,283,725</u>	<u>23,503</u>
Revenues over (under) expenditures	-	24,677	24,677
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 24,677</u>	<u>\$ 24,677</u>

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

Revenues over (under) expenditures \$ 24,677

Reconciling items:

Principal retirement	69,500
Capital outlay	29,640
Decrease in deferred outflows of resources - pensions	16,390
Decrease in net pension liability	(17,153)
Decrease in OPEB liability	44,769
Decrease in deferred inflows of resources - pensions	3,471
Increase in deferred inflows of resources - OPEB	(49,572)
Depreciation	(275,751)
Capital contributions	463,111
Total reconciling items	<u>284,405</u>

Town of Fairmont, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non – GAAP)
From Inception and for the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
CDBG treatment plant project	\$ 1,554,205	\$ 1,380,728	\$ 373,111	\$ 1,753,839	\$ (199,634)
Golden Leaf	90,000	-	90,000	90,000	\$ -
Total revenues	<u>1,644,205</u>	<u>1,380,728</u>	<u>463,111</u>	<u>1,843,839</u>	<u>(199,634)</u>
Expenditures:					
CDBG treatment plant project:					
Administration	100,525	92,000	19,868	111,868	(11,343)
Construction management	82,000	106,000	128,076	234,076	(152,076)
Construction	1,371,680	1,182,728	225,167	1,407,895	(36,215)
Golden Leaf	90,000	-	3,500	3,500	86,500
Total expenditures	<u>1,644,205</u>	<u>1,380,728</u>	<u>376,611</u>	<u>1,757,339</u>	<u>(113,134)</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>86,500</u>	<u>86,500</u>	<u>(86,500)</u>
Other financing sources:					
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,500</u>	<u>\$ 86,500</u>	<u>\$ (86,500)</u>

Other Schedules

Town of Fairmont, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2019</u>
2018-2019	\$ -	\$ 857,865	\$ 792,757	\$ 65,108
2017-2018	57,914	-	13,786	44,128
2016-2017	43,735	-	7,558	36,177
2015-2016	37,278	-	5,123	32,155
2014-2015	34,785	-	4,054	30,731
2013-2014	26,219	-	2,935	23,284
2012-2013	43,171	-	8,519	34,652
2011-2012	31,595	-	10,132	21,463
2010-2011	22,157	-	5,956	16,201
2009-2010	13,918	-	1,827	12,091
2008-2009	11,464	-	11,464	-
	<u>\$ 322,236</u>	<u>\$ 857,865</u>	<u>\$ 864,111</u>	<u>315,990</u>

Less: allowance for uncollectible accounts - General Fund

54,453

Ad valorem taxes receivable - net

\$ 261,537

Reconciliation to revenues:

Ad valorem taxes - General Fund

\$ 843,650

Penalties collected on ad valorem taxes

(26,678)

Reconciling items:

Discounts allowed

8,244

Taxes written off

11,464

Discoveries

27,431

Total collections and credits

\$ 864,111

Town of Fairmont, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2019

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 117,515,753	0.73	\$ 857,865	\$ 764,184	\$ 93,681
Releases			-	-	-
Net levy			857,865	764,184	93,681
Less - uncollected taxes at June 30, 2019			65,108	65,108	-
Current year's taxes collected			<u>\$ 792,757</u>	<u>\$ 699,076</u>	<u>\$ 93,681</u>
Current levy collection percentage			<u>92.41%</u>	<u>91.48%</u>	<u>100.00%</u>

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

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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, 2019, 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 November 21, 2019. 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. Porter Douglas & Associates, LLP

Lumberton, North Carolina
November 21, 2019