

**Town of Fairview
North Carolina**

**Audited Financial Statements
For the Year Ended
June 30, 2012**

Town Council

Elizabeth B. Long, Mayor
Arnold Price
B. B. Haigler
Jerry C. Clontz
Bradley W. Purser

Administrative and Financial Staff

Darrell Baucom, Finance Director
Tana McConnaughey, Tax Collector
Ed Humphries, Town Clerk & Land Use Administrator

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June 30, 2012**

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Financial Section



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Independent Auditor's Report

To the Honorable Mayor
and Members of the Town Council
Fairview, North Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fairview, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Fairview's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fairview, North Carolina as of June 30, 2012, 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 then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2012 on our consideration of the Town of Fairview's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. Not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Fairview, North Carolina. The combining and individual fund statements, budgetary schedules and other schedules are presented for purposed 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moyer, Smith & Roller, P.A.
Certified Public Accountants

Moyer, Smith & Roller, P.A.

October 25, 2012

Management's Discussion and Analysis **June 30, 2012**

As management of the Town of Fairview, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Fairview for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets of the Town of Fairview exceeded its liabilities at the close of the year by \$1,259,680 (net assets).
- The Town's net assets increased by \$95,089 during the current fiscal year.
- As of the close of the current fiscal year, the Town of Fairview's governmental funds reported combined ending fund balances of \$1,029,196, a decrease of \$117,120 in comparison with the prior year. Approximately 95.34% of this total amount is available for spending at the government's discretion.
- As of the end of the current fiscal year, unassigned fund balance for the General Fund was \$281,282 or 70.93% of the total general fund expenditures for the fiscal year. This decreased from the prior year due to the purchase of land for future municipal purposes.

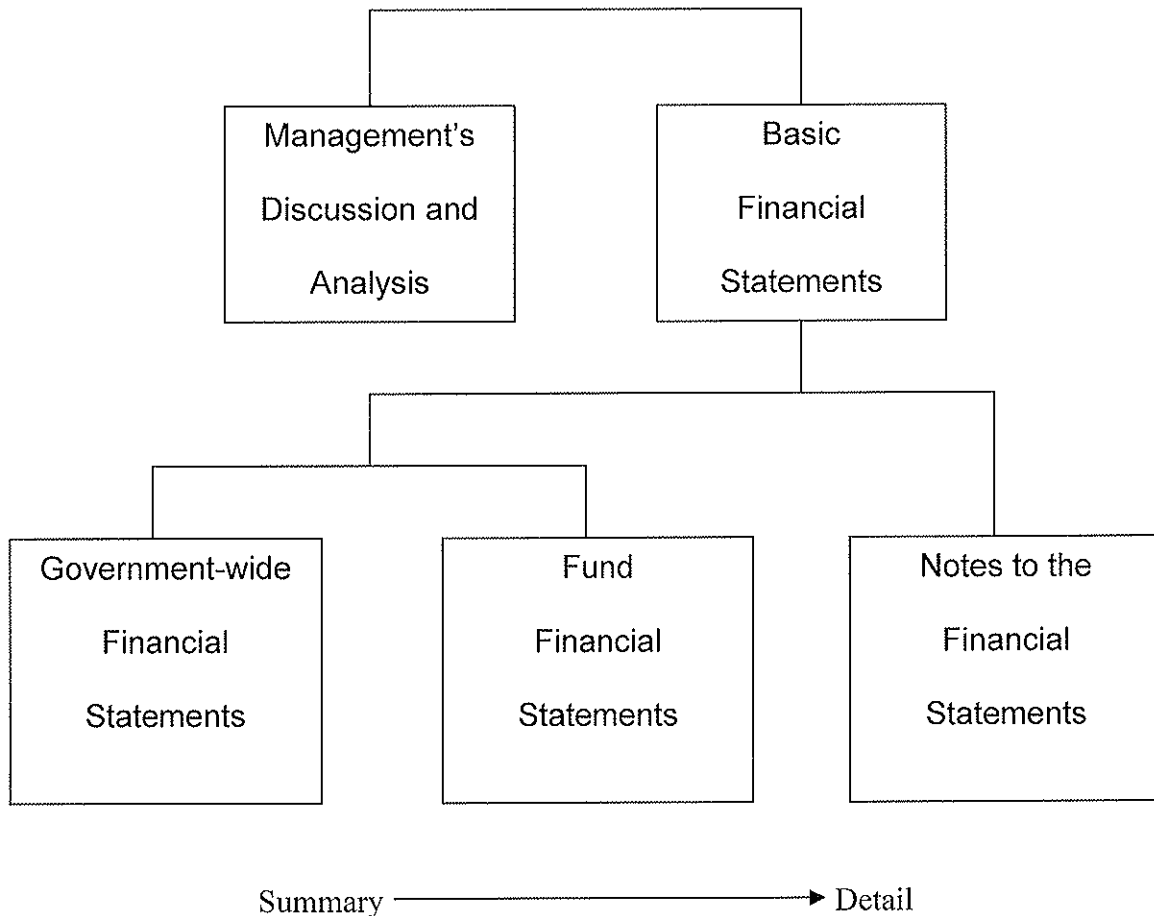
The Town of Fairview had no debt during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements 2) fund financial statements 3) notes to the financial statements. 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 contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Fairview.

Required Components of Annual Financial Report

Figure 1



Basic 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.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information for the town also can be found in this section 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, similar in format to the financial statement of a 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 on the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition.

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

The Town of Fairview 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. 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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 begin on page 15 of this report.

Government-wide Financial Analysis

The Town of Fairview's Net Assets

	Governmental Activities		Total	
	2012	2011	2012	2011
Current and other assets	\$1,048,984	\$1,156,746	\$ 1,048,984	\$ 1,156,746
Capital assets	222,898	11,084	222,898	11,084
Total assets	1,271,882	1,167,830	1,271,882	1,167,830
Current liabilities	12,202	3,240	12,202	3,240
Total liabilities	12,202	3,240	12,202	3,240
Net assets:				
Invested in capital assets, net of related debt	222,898	11,084	222,898	11,084
Restricted	746,723	751,253	746,723	751,253
Unrestricted	290,059	402,253	290,059	402,253
Total net assets	\$1,259,680	\$1,164,590	\$ 1,259,680	\$1,164,590

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Fairview exceeded liabilities by \$1,259,680 as of June 30, 2012. The Town's net assets increased by \$95,089 for the fiscal year ended June 30, 2012. A balance of \$290,059 is unrestricted.

Several particular aspects of the Town's financial operations influence the total restricted and unrestricted governmental net assets:

- The Town has restricted net assets in the amount \$222,898 for capital assets.
- The Town has restricted net assets in the amount of \$700,000 to be used for future capital acquisitions and \$46,723 is restricted by state statute.

Town of Fairview's Changes in Net Assets

	Governmental Activities		Total	
	2012	2011	2012	2011
Revenues				
Program Revenues:				
Charges for services	\$ 6,389	\$ 6,959	\$ 6,389	\$ 6,959
General Revenues:				
Property taxes	86,935	83,986	86,935	83,986
Other taxes	170,385	178,516	170,385	178,516
Other	16,141	15,511	16,141	15,511
Total Revenues	<u>279,850</u>	<u>284,972</u>	<u>279,850</u>	<u>284,972</u>
Expenses				
General government	146,061	142,933	146,061	142,933
Economic physical development	35,700	36,500	35,700	36,500
Total expenses	<u>184,761</u>	<u>179,433</u>	<u>184,761</u>	<u>179,433</u>
Increase in net assets	95,089	105,539	95,089	105,539
Net assets, July 1	\$1,164,591	\$1,059,052	\$1,164,591	\$1,059,052
Net assets, June 30	<u>\$1,259,680</u>	<u>\$1,164,591</u>	<u>\$1,259,680</u>	<u>\$1,164,591</u>

Governmental activities increased the Town's net assets by \$95,089. Items relating to governmental activities are listed below.

Revenues – Governmental Activities

- The Town's total revenues, excluding special items, were \$279,850, at June 30, 2012. Property taxes make up 31.06% of the Town's total revenues.
- The tax rate during fiscal year 2012 was .02 cents with an assessed value of \$431,019,129.

Expenditures – Governmental Activities

- Planning and Zoning expenditures continue to grow as a result of the Town of Fairview taking control of the economic and physical development with the adoption of their Land Use Ordinance.

Financial Analysis of the Town's Funds

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

Governmental Funds

The focus of the Town of Fairview'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 of Fairview's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Fairview. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$281,282, while total fund balance reached \$1,029,196.

At June 30, 2012, the governmental funds of the Town of Fairview reported a fund balance of \$1,029,196, a decrease of \$117,120 primarily due to the purchase of land for future municipal purposes during the year.

Capital Assets and Debt Administration

Capital Assets

The Town of Fairview's investments in capital assets for its governmental activities as of June 30, 2012 totals \$222,898 (net of accumulated depreciation). These assets include land, computer equipment, office furniture and leasehold improvements.

Additional information on the Town's capital assets can be found in the notes to the financial statements on page 22 of the Basic Financial Statements.

Long-term Debt

As of June 30, 2012, the Town of Fairview has no outstanding debt.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- Our close proximity to a large metropolitan area promises a continuation of increased residential communities. Our rural setting is a family centered town populated with warm, hardworking people who enjoy an excellent quality of life. Fairview is becoming a town that is vitally alive and heading in new directions, without sacrificing our past successes. There are a number of projects in the planning stages, or actually underway, that are contributing to the ever-changing dynamics in this community.

- Population continues to grow yearly. Our favorable tax rate and easy access to major transportation corridors continue to make Fairview an attractive place to live and raise families.

The overall economic downturn will impact all local governments in various ways. State shared revenues account for the majority of our revenues. These state shared revenues were relatively unchanged from last year, but that did not impact our level of services.

Governmental Activities

The Town of Fairview has approved a general fund budget for the next fiscal year ending June 30, 2013 with anticipated net revenues of \$204,728. This amount includes a \$74,797 fund balance appropriation. This represents approximately a 6.24% increase from prior fiscal year ended June 30, 2012 adopted budget. The anticipates slight revenue increases during the next fiscal year along with continuing to hold expenses relatively unchanged. No appropriated fund balance was used to balance the 2013 budget.

Capital outlay expenses are budgeted at \$15,156 in anticipation of expenses related to the newly purchased land.

Request for Information

This report is designed to provide an overview of the Town of Fairview's finances for those with an interest in this area. Questions concerning any of the information found in this report or request for additional information should be directed to the Finance Officer, Town of Fairview, 7400 Concord Highway, Monroe, NC 28110.

Basic Financial Statements

Town of Fairview, North Carolina
Statement of Net Assets
June 30, 2012

	Primary Government	
	Governmental	
	Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 294,675	\$ 294,675
Restricted cash and cash equivalents	700,000	700,000
Taxes receivables (net)	7,586	7,586
Interest receivable on investments	7,000	7,000
Due from other governments	38,532	38,532
Prepays	1,191	1,191
Total current assets	1,048,984	1,048,984
Non current assets:		
Capital assets (Note II):		
Land, non-depreciable improvements, and construction in progress	215,156	215,156
Other capital assets, net of depreciation	7,742	7,742
Total capital assets	222,898	222,898
Total assets	\$ 1,271,882	\$ 1,271,882
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,202	\$ 12,202
Total liabilities	12,202	12,202
NET ASSETS		
Invested in capital assets, net of related debt	222,898	222,898
Restricted for Stabilization by State Statue	46,723	46,723
Unrestricted	990,059	990,059
Total net assets	\$ 1,259,680	1,259,680

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

Town of Fairview, North Carolina
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues	Charges for Services	Net (Expense) Revenue and Changes in Net Assets	
				Primary Governmental Activities	Totals
Primary government:					
Governmental Activities:					
General government	\$ 149,061	\$ 2,244	\$ (146,817)	\$ (146,817)	
Economic and Physical Development	35,700	4,145	(31,555)	(31,555)	
Total governmental activities (see note 1)	<u>\$ 184,761</u>	<u>\$ 6,389</u>	<u>\$ (178,372)</u>	<u>\$ (178,372)</u>	

General revenues:

Taxes:			
Property taxes, levied for general purpose	\$ 86,935	\$ 86,935	
Other taxes	170,385	170,385	
Unrestricted investment earnings	16,141	16,141	
Total general revenues and transfers	<u>273,461</u>	<u>273,461</u>	
Change in net assets	95,089	95,089	
Net assets, beginning	1,164,591	1,164,591	
Net assets, ending	<u>\$ 1,259,680</u>	<u>\$ 1,259,680</u>	

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

**Town of Fairview
Balance Sheet
Governmental Funds
June 30, 2012**

	Major Funds	
	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 294,675	\$ 294,675
Restricted cash & cash equivalents	700,000	700,000
Receivables, net:		
Taxes	7,586	7,586
Due from other governments	38,532	38,532
Interest on investments	7,000	7,000
Prepays	1,191	1,191
Total assets	<u>\$ 1,048,984</u>	<u>\$ 1,048,984</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities	\$ 12,202	\$ 12,202
Deferred revenue	7,586	7,586
Total liabilities	<u>19,788</u>	<u>19,788</u>

Fund balances:

Non Spendable - Prepays	1,191	1,191
Restricted by State Statute-Stabilization	46,723	46,723
Assigned for capital projects	700,000	700,000
Unassigned	281,282	281,282
Total fund balances	<u>1,029,196</u>	<u>1,029,196</u>
Total liabilities and fund balances	<u>\$ 1,048,984</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	240,603	
Accumulated depreciation	<u>(17,705)</u>	
		222,898

Liabilities for earned but deferred revenues in fund statements. 7,586

Net assets of governmental activities \$ 1,259,680

Town of Fairview
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
June 30, 2012

	Major Funds		Total Governmental Funds
	General Fund		
REVENUES			
Ad valorem taxes	\$ 86,541	\$	86,541
Other taxes and licenses	6,389		6,389
Unrestricted intergovernmental	170,385		170,385
Investment income	16,141		16,141
Total revenues	<u>279,456</u>		<u>279,456</u>
EXPENDITURES			
Current:			
General government	145,720		145,720
Economic and physical development	35,700		35,700
Capital outlay	215,156		215,156
Total expenditures	<u>396,576</u>		<u>396,576</u>
Excess (deficiency) of revenues over expenditures	<u>(117,120)</u>		<u>(117,120)</u>
Net change in fund balance	(117,120)		(117,120)
Fund balances, beginning as previously reported	1,146,316		1,146,316
Fund balances, ending	<u>\$ 1,029,196</u>	\$	<u>1,029,196</u>

cont.

Town of Fairview
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
June 30, 2012

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

Net changes in fund balances - total governmental funds \$ (117,120)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	215,156	
Depreciation expense for governmental assets	<u>(3,343)</u>	211,813

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

Change in deferred revenue for tax revenues	396
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Total changes in net assets of governmental activities	<u><u>\$ 95,089</u></u>
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Town of Fairview
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
June 30, 2012

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 81,600	\$ 85,200	\$ 86,541	\$ 1,341
Other taxes and licenses	4,200	4,200	6,389	2,189
Unrestricted intergovernmental	170,200	176,000	170,385	(5,615)
Investment income	9,133	10,850	16,141	5,291
Total revenues	265,133	276,250	279,456	3,206
Expenditures:				
Current:				
General government	157,003	142,181	145,720	(3,539)
Economic and physical development	35,700	35,700	35,700	-
Capital outlay	-	215,156	215,156	-
Total expenditures	192,703	393,037	396,576	(3,539)
Revenues over (under) expenditures	72,430	(116,787)	(117,120)	(333)
Fund balance appropriated	(72,430)	116,787	-	(116,787)
Net change in fund balance	-	-	(117,120)	(117,120)
Fund balance, as previously reported			1,146,316	
Fund balance ending			\$ 1,029,196	

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

Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Fairview 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 Fairview is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles these financial statements present the Town of Fairview only. There were no entities which met the requirements of a reportable component unit.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. This statement would distinguish between the *governmental* and *business-type activities* of the Town; however, the Town of Fairview does not have any business type activities. 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 for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a 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, if any, include (a) fees and charges paid by the recipients of goods or 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. Statements for the Town's only fund category – *governmental* – are presented.

The Town reports only the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources. The primary revenue sources are ad valorem taxes, State-shared revenues, and various other taxes and licenses. The primary expenditures are for public safety, economic and physical development, cultural arts and general government.

The Town has no other funds to report.

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012**

I. Summary of Significant Accounting Policies (Continued)

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 Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with the change in the law, Union County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts within the county, including the Town of Fairview. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due.

Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies (Continued)

Therefore, the Town's vehicle taxes for vehicles registered from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

Deposits

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town 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 to invest in obligations of 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 non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies (Continued)

In accordance with State law, the Town has invested in securities which 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 maintains funds in four certificates of deposit at one banking institution to maximize investment income. All cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

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 on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2010.

Allowances for Doubtful Accounts

An allowance for doubtful accounts is not maintained by the Town.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land \$1,000; buildings and improvements \$1,000 equipment and furniture \$1,000; computer software and computer equipment \$1,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies (Continued)

Capital Assets are depreciated over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives</u>
Computer and Office Equipment	5-10
Furniture and Fixtures	15
Leasehold Improvements	15

Compensated Absences / Employee Benefits

The Town has three part time employees and does not provide vacation or sick pay; therefore, no provision for compensated absences is made.

None of the Town's employees participate in the state retirement plan.

Net Assets

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five 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:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid Items – Portion of fund balance that is not an available resource because it represents the year-end balance of expenses paid for the next fiscal year which are not spendable resources.

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

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012**

I. Summary of Significant Accounting Policies (Continued)

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Fairview’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Assigned Fund – portion of fund balance that Town of Fairview intends to use for specific purposes.

Assigned for Capital Projects – portion of fund balance that has been budgeted by the Board for future capital projects.

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

II. Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2012, the expenditures made in the Town’s General Fund exceeded the authorized appropriations made by the governing board for general government activities by \$3,539. The over expenditure occurred because of unplanned payroll expenditures. Management and the Board will more closely review the budget reports to ensure compliance in future years.

Deficit of Revenues under Appropriations

For the fiscal year ended June 30, 2012, the Town’s total Fund Revenues did not exceed the authorized appropriations made by the governing board for general government activities. However, there was negative variance for unrestricted intergovernmental revenues and other taxes and licenses of \$5,615. The negative variance is attributed to a decrease in franchise tax allocation from the prior year and to a decrease in revenues for zoning fees from the prior year. Management and the Board will more closely review the budget reports to ensure compliance in future years.

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012**

III. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town'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, these deposits are considered to be held by the Town'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 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 has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

June 30, 2012, the Town's deposits have a carrying amount of \$994,675 and a bank balance of \$1,001,415. Of the bank balance the \$250,000 was covered by federal depository insurance, and \$751,415 was covered by collateral held under the Pooling Method.

Restricted Assets

The Town of Fairview's council has voted to restrict \$700,000 in net assets for future capital projects. The money is invested in certificates of deposit accounts and the interest earned on the deposit is added to the balance of the restricted account.

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012**

III. Detail Notes on All Funds

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2012, were as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets not being depreciated:				
Land	\$ -	\$ 215,156	\$ -	\$ 215,156
Total capital assets not being depreciated	<u>-</u>	<u>215,156</u>	<u>-</u>	<u>215,156</u>
Governmental activities:				
Capital assets being depreciated:				
Office Equipment	22,947	-	-	22,947
Leasehold Improvements	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Total capital assets being depreciated	<u>25,447</u>	<u>-</u>	<u>-</u>	<u>25,447</u>
Less accumulated depreciation for:				
Office Equipment	14,112	3,176	-	17,288
Leasehold Improvements	<u>250</u>	<u>167</u>	<u>-</u>	<u>417</u>
Total accumulated depreciation	<u>14,362</u>	<u>3,343</u>	<u>-</u>	<u>17,705</u>
Total capital assets being depreciated, net	<u>11,085</u>			<u>7,742</u>
Governmental activity capital assets, net	<u>\$ 11,085</u>			<u>\$ 222,898</u>

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

General Government	\$ 3,343
Total depreciation expense	<u>\$ 3,343</u>

B. Liabilities

Deferred Revenues

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

	<u>Deferred Revenue</u>
Prepaid taxes (General Fund)	\$ -
Taxes Receivable (General Fund), less penalties	<u>7,586</u>
Total	<u>\$ 7,586</u>

Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

III. Detail Notes on All Funds

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 has a commercial insurance policy in place to manage their risk. Coverage under this policy is as follows:

General Liability	\$ 1,000,000
Public Officials Liability	1,000,000
Business Auto	1,000,000

In accordance with G.S. 159-29, the Town’s employees that have access to \$100 or more at any given time of the Town’s funds are performance bonded through a commercial surety bond. The tax collector and town clerk are each individually bonded for \$10,000. The finance officer is bonded for \$50,000.

The Town carries commercial insurance for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three years. The Town does not currently carry flood insurance; because the Town is not near a river, lake, or stream, they do not qualify to purchase coverage through the Federal Emergency Management Agency. Accordingly, purchase of a flood policy is not warranted for the Town based on the Town’s assessment of unlikely flood damage risk.

Long-Term Obligations

Facility Lease

On August 30, 2009, the Town entered into a five-year agreement with Fairview Fire and Rescue Association to lease office space at the Fairview Fire Department. As of June 30, 2012 the Town is required to make 27 additional monthly payments of \$250.

The future minimum lease payments as of June 30, 2012 were as follows:

Fiscal Year Ended	
June 30, 2013	\$ 3,000
June 30, 2014	3,000
June 30, 2015	750
Thereafter	-
Total minimum lease payments	<u>\$ 6,750</u>

Subsequent Events

Subsequent events have been evaluated through October 25, 2012, the date which the financial statements were available to be issued.

**Individual Fund Statements
And Schedules**

Town of Fairview, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Change in Fund Balances - Budget to Actual
For the Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year ad valorem property tax	\$ 76,800	\$ 77,723	\$ 923
Motor vehicle tax	6,400	6,534	134
Prior year ad valorem property tax	2,000	1,647	(353)
Penalties & interest	-	637	637
Total	<u>85,200</u>	<u>86,541</u>	<u>1,341</u>
Other taxes and licenses:			
Cable franchise tax	-	2,244	2,244
Zoning fees	4,200	4,145	(55)
Total	<u>4,200</u>	<u>6,389</u>	<u>2,189</u>
Unrestricted intergovernmental:			
Utility franchise tax	157,000	150,327	(6,673)
Sales tax distribution	19,000	20,058	1,058
Total	<u>176,000</u>	<u>170,385</u>	<u>(5,615)</u>
Investment income	<u>10,850</u>	<u>16,141</u>	<u>5,291</u>
Total revenues	<u>276,250</u>	<u>279,456</u>	<u>3,206</u>

cont

Town of Fairview, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Advertising	900	824	76
Audit fees	6,200	6,200	-
Bank service charges	-	29	(29)
Collection fees - Ad valorem	1,500	1,285	215
Computers and internet	1,300	1,460	(160)
Dues and subscriptions	5,596	5,546	50
Election expense	3,100	3,093	7
Grants	5,500	5,500	-
Liability insurance	6,500	6,467	33
Legal fees	6,000	5,870	130
Office supplies	2,200	2,091	109
Payroll expense	22,920	26,972	(4,052)
Postage and delivery	240	216	24
Professional fees	2,225	2,233	(8)
Public safety and fire protection	60,000	60,000	-
Rent	3,000	3,000	-
Telephone	5,500	5,475	25
Travel	700	659	41
Solid waste management	8,000	8,000	-
Education	800	800	-
Total	<u>142,181</u>	<u>145,720</u>	<u>(3,539)</u>
Economic and physical development:			
Zoning administration	35,700	35,700	-
Total	<u>35,700</u>	<u>35,700</u>	<u>-</u>
Capital Outlay:			
Capital outlay	215,156	215,156	-
Total	<u>215,156</u>	<u>215,156</u>	<u>-</u>
Total expenditures	<u>393,037</u>	<u>396,576</u>	<u>(3,539)</u>
Revenues over (under) expenditures	(116,787)	(117,120)	(333)
Fund balance appropriated	<u>116,787</u>	<u>-</u>	<u>(116,787)</u>
Net change in fund balance	<u>-</u>	<u>(117,120)</u>	<u>(117,120)</u>
Fund balance, beginning of year		<u>1,146,316</u>	
Fund balance, ending		<u>\$ 1,029,196</u>	

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

Other Schedules

Town of Fairview, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2012

Levy Year	Fiscal Year	Uncollected Balance June 30, 2011	Additions	Collections And Credits	Uncollected Balance June 30, 2012
2012	2012-2013	\$ -	\$ 531	\$ 9	\$ 522
2011	2011-2012	-	86,204	83,784	2,420
2010	2010-2011	2,692	118	1,927	883
2009	2009-2010	1,550	-	177	1,373
2008	2008-2009	1,353	-	219	1,134
2007	2007-2008	669	-	118	551
2006	2006-2007	307	-	81	226
2005	2005-2006	246	-	86	160
2004	2004-2005	170	-	21	149
2003	2003-2004	117	-	18	99
2002	2002-2003	87	-	18	69
2001	2001-2002	-	-	-	-
2000	2000-2001	-	-	-	-
		<u>\$ 7,191</u>	<u>\$ 86,853</u>	<u>\$ 86,458</u>	<u>\$ 7,586</u>

Ad valorem taxes receivable - net \$ 7,586

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 86,541
Reconciling items:	
Interest collected	(637)
Taxes written off	554
Total collections and credits	<u>\$ 86,458</u>

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

Town of Fairview, North Carolina
 Analysis of Current Tax Levy
 Town - Wide Levy
 June 30, 2012

	Town - Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 425,784,129	0.02	\$ 85,157	\$ 78,545	\$ 6,612
Discoveries/abatement	<u>5,235,000</u>		<u>1,047</u>	<u>1,047</u>	<u>-</u>
Total property valuation	<u>431,019,129</u>		<u>-</u>	<u>-</u>	<u>-</u>
Net Levy			86,204	79,592	6,612
Uncollected taxes at June 30, 2012			<u>2,420</u>	<u>1,651</u>	<u>769</u>
Current year's taxes collected			<u>\$ 83,784</u>	<u>\$ 77,941</u>	<u>\$ 5,843</u>
Current levy collection percentages			<u>97.19%</u>	<u>97.93%</u>	<u>88.37%</u>

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

Compliance Section



Moyer, Smith & Roller, P.A.
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**Report On Compliance And On Internal Control And Other Matters Based On An
Audit Of Financial Statements Performed In Accordance With *Government
Auditing Standards***

To the Town Council
Town of Fairview, North Carolina

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Fairview, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Town of Fairview, North Carolina's basic financial statements and have issued our report thereon dated October 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Town of Fairview, North Carolina, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Fairview, North Carolina's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Fairview, North Carolina's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Fairview, North Carolina's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, Town Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moyer, Smith & Roller, P.A.

Moyer, Smith & Roller, P.A.
Certified Public Accountants

October 25, 2012

**Town of Fairview, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ___yes X no

- Significant Deficiencies identified that are not considered to be material weaknesses? ___yes X no

Noncompliance material to financial statements noted ___yes X no

Federal Awards

N/A - No major federal programs reported

State Awards

N/A - No major state programs reported

Section II. Financial Statement Findings

N/A - No financial statement findings reported

Section III. Federal Award Findings and Questioned Costs

N/A - No major federal programs reported

Section IV. State Award Findings and Questioned Costs

N/A - No major state programs reported

**Town of Fairview, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2012**

Section II. Financial Statement Findings

N/A – No financial statement findings reported

Section III. Federal Award Findings and Questioned Costs

N/A - No major federal programs reported

Section IV. State Award Findings and Questioned Costs

N/A – No major state programs reported

**Town of Fairview, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2012**

N/A – No prior year audit findings reported



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October 25, 2012

To the Town Council
Town of Fairview

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Fairview for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 9, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of Fairview are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 25, 2012.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

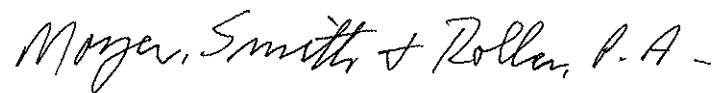
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Town Council and management of Town of Fairview and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



Moyer, Smith & Roller, P.A.
Certified Public Accountants