

**Town of Fairview
North Carolina**

**Audited Financial Statements
For the Year Ended
June 30, 2011**

Town Council

Elizabeth B. Long, Mayor
Bill Thomas
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

**Town of Fairview, North Carolina
Table of Contents
June 30, 2011**

	<u>Page</u>
Financial Section:	
Independent Auditor's Report	4-5
Management's Discussion and Analysis	6-12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16-17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General	18
Notes to the Financial Statements	19-27
Individual Fund Statements and Schedules:	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	28-29

Other Schedules:

Schedule of Ad Valorem Taxes Receivable	30
Analysis of Current Tax Levy – City-Wide Levy	31

Compliance Section:

Report on Compliance and on Internal Control Over Fiscal Reporting	32-33
--	-------

Financial Section



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

2213 Commerce Drive
Monroe, NC 28110
T: 704-283-7748
F: 704-283-0510
cpamonroe@msr-cpa.com
www.msr-cpa.com

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Fairview, North Carolina, as of and for the year ended June 30, 2011, 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 opinions on these basic 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 and each major fund of the Town of Fairview, North Carolina as of June 30, 2011, and the respective changes in financial position 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 November 1, 2011 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 the testing, not to provide an opinion on internal control or 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 thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Fairview, North Carolina. The individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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

November 1, 2011

Management's Discussion and Analysis June 30, 2011

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, 2011. 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 \$1,164,590 (net assets).
- The Town's net assets increased by \$105,538 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 \$1,146,315, an increase of \$107,177 in comparison with the prior year. Approximately 98.43% of this total amount is available for spending at the government's discretion (*unreserved fund balance*).
- As of the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,095,062 or 621.88% of the total general fund expenditures for the fiscal year.

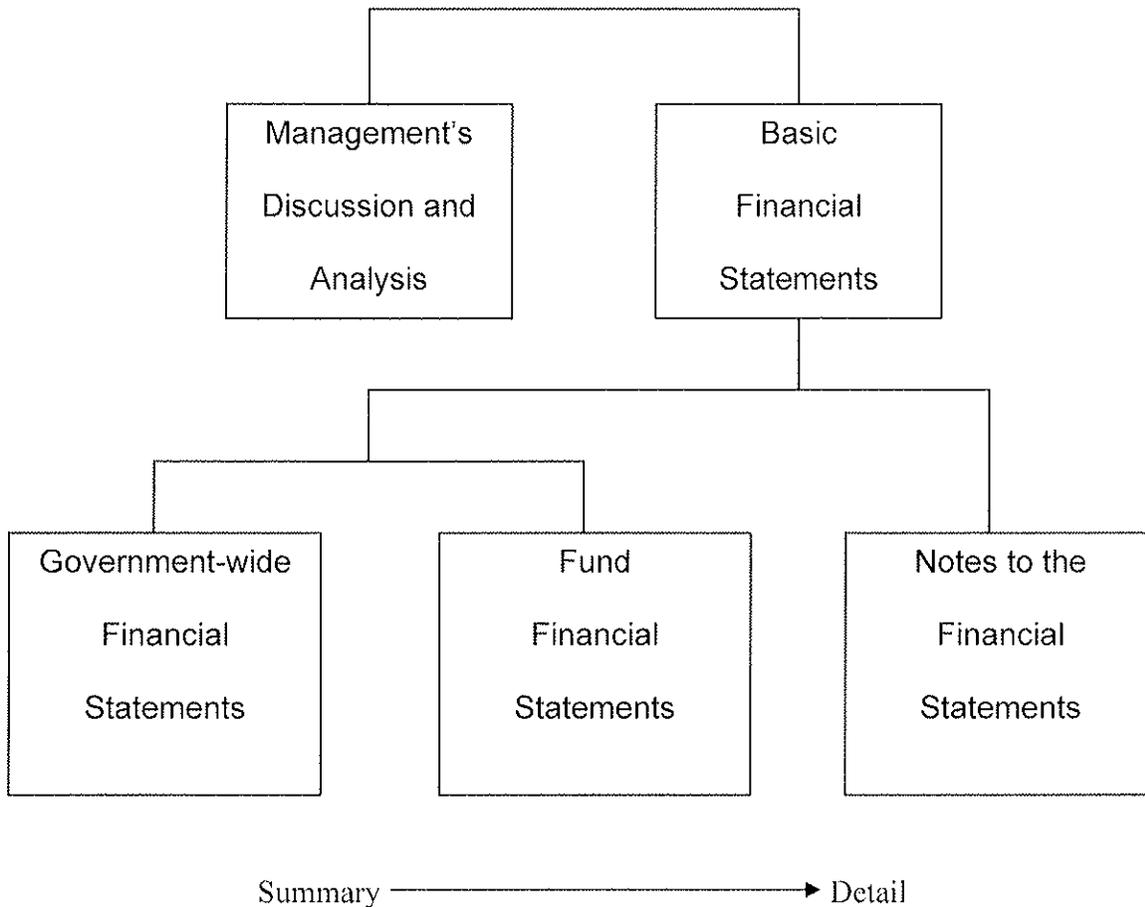
The Town of Fairview had no debt during the current fiscal year.

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.

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 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 19 of this report.

Government-wide Financial Analysis

The Town of Fairview's Net Assets

	Governmental Activities		Total	
	2011	2010	2011	2010
Current and other assets	\$1,156,746	\$1,049,153	\$ 1,156,746	\$ 1,049,153
Capital assets	11,084	14,427	11,084	14,427
Total assets	<u>1,167,830</u>	<u>1,063,580</u>	<u>1,167,830</u>	<u>1,063,580</u>
Current liabilities	3,240	4,528	3,240	4,528
Total liabilities	<u>3,240</u>	<u>4,528</u>	<u>3,240</u>	<u>4,528</u>
Net assets:				
Invested in capital assets, net of related debt	11,084	14,427	11,084	14,427
Restricted	751,253	600,749	751,253	600,749
Unrestricted	402,253	443,876	402,253	443,876
Total net assets	<u>\$1,164,590</u>	<u>\$1,059,052</u>	<u>\$1,164,590</u>	<u>\$1,059,052</u>

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 \$1,164,590 as of June 30, 2011. The Town's net assets increased by \$105,538 for the fiscal year ended June 30, 2011. A balance of \$402,253 is unrestricted.

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

- The Town has restricted assets in the amount \$11,084 for capital assets.
- The Town has restricted assets in the amount of \$700,000 to be used for future capital acquisitions and \$51,253 restricted by state statute.

Town of Fairview's Changes in Net Assets

	Governmental Activities		Total	
	2011	2010	2011	2010
Revenues				
General Revenues:				
Property taxes	\$ 83,986	\$ 70,959	\$ 83,986	\$ 70,959
Other taxes	178,516	185,425	178,516	185,425
Other	15,511	8,555	15,511	8,555
Total Revenues	278,013	264,939	278,013	264,939
Expenses				
General government	140,910	212,061	140,910	212,061
Economic physical development	31,565	-	31,565	-
Total expenses	172,475	212,061	172,475	212,061
Increase in net assets	105,538	52,878	105,538	52,878
Net assets, July 1	\$1,059,052	\$1,006,174	\$1,059,052	\$1,006,174
Net assets, June 30	\$1,164,590	\$1,059,052	\$1,164,590	\$1,059,052

Governmental activities increased the Town's net assets by \$105,538. Items relating to governmental activities are listed below.

Revenues – Governmental Activities

- The Town's total revenues, excluding special items, were \$278,013, at June 30, 2011. Property taxes make up 30.21% of the Town's total revenues.
- The Town of Fairview took over control of their economic and physical development in July 2006.
- The tax rate during fiscal year 2011 was .02 cents with an assessed value of \$422,640,138.

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, unreserved fund balance of the General Fund was \$1,095,062, while total fund balance reached \$1,146,315.

At June 30, 2011, the governmental funds of the Town of Fairview reported a fund balance of \$1,146,315, an increase of \$107,177 over last 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, 2011 totals \$11,084 (net of accumulated depreciation). These assets include 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 19 of the Basic Financial Statements.

Long-term Debt

As of June 30, 2011, 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, 2012 with anticipated net revenues of \$192,703. This amount includes a \$72,430 fund balance appropriation. This represents approximately an 6.54% decrease from prior fiscal year ended June 30, 2011 adopted budget. The Town held steady on expenses while ensuring that volunteer fire grants remained consistent from the prior year. No appropriated fund balance was used to balance the 2012 budget.

Budget expenditures in the General Fund were increased in 2012 due in part to providing funding for the solid waste management cost sharing program with the County.

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, 2011

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 405,493	\$ 405,493
Restricted cash and cash equivalents	700,000	700,000
Taxes receivables (net)	7,191	7,191
Due from other governments	42,871	42,871
Prepays	1,192	1,192
Total current assets	1,156,747	1,156,747
Non current assets:		
Capital assets (Note II):		
Land, non-depreciable improvements, and construction in progress	-	-
Other capital assets, net of depreciation	11,084	11,084
Total capital assets	11,084	11,084
Total assets	\$ 1,167,831	\$ 1,167,831
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,240	\$ 3,240
Total liabilities	3,240	3,240
NET ASSETS		
Invested in capital assets, net of related debt	11,084	11,084
Restricted for Stabilization by State Statue	51,253	51,253
Unrestricted	1,102,253	1,102,253
Total net assets	\$ 1,164,591	\$ 1,164,591

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	Totals
				Primary Governmental Activities	
Primary government:					
Governmental Activities:					
General government	\$ 142,933	\$ 2,024	\$ (140,909)	\$ (140,910)	\$ (140,910)
Economic and Physical Development	36,500	4,935	(31,565)	(31,565)	(31,565)
Total primary government	\$ 179,433	\$ 6,959	\$ (172,474)	\$ (172,475)	\$ (172,475)

General revenues:

Taxes:

Property taxes, levied for general purpose	\$ 83,986	\$ 83,986
Other taxes	178,516	178,516
Unrestricted investment earnings	15,511	15,511
Total general revenues and transfers	278,013	278,013
Change in net assets	105,539	105,539
Net assets, beginning	1,059,052	1,059,052
Net assets, ending	\$ 1,164,591	\$ 1,164,591

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

**Town of Fairview
Balance Sheet
Governmental Funds
June 30, 2011**

	Major Funds	
	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 1,105,493	\$ 1,105,493
Receivables, net:		
Taxes	7,191	7,191
Due from other governments	42,871	42,871
Prepaids	1,192	1,192
Total assets	<u>\$ 1,156,747</u>	<u>\$ 1,156,747</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 3,240	\$ 3,240
Deferred revenue	7,191	7,191
Total liabilities	<u>10,431</u>	<u>10,431</u>
Fund balances:		
Non Spendable - Prepaids	1,192	1,192
Restricted by State Statue-Stabliization	51,253	51,253
Assigned for capital projects	700,000	700,000
Unassigned	393,871	393,871
Total fund balances	<u>1,146,316</u>	<u>1,146,316</u>
Total liabilities and fund balances	<u>\$ 1,156,747</u>	

Amounts reported for governmental activiteis 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.

11,084

Liabilities for earned but deferred revenues in fund statements.

7,191

Net assets of governmental activities

\$ 1,164,591

Town of Fairview
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2011

	Major Funds		Total Governmental Funds
	General Fund		
REVENUES			
Ad valorem taxes	\$ 82,603	\$	82,603
Other taxes and licenses	6,958		6,958
Unrestricted intergovernmental	178,516		178,516
Investment income	15,191		15,191
Total revenues	283,268		283,268
EXPENDITURES			
Current:			
General government	142,140		142,140
Economic and physical development	33,950		33,950
Total expenditures	176,090		176,090
Excess of revenues over expenditures	107,178		107,178
Net change in fund balance	107,178		107,178
Fund balances, beginning as	1,039,138		1,039,138
Fund balances, ending	\$ 1,146,316	\$	1,146,316

cont.

Town of Fairview
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2011

Net changes in fund balances - total governmental funds \$ 107,178

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

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 depreciation exceeded capital outlays in the current period. (3,343)

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 1,704

Total changes in net assets of governmental activities \$ 105,539

**Town of Fairview
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 81,600	\$ 81,600	\$ 82,603	\$ 1,003
Other taxes and licenses	3,000	4,000	6,958	2,958
Unrestricted intergovernmental	178,000	169,000	178,516	9,516
Investment income	10,600	16,700	15,191	(1,509)
Total revenues	273,200	271,300	283,268	11,968
Expenditures:				
Current:				
General government	156,200	138,355	142,140	(3,785)
Economic and physical development	39,500	36,500	33,950	2,550
Total expenditures	195,700	174,855	176,090	(1,235)
Revenues over (under) expenditures	77,500	96,445	107,178	10,733
Appropriated fund balance	(77,500)	(96,445)	-	96,445
Net changes in fund balance	-	-	107,178	107,178
Fund balance beginning of year			1,039,138	
Fund balance end of year			\$ 1,146,316	

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, 2011

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 accounting principles generally accepted in the United States of America, these financial statements present the Town of Fairview only. There were no entities which met the requirements of a reportable component unit.

The accounts for the Town of Fairview are organized into one fund group.

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.

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011**

I. Summary of Significant Accounting Policies (Continued)

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.

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.

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. Union County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities 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

Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

I. Summary of Significant Accounting Policies (Continued)

month after the vehicles are registered. Billed motor vehicle taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. 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.

As permitted by generally accepted accounting principles, the City 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

As required by the Local Government Budget and Fiscal Control Act (G.S. 159, Article 3), the governing board must adopt by July 1 an annual balanced budget ordinance for all funds except those funds which operate under project ordinances. All annual appropriations lapse at fiscal year-end. The budget is prepared using the modified accrual basis of accounting to be compatible with the accounting system in recording transactions, as required by G.S. 159-26(c).

Budgetary control is exercised in all funds. Appropriations are made at the line item level and are amended as necessary by the governing board. Revenues are budgeted by source.

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

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011**

I. Summary of Significant Accounting Policies (Continued)

commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

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 separate banking institutions 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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2010.

Allowances for Doubtful Accounts

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

Capital Assets

Capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation. The total of these estimates is not considered large enough that any errors would be material when fixed assets are considered as a whole.

It is the policy of the Town to capitalize all fixed assets costing more than \$1,000 with an estimated useful life in excess of two years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011**

I. Summary of Significant Accounting Policies (Continued)

Capital Assets of the Town of Fairview consist of depreciable assets totaling \$25,446 that are depreciated over the following estimated useful lives:

	<u>Years</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/Fund Balances

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.

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011**

I. Summary of Significant Accounting Policies (Continued)

The governmental fund types classify fund balance 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.

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)].

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

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, 2011, the Town’s total General Fund expenditures did not exceed the authorized appropriations made by the governing board for general government activities. However, for the individual appropriation category described below, over-expenditures did occur.

Expenditure	Appropriation Amount	Actual Amount	Variance
General government	\$ 138,355	\$ 142,140	\$ (3,785)

The over-expenditures are mainly attributed to accrued payroll expenses at June 30, 2011. 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, 2011

III. Detail Notes on All Funds

A. Assets

Cash and Cash Equivalents

All the Town's cash is 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 year-end, the Town's deposits have a carrying amount of \$1,105,493 and a bank balance of \$1,111,601. Of the bank balance the \$250,000 was covered by federal depository insurance, and \$704,707 was covered by collateral held under the Pooling Method.

Included in cash and cash equivalents at June 30, 2011 is \$150,785 the Town had 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 formal policy regarding credit risk of its investments.

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, 2011**

III. Detail Notes on All Funds

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets being depreciated:				
Office Equipment	22,496	-	-	22,946
Leasehold Improvements	2,500	-	-	2,500
Total capital assets being depreciated	<u>25,446</u>	-	-	<u>25,446</u>
Less accumulated depreciation for:				
Office Equipment	10,936	3,176	-	14,112
Leasehold Improvements	83	167	-	250
Total accumulated depreciation	<u>11,019</u>	<u>3,343</u>	-	<u>14,362</u>
Total capital assets being depreciated, net	<u>14,427</u>			<u>11,084</u>
Governmental activities capital assets, net	<u>\$ 14,427</u>			<u>\$ 11,084</u>

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

General Government	<u>\$ 3,343</u>
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 property taxes that had been as levied but had not been received as of June 30, 2011.

	Deferred Revenue
Prepaid taxes (General Fund)	<u>\$ -</u>
Taxes Receivable (General Fund)	<u>7,191</u>
Total	<u>\$ 7,191</u>

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011**

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, 2011 the Town is required to make 51 additional monthly payments of \$250.

The future minimum lease payments as of June 30, 2011 were as follows:

Fiscal Year Ended	
June 30, 2012	\$ 3,000
June 30, 2013	3,000
June 30, 2014	3,000
June 30, 2015	750
Thereafter	-
Total minimum lease payments	<u>\$ 9,750</u>

**Individual Fund Statements
And Schedules**

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year ad valorem property tax	\$ 78,000	\$ 76,927	\$ (1,073)
Motor vehicle tax	3,600	4,928	1,328
Prior year ad valorem property tax	-	428	428
Penalties & interest	700	320	(380)
Total	<u>82,300</u>	<u>82,603</u>	<u>303</u>
Other taxes and licenses:			
Cable franchise tax	-	2,023	2,023
Zoning fees	4,000	4,935	935
Total	<u>4,000</u>	<u>6,958</u>	<u>2,958</u>
Unrestricted intergovernmental:			
Utility franchise tax	155,000	164,154	9,154
Sales tax distribution	14,000	14,362	362
Total	<u>169,000</u>	<u>178,516</u>	<u>9,516</u>
Investment income	<u>16,000</u>	<u>15,191</u>	<u>(809)</u>
Total revenues	<u>271,300</u>	<u>283,268</u>	<u>11,968</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, 2011

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Advertising	2,115	2,006	109
Audit fees	6,200	6,200	-
Bank service charges	350	350	-
Collection fees - Ad valorem	1,220	1,231	(11)
Computers and internet	2,800	2,809	(9)
Dues and subscriptions	6,525	6,522	3
Election expense	625	-	625
Grants	10,000	10,000	-
Liability insurance	6,800	6,784	16
Legal fees	6,500	6,525	(25)
Maintenance and repairs	100	65	35
Office supplies	700	914	(214)
Payroll expense	22,000	26,319	(4,319)
Postage and delivery	1,320	1,319	1
Professional fees	3,100	3,043	57
Public safety and fire protection	60,000	60,000	-
Rent	3,000	3,000	-
Telephone	4,500	4,644	(144)
Travel	500	409	91
Total	<u>138,355</u>	<u>142,140</u>	<u>(3,785)</u>
Economic and physical development:			
Zoning admistration	<u>36,500</u>	<u>33,950</u>	<u>2,550</u>
Total	<u>36,500</u>	<u>33,950</u>	<u>2,550</u>
Total expenditures	<u>174,855</u>	<u>176,090</u>	<u>(1,235)</u>
Revenues over (under) expenditures	96,445	107,178	10,733
Fund balance appropriated	<u>(96,445)</u>	<u>-</u>	<u>96,445</u>
Net change in fund balance	<u>-</u>	107,178	<u>107,178</u>
Fund balance beginning of year		<u>1,039,138</u>	
Fund balances, ending of year		<u>\$ 1,146,316</u>	

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

Other Schedules

Town of Fairview, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2011

	Town - Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 418,370,138	0.2000	\$ 83,674	\$ 78,471	\$ 5,203
Discoveries/Abatement	<u>4,270,000</u>		<u>854</u>	<u>854</u>	<u>-</u>
Total property valuation	<u>422,640,138</u>		<u>-</u>	<u>-</u>	<u>-</u>
Net levy			84,528	79,325	5,203
Uncollected taxes at June 30, 2011			<u>2,692</u>	<u>1,927</u>	<u>765</u>
Current year's taxes collected			<u>\$ 81,836</u>	<u>\$ 77,398</u>	<u>\$ 4,438</u>
Current levy collection percentage			<u>96.82%</u>	<u>97.57%</u>	<u>85.30%</u>

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

Compliance Section



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

2213 Commerce Drive
Monroe, NC 28110
T: 704-283-7748
F: 704-283-0510
cpamonroe@msr-cpa.com
www.msr-cpa.com

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Fairview, North Carolina, as of and for the year ended June 30, 2011 which collectively comprise of the Town of Fairview's basic financial statements, and have issued our report thereon dated November 1, 2011. 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 the Town of Fairview is responsible for establishing and maintaining effective internal control over financial reporting.

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

An internal control deficiency 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, detect, or correct misstatements on a timely basis. A material weakness is an internal control deficiency, or combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, detected, or corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. A significant deficiency is a control deficiency, or combination of control deficiencies, that is less severe than a material weakness but important enough to merit attention by those charged with governance.

We consider the following deficiencies in the Town of Fairview's internal control to be significant deficiencies:

- The Town's annual financial statements and related disclosures are issued in accordance with generally accepted accounting principles. Due to small staff size and limited resources, management has elected to place the function of financial statement preparation with the audit firm to be prepared by one of the firm's partners not associated with the audit and located in a separate, independent office. This service is a function separate from the audit. The Town Council, the Mayor and the Finance Officer should be aware that the audit or the drafting of the financial statements is not a replacement for proper internal controls over financial reporting in accordance with GAAP.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Fairview'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 the management, others within the Town, and members of the Town Council, and is not intended to be and should not be used by anyone other than these specific parties.

November 1, 2011

Moyes, Smith + Rollev