

**Town of Fairview
North Carolina**

**Audited Financial Statements
For the Year Ended
June 30, 2014**

Town Council

Elizabeth B. Long, Mayor
Jerry C. Clontz, Mayor Pro-tem
John Biggers
Bradley W. Purser
Arnold Price

Administrative and Financial Staff

Darrell Baucom, Town Budget & Finance Director
Ed Humphries, Town Clerk & Land Use Administrator

**Town of Fairview, North Carolina
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June 30, 2014**

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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

Report on the Financial Statements

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, 2014 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller 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

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 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 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 upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Fairview as of June 30, 2014, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then 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, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Fairview, North Carolina. The combining and individual fund financial 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standard*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2014 on our consideration of Town of Fairview's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that 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 Fairview's internal control over financial reporting and compliance.

Moyer, Smith & Roller, CPA
Monroe, North Carolina
October 14, 2014

Moyer, Smith + Roller, P.A.

Basic Financial Statements

Management's Discussion and Analysis

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, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Fairview exceeded its liabilities and deferred inflows of resources at the close of the year by \$1,514,195 (net position).
- The Town's net position increased by \$72,662 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 \$1,269,886, an increase of \$61,190 in comparison with the prior year. Approximately 96.27% 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 \$522,512 or 244.56% of the total general fund expenditures for the fiscal year. This increased from the prior year due to the excess of revenue over expenditures for the current year.

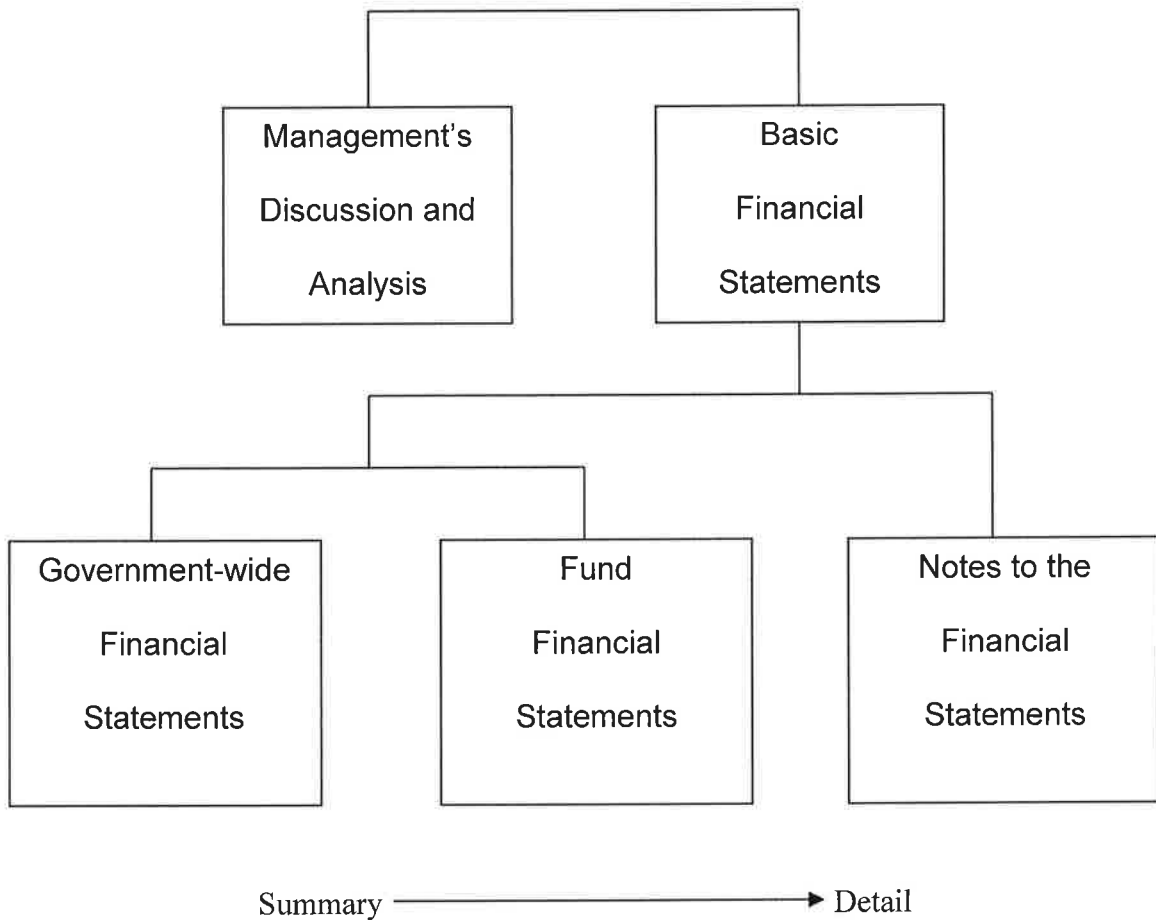
The Town of Fairview had no debt during the current fiscal year.

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. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison 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 position and how they have changed. Net position is the difference between the Town's total assets and deferred outflow of resources and total liabilities and deferred inflow of resources. Measuring net position 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 Position and the Statement of Activities) and Town's funds is described in a 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 council 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 council; 2) the final budget as amended by the council; 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 17 of this report.

Government-wide Financial Analysis

The Town of Fairview's Net Position

	Governmental Activities		Total	
	2014	2013	2014	2013
Current and other assets	\$1,298,250	\$1,228,873	\$1,298,250	\$1,228,873
Capital assets	238,445	225,164	238,445	225,164
Total assets	<u>1,536,695</u>	<u>1,454,037</u>	<u>1,536,695</u>	<u>1,454,037</u>
Current liabilities	22,500	12,504	22,500	12,504
Total liabilities	<u>22,500</u>	<u>12,504</u>	<u>22,500</u>	<u>12,504</u>
Net position:				
Invested in capital assets, net of related debt	238,445	225,164	238,445	225,164
Restricted	738,351	739,989	738,351	739,989
Unrestricted	537,399	476,380	537,399	476,380
Total net position	<u>\$1,514,195</u>	<u>\$1,441,533</u>	<u>\$1,514,195</u>	<u>\$1,441,533</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Fairview exceeded liabilities and deferred inflows by \$1,514,195 as of June 30, 2014. The Town's net position increased by \$72,662 for the fiscal year ended June 30, 2014. A balance of \$537,399 is unrestricted.

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

- The Town has restricted net position in the amount \$238,445 for capital assets.
- The Town has restricted net position in the amount of \$700,000 to be used for future capital acquisitions and \$38,351 is restricted by state statute.

Town of Fairview's Changes in Net Position

	Governmental Activities		Total	
	2014	2013	2014	2013
Revenues				
Program Revenues:				
Charges for services	\$7,145	\$6,559	\$7,145	\$6,559
General Revenues:				
Property taxes	88,789	86,307	88,789	86,307
Other taxes	174,905	252,306	174,905	252,306
Other	2,194	450	2,194	450
Total Revenues	<u>273,033</u>	<u>345,622</u>	<u>273,033</u>	<u>345,622</u>
Expenses				
General government	160,385	127,116	160,385	127,116
Economic physical development	39,986	36,653	39,986	36,653
Total expenses	<u>200,371</u>	<u>163,769</u>	<u>200,371</u>	<u>163,769</u>
Increase in net position	72,662	181,853	72,662	181,853
Net position, July 1	1,441,533	1,259,680	1,441,533	1,259,680
Net position, June 30	<u>\$1,514,195</u>	<u>\$1,441,533</u>	<u>\$1,514,195</u>	<u>\$1,441,533</u>

Governmental activities increased the Town's net position by \$72,662. Items relating to governmental activities are listed below.

Revenues – Governmental Activities

- The Town's total revenues, excluding special items, were \$273,033, at June 30, 2014. Property taxes make up 32.52% of the Town's total revenues.
- The Town received an adjustment of franchise taxes in 2013, which caused that revenue item to be higher than normal for last year.
- The tax rate during fiscal year 2014 was \$0.02/\$100 cents with an assessed value of \$439,771,000.

Expenditures – Governmental Activities

- Professional fees increased by \$25,987 and grants to nonprofits increased by \$8,000, which is the main reason for the increase in general government expenses.

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 \$522,512, while total fund balance reached \$1,269,886.

At June 30, 2014, the governmental funds of the Town of Fairview reported a fund balance of \$1,269,886, an increase of \$61,190, primarily due to the excess of revenue over expenses for the fiscal 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, 2014 totals \$238,445 (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 24 of the Basic Financial Statements.

Long-term Debt

As of June 30, 2014, 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.

Governmental Activities

The Town of Fairview has approved a general fund budget for the next fiscal year ending June 30, 2015 with anticipated net revenues of \$188,864. This amount includes a \$69,456 fund balance appropriation. This represents approximately a 6.59% decrease from prior fiscal year ended June 30, 2014 adopted budget. This anticipates slight revenue decrease in franchise taxes and motor vehicle taxes due to the timing of those receipts in 2014.

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.

Town of Fairview, North Carolina
Statement of Net Position
June 30, 2014

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 544,039	\$ 544,039
Taxes receivables (net)	5,864	5,864
Due from other governments	39,324	39,324
Prepaid items	9,023	9,023
Restricted cash and cash equivalents	700,000	700,000
Total current assets	1,298,250	1,298,250
Non-current assets:		
Capital assets (Note III):		
Land, non-depreciable improvements, and construction in progress	229,661	229,661
Other capital assets, net of depreciation	8,784	8,784
Total capital assets	238,445	238,445
Total assets	\$ 1,536,695	\$ 1,536,695
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 22,500	\$ 22,500
Total liabilities	22,500	22,500
NET ASSETS		
Net investment in capital assets	238,445	238,445
Restricted for Stabilization by State Statute	38,351	38,351
Unrestricted	1,237,399	1,237,399
Total net position	\$ 1,514,195	\$ 1,514,195

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, 2014

Functions/Programs	Expenses	Program Revenues	Charges for Services	Net (Expense) Revenue and Changes in Net Position	
				Primary Governmental Activities	Totals
Primary government:					
Governmental Activities:					
General government	\$ 160,385	\$ 2,745		\$ (157,640)	\$ (157,640)
Economic and physical Development	39,986	4,400		(35,586)	(35,586)
Total governmental activities (see Note 1)	\$ 200,371	\$ 7,145		\$ (193,226)	\$ (193,226)

General revenues:

Taxes:			
Property taxes, levied for general purpose	\$ 88,789	\$ 88,789	
Other taxes	174,905	174,905	
Unrestricted investment earnings	1,168	1,168	
Miscellaneous income	1,026	1,026	
Total general revenues and transfers	265,888	265,888	
Change in net position	72,662	72,662	
Net position, beginning	1,441,533	1,441,533	
Net position, ending	\$ 1,514,195	\$ 1,514,195	

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

**Town of Fairview
Balance Sheet
Governmental Funds
June 30, 2014**

	Major Funds	
	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 544,039	\$ 544,039
Receivables, net:		
Taxes	5,864	5,864
Due from other governments	39,324	39,324
Prepaid items	9,023	9,023
Restricted cash & cash equivalents	700,000	700,000
Total assets	<u>\$ 1,298,250</u>	<u>\$ 1,298,250</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	<u>22,500</u>	<u>22,500</u>
Total liabilities	<u>22,500</u>	<u>22,500</u>
Deferred inflows of resources:		
Property taxes receivable	<u>5,864</u>	<u>5,864</u>
Total deferred in flows of resources	<u>5,864</u>	<u>5,864</u>
Non Spendable - Prepaids	9,023	9,023
Restricted by State Statue-Stabilization	38,351	38,351
Assigned for capital projects	700,000	700,000
Unassigned	<u>522,512</u>	<u>522,512</u>
Total fund balances	1,269,886	1,269,886
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,298,250</u>	
Amounts reported for governmental activities in the Statement of Net Position 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	259,531	
Accumulated depreciation	<u>(21,086)</u>	238,445
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		<u>5,864</u>
Net position of governmental activities		<u>\$ 1,514,195</u>

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

Town of Fairview
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
June 30, 2014

	Major Funds		Total Governmental Funds
	General Fund		
REVENUES			
Ad valorem taxes	\$ 90,598	\$	90,598
Other taxes and licenses	7,145		7,145
Unrestricted intergovernmental	174,905		174,905
Investment income	1,168		1,168
Miscellaneous income	1,026		1,026
Total revenues	274,842		274,842
EXPENDITURES			
Current:			
General government	159,098		159,098
Economic and physical development	39,986		39,986
Capital outlay	14,568		14,568
Total expenditures	213,652		213,652
Excess (deficiency) of revenues over expenditures	61,190		61,190
Net change in fund balance	61,190		61,190
Fund balances, beginning as previously reported	1,208,696		1,208,696
Fund balances, ending	\$ 1,269,886	\$	1,269,886

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

Town of Fairview
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
June 30, 2014

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

Net changes in fund balances - total governmental funds \$ 61,190

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	14,568	
Depreciation expense for governmental assets	<u>(1,287)</u>	13,281

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

Change in unavailable revenue for tax revenues (1,809)

Total changes in net position of governmental activities \$ 72,662

Town of Fairview
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 82,000	\$ 86,000	\$ 90,598	\$ 4,598
Other taxes and licenses	6,800	6,800	7,145	345
Unrestricted intergovernmental	181,600	171,600	174,905	3,305
Investment income	-	1,000	1,168	168
Miscellaneous income	-	4,000	1,026	(2,974)
Total revenues	270,400	269,400	274,842	5,442
Expenditures:				
Current:				
General government	156,619	157,687	159,098	(1,411)
Economic and physical development	39,986	39,986	39,986	-
Capital outlay	3,150	-	14,568	(14,568)
Total expenditures	199,755	197,673	213,652	(15,979)
Revenues over (under) expenditures	70,645	71,727	61,190	(10,537)
Fund balance appropriated	(70,645)	(71,727)	-	71,727
Net change in fund balance	\$ -	\$ -	61,190	\$ 61,190
Fund balance, as previously reported			1,208,696	
Fund balance ending			\$ 1,269,886	

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, 2014

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 position 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.

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 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 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 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, 2014

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. 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.

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 September 30, 2013, State law altered the procedures for 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. Property taxes are due when vehicles are registered. 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 are received.

Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (Continued)

Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental 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 and at the project level for the multi-year 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, Deferred Outflows/Inflows of Resources 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, 2014

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 occasionally maintains funds in certificates of deposit 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, 2011.

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, 2014**

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

Deferred Outflows/Inflows of Resources

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

Compensated Absences / Employee Benefits

The Town has two 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 Position

Net position in government-wide financial statements are classified as net investment in capital assets, 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.

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.

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014**

I. Summary of Significant Accounting Policies (Continued)

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.

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 Balance – 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 Town 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, 2014, the expenditures made in the Town’s General Fund exceeded the authorized appropriations made by the governing board for general government activities by \$15,979. The over expenditure occurred primarily because of unplanned capital outlays. Management and the Town 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, 2014**

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.

At June 30, 2014, the Town's deposits have a carrying amount of \$1,243,137 and a bank balance of \$1,243,373. Of the bank balance the \$250,000 was covered by federal depository insurance, and \$993,373 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2014, the Town of Fairview had \$902 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

Restricted Assets

The Town of Fairview's council has voted to restrict \$700,000 in net assets for future capital projects. The money is held in cash accounts and occasionally, in certificates of deposit accounts.

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014**

III. Detail Notes on All Funds (Continued)

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2014, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets not being depreciated:				
Land & Land Improvements	\$ 219,516	\$ 10,145	\$ -	\$ 229,661
Total capital assets not being depreciated	<u>219,516</u>	<u>10,145</u>	<u>-</u>	<u>229,661</u>
Governmental activities:				
Capital assets being depreciated:				
Office Equipment	22,947	4,423	-	27,370
Leasehold Improvements	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Total capital assets being depreciated	<u>25,447</u>	<u>4,423</u>	<u>-</u>	<u>29,870</u>
Less accumulated depreciation for:				
Office Equipment	19,215	1,120	-	20,335
Leasehold Improvements	<u>584</u>	<u>167</u>	<u>-</u>	<u>751</u>
Total accumulated depreciation	<u>19,799</u>	<u>1,287</u>	<u>-</u>	<u>21,086</u>
Total capital assets being depreciated, net	<u>5,648</u>			<u>8,784</u>
Governmental activity capital assets, net	<u>\$ 225,164</u>			<u>\$ 238,445</u>

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

General government	<u>\$ 1,287</u>
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B. Liabilities

Deferred Outflows and Inflows of Resources

Deferred inflows of resources at year-end is comprised of the following:

Total Receivable (General Fund), less penalties	<u>\$ 5,864</u>
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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

Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

III. Detail Notes on All Funds (Continued)

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 town clerk is 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, 2014 the Town is required to make 3 additional monthly payments of \$250.

The future minimum lease payments as of June 30, 2014 were as follows:

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

Local Government Employees’ Retirement System

The Town’s two part-time employees do not participate in the state retirement system.

IV. 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	<u>\$ 1,269,886</u>
Less:	
Prepays	9,023
Stabilization by State Statue	38,351
Capital Projects	700,000
Working Capital/Fund Balance Policy	21,365
Remaining Fund Balance	501,147

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014**

III. Detail Notes on All Funds (Continued)

The Town of Fairview has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures.

V. Subsequent Events

Subsequent events have been evaluated through October 14, 2014, 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, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year ad valorem property tax	\$ 76,000	\$ 77,287	\$ 1,287
Motor vehicle tax	10,000	10,303	303
Prior year ad valorem property tax	-	2,490	2,490
Penalties & interest	-	518	518
Total	<u>86,000</u>	<u>90,598</u>	<u>4,598</u>
Other taxes and licenses:			
Cable franchise tax	2,800	2,745	(55)
Zoning fees	4,000	4,400	400
Total	<u>6,800</u>	<u>7,145</u>	<u>345</u>
Unrestricted intergovernmental:			
Utility franchise tax	150,000	152,470	2,470
Sales tax distribution	21,600	22,435	835
Total	<u>171,600</u>	<u>174,905</u>	<u>3,305</u>
Investment income	1,000	1,168	168
Miscellaneous income	4,000	1,026	(2,974)
Total revenues	<u>\$ 269,400</u>	<u>\$ 274,842</u>	<u>\$ 5,442</u>

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

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, 2014

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Advertising	\$ 1,200	\$ 1,137	\$ 63
Audit fees	3,801	3,801	-
Bank service charges	150	212	(62)
Collection fees - Ad valorem	1,400	1,418	(18)
Computers and internet	1,000	904	96
Dues and subscriptions	4,575	4,563	12
Education	400	525	(125)
Election expense	2,450	2,447	3
Grants	8,000	8,000	-
Liability insurance	6,400	6,380	20
Legal fees	7,200	6,994	206
Maintenance	1,228	1,228	-
Miscellaneous	200	202	(2)
Office supplies	2,400	2,313	87
Payroll expense	26,967	27,290	(323)
Professional fees	44,916	46,241	(1,325)
Public safety and fire protection	30,000	30,000	-
Rent	3,000	3,000	-
Solid waste management	8,000	8,000	-
Telephone	4,000	4,072	(72)
Travel	400	371	29
Total	<u>157,687</u>	<u>159,098</u>	<u>(1,411)</u>
Economic and physical development:			
Zoning administration	<u>39,986</u>	<u>39,986</u>	<u>-</u>
Total	<u>39,986</u>	<u>39,986</u>	<u>-</u>
Capital Outlay:			
Capital outlay	<u>-</u>	<u>14,568</u>	<u>(14,568)</u>
Total	<u>-</u>	<u>14,568</u>	<u>(14,568)</u>
Total expenditures	<u>197,673</u>	<u>213,652</u>	<u>(15,979)</u>
Revenues over (under) expenditures	(71,727)	61,190	<u>(10,537)</u>
Fund balance appropriated	<u>(71,727)</u>	<u>-</u>	<u>71,727</u>
Net change in fund balance	<u>\$ -</u>	61,190	<u>\$ 61,190</u>
Fund balance, beginning of year		<u>1,208,696</u>	
Fund balance, ending		<u>\$ 1,269,886</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, 2014

Levy Year	Fiscal Year	Uncollected Balance June 30, 2013	Additions	Collections And Credits	Uncollected Balance June 30, 2014
2013	2013-2014	\$ 366	\$ 87,954	\$ (87,463)	\$ 857
2012	2012-2013	2,579	17	(1,432)	1,164
2011	2011-2012	1,143	-	(298)	845
2010	2010-2011	619	-	(235)	384
2009	2009-2010	1,351	-	(184)	1,167
2008	2008-2009	361	-	-	361
2007	2007-2008	551	-	-	551
2006	2006-2007	226	-	-	226
2005	2005-2006	160	-	-	160
2004	2004-2005	149	-	-	149
2003	2003-2004	99	-	(99)	-
2002	2002-2003	69	-	(69)	-
		<u>\$ 7,673</u>	<u>\$ 87,971</u>	<u>\$ (89,780)</u>	<u>\$ 5,864</u>

Ad valorem taxes receivable - net \$ 5,864

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 88,789
Reconciling items:	
Interest collected	(518)
Taxes written off	<u>1,509</u>
Total collections and credits	<u>\$ 89,780</u>

Town of Fairview, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2014

	Town - Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 427,645,694	0.02	\$ 85,529	\$ 76,977	\$ 8,552
Discoveries/abatement	<u>12,125,000</u>		<u>2,425</u>	<u>2,425</u>	<u>-</u>
Total property valuation	<u>439,770,694</u>		<u>-</u>	<u>-</u>	<u>-</u>
Net Levy			87,954	79,402	8,552
Uncollected taxes at June 30, 2014			<u>858</u>	<u>754</u>	<u>104</u>
Current year's taxes collected			<u>\$ 87,096</u>	<u>\$ 78,648</u>	<u>\$ 8,448</u>
Current levy collection percentages			<u>99.02%</u>	<u>99.05%</u>	<u>98.78%</u>

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

Compliance Section



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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***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2014, and the related notes to the financial statements, which collectively comprises the Town of Fairview's basic financial statements, and have issued our report thereon dated October 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Fairview's internal control over financial reporting (internal control) 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 Fairview'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 have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Fairview's financial statements are free from 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*.

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.

Moyer, Smith & Roller, P.A.

Moyer, Smith & Roller, P.A.
Certified Public Accountants
October 14, 2014

**Town of Fairview, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2014**

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

Noncompliance material to financial statements noted yes 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, 2014**

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, 2014**

N/A – No prior year audit findings reported