

**Town of Fairview
North Carolina**

**Audited Financial Statements
For the Year Ended
June 30, 2007**

Town of Fairview, North Carolina
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June 30, 2007

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Financial Section

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, and the aggregate remaining fund information of the Town of Fairview, North Carolina, as of and for the year ended June 30, 2007, 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. 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 of the Town of Fairview, North Carolina as of June 30, 2007, 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 reported dated October 24, 2007 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 and regulations. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this reporting considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but are 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.

October 24, 2007

Moyce, Smith + Keller, P.A.

Management's Discussion and Analysis June 30, 2007

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, 2007. 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 \$703,682 (net assets).
- The Town's net assets increased by \$172,099 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 \$703,682, an increase of \$172,099 in comparison with the prior year. Approximately 95.08% 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 \$669,063 or 739.03% of the total general fund expenditures for the fiscal year.

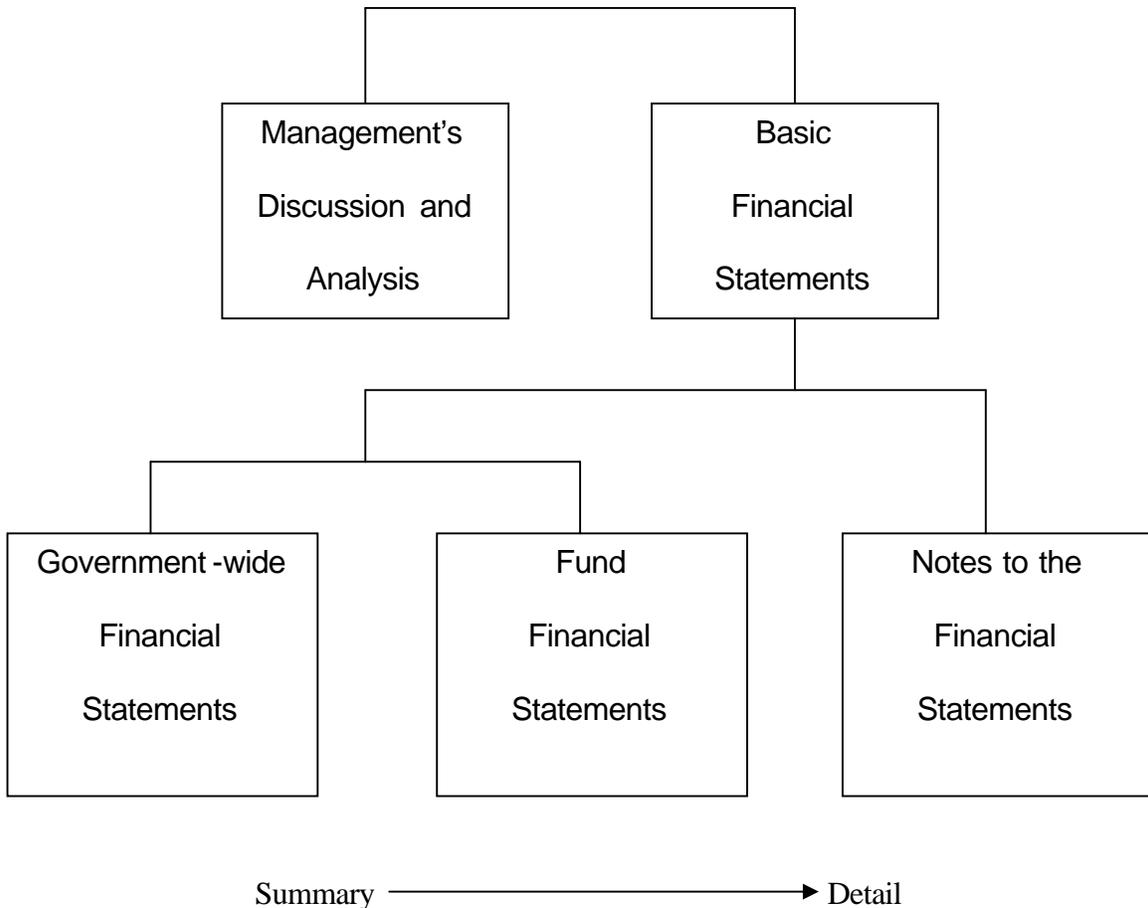
The Town of Fairview had no debt during the current fiscal year.

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. Most 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 20 of this report.

Government -wide Financial Analysis

The Town of Fairview's Net Assets

	Governmental Activities		Total	
	2007	2006	2007	2006
Current and other assets	\$ 712,963	\$ 537,578	\$ 712,963	\$ 537,578
Capital assets	1,554	2,176	1,554	2,176
Total assets	714,517	539,754	714,517	539,754
Current liabilities	3,964	2,150	3,964	2,150
Total liabilities	3,964	2,150	3,964	2,150
Net assets:				
Invested in capital assets, net of related debt	1,554	2,176	1,554	2,176
Unrestricted	708,999	535,428	708,999	535,428
Total net assets	\$ 710,553	\$ 537,604	\$ 710,553	\$ 537,604

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 \$710,553 as of June 30, 2007. The Town's net assets increased by \$172,947 for the fiscal year ended June 30, 2007. A balance of \$708,999 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 \$1,554 for capital assets.

Town of Fairview's Changes in Net Assets

	Governmental		Total	Total
	Activities			
	2007	2006	2007	2006
Revenues				
General Revenues:				
Property taxes	\$ 67,496	\$ 58,240	\$ 67,496	\$ 58,240
Other taxes	181,488	190,002	181,488	190,002
Other	15,123	5,444	15,123	5,444
Total Revenues	<u>264,107</u>	<u>253,686</u>	<u>264,107</u>	<u>253,686</u>
Expenses				
General government	91,160	61,782	91,160	61,782
Total expenses	<u>91,160</u>	<u>61,782</u>	<u>91,160</u>	<u>61,782</u>
Increase in net assets	172,947	191,901	172,947	191,901
Net assets, July 1	\$ 537,604	\$ 345,703	\$ 537,604	\$ 345,703
Net assets, June 30	<u>\$ 710,553</u>	<u>\$ 537,604</u>	<u>\$ 710,553</u>	<u>\$ 537,604</u>

Governmental activities increased the Town's net assets by \$172,947. Items relating to governmental activities are listed below.

Revenues – Governmental Activities

- The Town's total revenues, excluding special items, were \$264,107, at June 30, 2007. Property taxes make up 25.56% of the Town's total revenues.
- The Town of Fairview took over control of their economic and physical development in July 2006. This new revenue source contributed 2.64% of the Town's total revenues and it will continue to grow as development in the Town continues.
- The tax rate during fiscal year 2007 was .02 cents with an assessed value of \$306,141,070.

Expenditures – Governmental Activities

- Planning and Zoning expenditures grew 62% 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 \$669,063, while total fund balance reached \$703,682.

At June 30, 2007, the governmental fund so of the Town of Fairview reported a fund balance of \$703,682, an increase of \$172,099 over last year.

General Fund Budgetary Highlights

During fiscal year 2007, the Town did not revise or amend the originally adopted budget. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and state grants; and (3) increase in appropriations that become necessary to maintain services.

Capital Assets and Debt Administration

Capital Assets

The Town of Fairview's investments in capital assets for its governmental activities as of June 30, 2007 totals \$1,554 (net of accumulated depreciation). These assets include computer equipment.

Additional information on the Town's capital assets can be found in the notes to the financial statements on page 25 of the Basic Financial Statements.

Long-term Debt

As of June 30, 2007, 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.
- Population continues to grow yearly. An increase of over eight (8) percent was noted last year.
- Inflationary trends in the region compare favorably to national indices.

Governmental Activities

The Town of Fairview has approved a general fund budget for the next fiscal year ending June 30, 2008 with anticipated revenues of \$259,700. This represents approximately a 47% increase over fiscal year ended June 30, 2007 adopted budget. The Town will use these increases in revenues to finance programs currently in place. No appropriated fund balance was used to balance the 2008 budget.

Budget expenditures in the General Fund are expected to increase in 2008 due to an appropriation for financial software and hardware. Other anticipated expenditures will include furnishings and equipment for a leased town hall facility.

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, PO Box 2480, Monroe, NC 28111.

Basic Financial Statements

Town of Fairview, North Carolina
Statement of Net Assets
June 30, 2007

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 464,216	\$ 464,216
Taxes receivables (net)	5,317	5,317
Due from other governments	34,619	34,619
Total current assets	504,152	504,152
Restricted assets:		
Cash and cash equivalents	208,811	208,811
Capital assets (Note 1):		
Other capital assets, net of depreciation	1,554	1,554
Total capital assets	1,554	1,554
Total assets	\$ 714,517	\$ 714,517
 LIABILITIES		
Current liabilities:		
Accounts payable	\$ 3,964	\$ 3,964
Total liabilities	3,964	3,964
 NET ASSETS		
Invested in capital assets, net of related debt	1,554	1,554
Restricted for:		
Unrestricted	708,999	708,999
Total net assets	\$ 710,553	\$ 710,553

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, 2007

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental Activities:				
General government	\$ 58,167	\$ -	\$ -	\$ -
Economic and physical development	32,993	-	-	-
Total governmental activities (See Note 1)	91,160	-	-	-
Total primary government	\$ 91,160	\$ -	\$ -	\$ -

General revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes

Unrestricted investment earnings

Total general revenues and transfers

Cumulative change in application of capitalization policy

Change in net assets

Net assets, beginning

Net assets, ending

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (58,167)	\$ -	\$ (58,167)
(32,993)	-	(32,993)
(91,160)	-	(91,160)
(91,160)	-	(91,160)
67,496	-	67,496
181,488	-	181,488
15,123	-	15,123
264,107	-	264,107
-	-	-
172,947	-	172,947
537,606	-	537,606
\$ 710,553	\$ -	\$ 710,553

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

**Town of Fairview
Balance Sheet
Governmental Funds
June 30, 2007**

	Major Funds	
	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 673,027	\$ 673,027
Receivables, net:		
Taxes	5,317	5,317
Due from other governments	34,619	34,619
Total assets	<u>\$ 712,963</u>	<u>\$ 712,963</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 3,964	\$ 3,964
Deferred revenue	5,317	5,317
Total liabilities	<u>9,281</u>	<u>9,281</u>
Fund balances:		
Reserved for:		
State Statue	34,619	34,619
Unreserved, General Fund	669,063	669,063
Total fund balances	<u>703,682</u>	<u>703,682</u>
Total liabilities and fund balances	<u>\$ 712,963</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,554
Liabilities for earned but deferred revenues in fund statements.	<u>5,317</u>
Net assets of governmental activities	<u>\$ 710,553</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
For the Year Ended June 30, 2007

	Major Funds		Total Governmental Funds
	General Fund		
REVENUES			
Ad valorem taxes	\$ 66,021	\$	66,021
Other taxes and licenses	181,488		181,488
Investment income	15,123		15,123
Total revenues	<u>262,632</u>		<u>262,632</u>
EXPENDITURES			
Current:			
General government	30,461		30,461
Election Costs	549		549
Legal and Accounting	4,990		4,990
Zoning Board	32,993		32,993
Property Tax Administration	6,777		6,777
Finance	14,763		14,763
Total expenditures	<u>90,533</u>		<u>90,533</u>
Excess (deficiency) of revenues over expenditures	<u>172,099</u>		<u>172,099</u>
Fund balances, beginning as previously reported	531,583		531,583
Fund balances, ending	<u>\$ 703,682</u>	\$	<u>703,682</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
For the Year Ended June 30, 2007

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

Net changes in fund balances - total governmental funds	\$ 172,099
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	(699)
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	1,547
Total changes in net assets of governmental activities	\$ 172,947

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

**Town of Fairview
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	58,932	58,932	66,021	7,089
Other taxes and licenses	117,075	117,075	171,506	54,431
Miscellaneous	550	550	25,105	24,555
Total revenues	<u>176,557</u>	<u>176,557</u>	<u>262,632</u>	<u>86,075</u>
Expenditures:				
Current:				
General government	40,945	40,945	25,461	15,484
Election Costs	4,000	4,250	549	3,701
Legal & Accounting	9,500	11,000	4,990	6,010
Zoning Board	47,750	47,750	32,993	14,757
Property Tax Administration	9,795	9,795	6,777	3,018
Cultural Arts	7,500	7,500	-	7,500
Finance	8,405	8,405	14,763	(6,358)
Public Safety	5,000	5,000	5,000	-
Public Works	5,000	5,000	-	5,000
Sanitation	5,000	5,000	-	5,000
Contingency	33,662	31,912	-	31,912
Total expenditures	<u>176,557</u>	<u>176,557</u>	<u>90,533</u>	<u>86,024</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>172,099</u>	<u>172,099</u>
Revenues and other sources over (under) expenditures and other uses	-	-	172,099	172,099
Fund balances, beginning as previously reported	531,583	531,583	531,583	-
Fund balances, ending	<u>531,583</u>	<u>531,583</u>	<u>703,682</u>	<u>172,099</u>

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, 2007

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.

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods 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 only fund category – *governmental* – is presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. There are no other funds to report for Town of Fairview.

The Town reports only the following 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 grants, and various other taxes and licenses. The primary expenditures are for general government.

The Town has no enterprise 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 90 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. 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.

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. The budget ordinances as of June 30, 2007 are included in the financial statements.

E. Assets, Liabilities, and Fund Equity

Deposits and Investments

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).

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.

At year-end, the Town's deposits have a carrying amount of \$673,027 and a bank balance of \$673,886. Of the bank balance \$372,687 was covered by federal depository insurance.

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, 2005. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

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 \$100 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.

Capital Assets of the Town of Fairview consist of depreciable assets that are depreciated over the following estimated useful lives:

	<u>Years</u>
Office Equipment	5

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. The Town does not currently have any restricted assets.

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. The Town does not currently have any reservations of fund balance.

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.

Reserved:

Reserved by State statute – portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

Unreserved:

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

II. 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.

At year-end, the Town's deposits have a carrying amount of \$673,027 and a bank balance of \$673,886. Of the bank balance \$372,687 was covered by federal depository insurance. The Town does not have a deposit policy for custodial credit risk.

Restricted Assets

In the year ended June 30, 2007, the Town of Fairview's council voted to restrict \$200,000 in net assets for future capital projects. The money was invested in a money market account and the interest earned on the deposit is added to the balance of the restricted account.

Deferred / Unearned Revenues

The balance in deferred / unearned revenues at year-end is composed of the balance of property taxes as levied on July 1, 2004 that had not been received at June 30, 2006.

	<u>Deferred Revenue</u>
Prepaid taxes (General Fund)	\$ -
Taxes Receivable (General Fund)	<u>5,317</u>
Total	<u>\$ 5,317</u>

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

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 \$100 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.

Capital asset activity for the Primary Government for the year ended June 30, 2006, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
General Fund				
Capital assets being depreciated:				
Office Equipment	3,109	-	-	3,109
Total capital assets being depreciated	<u>3,109</u>	<u>-</u>	<u>-</u>	<u>3,109</u>
Less accumulated depreciation for:				
Office Equipment	933	622	-	1,555
Total accumulated depreciation	<u>933</u>	<u>622</u>	<u>-</u>	<u>1,555</u>
Total capital assets being depreciated, net	<u>2,176</u>			<u>1,554</u>
General fund capital assets, net	<u>2,176</u>			<u>1,554</u>
Governmental activities capital assets, net	<u>\$ 2,176</u>			<u>\$ 1,554</u>

Supplementary Statements

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, 2006

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 58,932	\$ 66,021	\$ 7,089
Penalties and interest	-	294	294
Total	<u>58,932</u>	<u>66,315</u>	<u>7,383</u>
Other taxes and licenses:			
State Revenue Sharing & Other Taxes	117,075	171,506	54,431
Other Miscellaneous Revenues	550	24,811	24,261
Total	<u>117,625</u>	<u>196,317</u>	<u>78,692</u>
 Total revenues	 <u>176,557</u>	 <u>262,632</u>	 <u>86,075</u>
Expenditures:			
General government:			
General government	# 40,945	25,461	15,484
Election Costs	4,250	549	3,701
Legal & Accounting	11,000	4,990	6,010
Zoning Board	47,750	32,993	14,757
Property Tax Administration	9,795	6,777	3,018
Cultural Arts	7,500	-	7,500
Finance	8,405	14,763	(6,358)
Public Safety	5,000	5,000	-
Public Works	5,000	-	5,000
Sanitation	5,000	-	5,000
Total	<u>144,645</u>	<u>90,533</u>	<u>10,000</u>
Contingency	<u>31,912</u>	-	<u>31,912</u>
Total expenditures	<u>176,557</u>	<u>90,533</u>	<u>86,024</u>
Revenues over (under) expenditures	<u>-</u>	<u>172,099</u>	<u>172,099</u>
 Fund balances, beginning as previously reported		531,583	
Revenues over (under) expenditures		<u>172,099</u>	
Fund balances, ending		<u>\$ 703,682</u>	

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

**Town of Fairview
Combining Balance Sheet
Governmental Funds
For the Fiscal Year Ended June 30, 2007**

	General Fund		Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 673,027	\$	673,027
Accounts receivable, net	5,317		5,317
Due from other governments	34,619		34,619
Fixed Assets	1,554		1,554
Total assets	\$ 714,517	\$	714,517
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 3,964	\$	3,964
Deferred Revenue	5,317		5,317
Total liabilities	9,281		9,281
Fund balances:			
Investment in General Fixed Assets	1,554		1,554
Unreserved Balances	703,682		703,682
Total liabilities and fund balances	\$ 714,517	\$	714,517

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

Town of Fairview
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General Fund		Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 66,021	\$	66,021
Other Taxes and licenses	181,488		181,488
Miscellaneous	15,123		15,123
Total revenues	262,632		262,632
Expenditures:			
General Government	90,533		115,000
Revenues over expenditures	172,099		172,099
Fund balance, beginning	531,583		531,583
Fund balance, ending	\$ 703,682	\$	703,682

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, 2007

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2006</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2007</u>
2006-2007	\$ -	\$ 67,199	\$ 63,714	\$ 3,485
2005-2006	2,671	-	1,526	1,145
2004-2005	556	-	388	168
2003-2004	618	-	99	519
2002-2003	-	-	-	-
	<u>\$ 3,845</u>	<u>\$ 67,199</u>	<u>\$ 65,727</u>	<u>\$ 5,317</u>
				Ad valorem taxes receivable - net
				<u>\$ 5,317</u>
				<u>Reconciliation with revenues:</u>
				Ad valorem taxes - General Fund
				\$ 66,021
				Reconciling items:
				Interest collected
				(294)
				Discounts allowed
				-
				Taxes written off
				-
				Subtotal
				<u>(294)</u>
				Total collections and credits
				<u>\$ 65,727</u>

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

Town of Fairview, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2007

	Town - Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current	\$ 279,596,865	\$ 0.02	\$ 55,919	\$ 55,919	\$ -
Registered motor vehicles taxed at prior year's rate	26,544,205	0.02	5,309	-	5,309
Penalties	-		-	-	-
Total	306,141,070		61,228	55,919	5,309
Discoveries:					
Current year taxes	29,855,000		5,971	-	-
Total property valuation	\$ 306,141,070				
Net levy			67,199	55,919	5,309
Uncollected taxes at June 30, 2007			(3,485)	(3,485)	-
Current year's taxes collected			\$ 63,714	\$ 52,434	\$ 5,309
Current levy collection percentage			94.81%	93.77%	100.00%

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

Compliance Section

**Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of
Financial Statements Performed In Accordance With Government Auditing Standards**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fairview, North Carolina, as of and for the year ended June 30, 2007 which collectively comprise of the Town of Fairview's basic financial statements, and have issued our report thereon dated October 24, 2007. 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

In planning and performing our audit, we considered the Town of Fairview's internal control over financial reporting in order to determine 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.

A 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 or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies

in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 audit committee, management, others within the organization, members of the Town Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

October 24, 2007

Moyce, Smith + Roller, P.A.