

**TOWN OF FAIRVIEW, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**JBW**

**J. B. WATSON & Co., P.L.L.C.**  
Certified Public Accountants

**TOWN OF FAIRVIEW, NORTH CAROLINA  
LOCAL GOVERNMENT OFFICIALS  
June 30, 2017**

**Phil Thomas, Mayor**

**Town Council**

Jerry C. Clontz, Mayor Pro Tem

Bradley W. Purser

John Biggers

Gary Wilfong

**Administrative and Financial Staff**

Teresa Gregorius, Town Clerk

Darrell Baucom, Town Budget and Finance Director

Ed Humphries, Deputy Clerk/Land Use Administrator

**TOWN OF FAIRVIEW, NORTH CAROLINA**  
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**FINANCIAL SECTION**

# J. B. WATSON & CO., P.L.L.C.

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Fairview, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Fairview, North Carolina, as of June 30, 2017, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (on pages i through viii), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2018, on our consideration of Town of Fairview's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Fairview's internal control over financial reporting and compliance.

*JB Watson & Co., PLLC*

Wadesboro, North Carolina

March 7, 2018

## **Management's Discussion and Analysis Town of Fairview, North Carolina**

As management of the Town of Fairview, North Carolina, we offer readers of the Town of Fairview's financial statements this narrative overview and analysis of the financial activities of the Town of Fairview for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### **Financial Highlights**

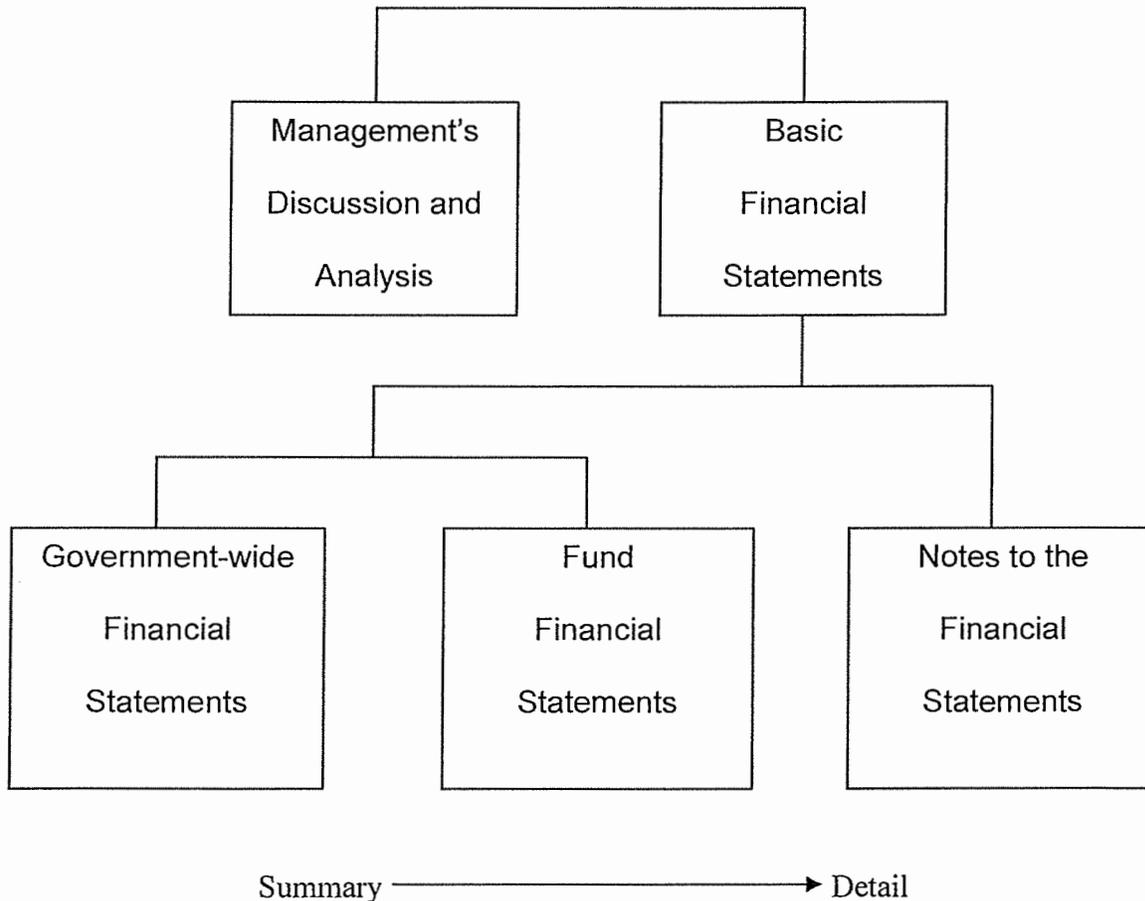
- The assets and deferred outflows of resources of the Town of Fairview exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,016,352 (*net position*).
- The government's total net position increased by \$511,435.
- As of the close of the current fiscal year, the Town of Fairview's governmental fund reported an ending fund balance of \$495,325, a decrease of \$712,243 in comparison with the prior year mainly due to construction of capital assets for the park. Approximately 14.84 percent of this total amount, or \$73,528, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$421,797, or 200.20 percent, of total General Fund expenditures for the fiscal year.
- Town of Fairview has no long-term debt at the end of the current fiscal year.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town of Fairview's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report 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 (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town of Fairview's financial status.

The next statements (Exhibits 3-1 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statement.

## **Management's Discussion and Analysis**

### **Town of Fairview, North Carolina**

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 required by the North Carolina General Statutes also can be found in this part of the statements.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are shown as one category: Governmental activities. The governmental activities include the Town's basic services of general administration, public safety, environmental protection, economic and physical development, and culture and recreation. Property taxes and State revenues finance most of these activities, while a government grant financed a large portion of the culture and recreation expenditures.

The government-wide financial statements are Exhibits 1 and 2 of this report.

#### **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Fairview, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. The funds of the Town of Fairview are shown in one category: governmental funds.

**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 assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net Position

**Management's Discussion and Analysis**  
**Town of Fairview, North Carolina**

and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Fairview adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the 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.

**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 are on pages 8-17 of this report.

**Interdependence with Other Entities:** The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Management's Discussion and Analysis  
Town of Fairview, North Carolina

Government-Wide Financial Analysis

*TOWN OF FAIRVIEW  
NET POSITION  
FIGURE 2*

	Governmental Activities	
	2017	2016
<b>Assets</b>		
Current and other assets	\$ 515,283	\$ 1,226,497
Capital assets, net	<u>1,516,329</u>	<u>294,249</u>
Total Assets	<u>2,031,612</u>	<u>1,520,746</u>
<b>Liabilities</b>		
Current and other liabilities	<u>15,024</u>	<u>15,829</u>
Deferred inflows of resources	<u>236</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	1,516,329	294,249
Restricted	72,404	39,680
Unrestricted	<u>427,619</u>	<u>1,170,988</u>
Total Net Position	<u>\$ 2,016,352</u>	<u>\$ 1,504,917</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Fairview exceeded liabilities and deferred inflows of resources by \$2,016,352 as of June 30, 2017. The Town's net position increased by \$511,435 for the fiscal year ended June 30, 2017. \$1,516,329 or 75.20% reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Fairview uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of Town of Fairview's net position \$72,404 or 3.59% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$427,619 is unrestricted.

Several particular aspects of the Town of Fairview's financial operations positively influenced the total unrestricted net position:

- Grant revenues in the amount of \$473,818 for the Park Capital Project Fund.
- Expenditures were controlled with budget procedures.
- General fund revenues increased \$20,040 or 7.49%.

Management's Discussion and Analysis  
Town of Fairview, North Carolina

*TOWN OF FAIRVIEW  
CHANGES IN NET POSITION  
FIGURE 3*

	Governmental Activities	
	2017	2016
Revenues		
Program Revenues:		
Charges for services	\$ 6,870	\$ 6,371
Capital grants and contributions	473,818	16,205
General Revenues:		
Property taxes	85,957	82,461
Other taxes and licenses	190,019	173,885
Investment earnings, unrestricted	1,986	3,477
Miscellaneous, unrestricted	4,535	-
Total Revenues	<u>763,185</u>	<u>282,399</u>
Expenses		
Program Expenses:		
General government	110,433	100,776
Public safety	62,569	254,979
Economic and physical development	39,480	39,918
Environmental protection	8,000	-
Culture and recreation	31,268	12,438
Total Expenses	<u>251,750</u>	<u>408,111</u>
Change in net position	<u>511,435</u>	<u>(125,712)</u>
Net Position, July 1	1,504,917	1,653,462
Restatement	-	(22,833)
Net Position, July 1, as restated	<u>1,504,917</u>	<u>1,630,629</u>
Net Position, June 30	<u>\$ 2,016,352</u>	<u>\$ 1,504,917</u>

**Governmental activities:** Governmental activities increased the Town's net position by \$511,435. Key elements of this increase are as follows:

- Capital grants in the amount of \$473,818 received for culture and recreation.
- Budget procedures to control expenditures.

## **Management's Discussion and Analysis Town of Fairview, North Carolina**

### **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.

The General Fund is the chief operating fund of the Town of Fairview. At the end of the current fiscal year, Town of Fairview's fund balance available in the General Fund was \$421,797 while total fund balance reached \$495,325. The Town currently has an available fund balance of 200.20% of General Fund expenditures, while total fund balance represents 235.10% of the same amount.

**General Fund Budgetary Highlights:** During the fiscal year, the Town revised the 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) increases in appropriations that become necessary to maintain services.

The Town of Fairview did not make any major budget amendments. An amendment was required near year-end to more accurately reflect revenues and expenditures. The Town was able to comply with its budgetary requirements at all levels.

### **Capital Assets and Debt Administration**

**Capital Assets:** The Town of Fairview's investment in capital assets for its governmental activities as of June 30, 2017, totals \$1,516,329 (net of accumulated depreciation). These assets include buildings, land, improvements, office equipment and park equipment..

Major capital asset transactions during the year include the following:

- Depreciation of capital assets for governmental activities in the amount of \$23,759.
- Capital assets constructed in the amount of \$1,263,139 for park improvements and equipment.
- Land donated to Fairview VFD in the amount of \$17,300.

**Management's Discussion and Analysis  
Town of Fairview, North Carolina**

**TOWN OF FAIRVIEW  
CAPITAL ASSETS (net of depreciation)  
FIGURE 4**

<u>Description</u>	Governmental Activities	
	2017	2016
Land and improvements	\$ 212,361	\$ 287,125
Office equipment	3,631	5,708
Buildings and improvements	1,163,622	-
Park equipment	135,465	-
Leasehold improvements	1,250	1,416
	<u>\$ 1,516,329</u>	<u>\$ 294,249</u>

Additional information on the Town's capital assets can be found in Note 2 of the Basic Financial Statements.

**Debt Administration:** The Town of Fairview had no debt for the year ended June 30, 2017.

**Economic Factors and Next Year's Budgets and Rates**

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

The Town expects slow revenue growth in the future due to the following economic indicators.

- Revenues and expenditures are expected to remain steady for 2017-2018.
- Property tax rate for 2017-2018 will remain at \$.02/\$100 of valuation.

**Budget Highlights for the Fiscal Year Ending June 30, 2018**

**Governmental Activities:** The Town has no major changes in the budget for June 30, 2018, compared to the June 30, 2017, budget. Revenues and expenditures are expected to remain steady.

**Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Town Budget and Finance Director, Darrell Baucom, 7400 Concord Hwy, Monroe, North Carolina, 28110. One can also call (704)-753-1981, visit our website [www.fairviewnc.gov](http://www.fairviewnc.gov), or send an email to [tgregorius@fairviewnc.gov](mailto:tgregorius@fairviewnc.gov).

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF FAIRVIEW, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

**Exhibit 1**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 437,057
Taxes receivable	2,962
Accounts receivable	13,533
Accrued interest receivable on taxes	1,736
Prepaid expenditures	1,124
Due from other governments	<u>58,871</u>
<b>TOTAL CURRENT ASSETS</b>	<u>515,283</u>
<b>CAPITAL ASSETS</b>	
Land and improvements	212,361
Other capital assets, net of depreciation	<u>1,303,968</u>
<b>TOTAL CAPITAL ASSETS</b>	<u>1,516,329</u>
<b>TOTAL ASSETS</b>	<u>2,031,612</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable and accrued liabilities	6,344
Due to other governments	<u>8,680</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>15,024</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Prepaid taxes	<u>236</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,516,329
Restricted for:	
Stabilization by State statute	72,404
Unrestricted	<u>427,619</u>
<b>TOTAL NET POSITION</b>	<u>\$ 2,016,352</u>

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, 2017**

	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expense)
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
<u>Functions/Programs</u>					<u>Governmental Activities</u>
<b>Governmental activities:</b>					
General government	\$ 110,433	\$ -	\$ -	\$ -	\$ (110,433)
Public safety	62,569	-	-	-	(62,569)
Economic and physical development	39,480	6,870	-	-	(32,610)
Environmental protection	8,000	-	-	-	(8,000)
Culture and recreation	<u>31,268</u>	<u>-</u>	<u>-</u>	<u>473,818</u>	<u>442,550</u>
Total governmental activities	<u>251,750</u>	<u>6,870</u>	<u>-</u>	<u>473,818</u>	<u>228,938</u>
<b>General revenues:</b>					
Taxes:					
Property taxes, levied for general purposes					85,957
Local option sales tax					25,096
Other taxes and licenses					164,923
Investment earnings, unrestricted					1,986
Miscellaneous					<u>4,535</u>
				<b>Total general revenues</b>	<u>282,497</u>
				<b>Change in net position</b>	511,435
<b>Net position, beginning</b>					<u>1,504,917</u>
				<b>Net position, ending</b>	<u><u>\$ 2,016,352</u></u>

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

**TOWN OF FAIRVIEW, NORTH CAROLINA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2017**

**Exhibit 3-1**

	General Fund	Park Capital Project Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 437,057	\$ -	\$ 437,057
Taxes receivable	2,962	-	2,962
Accounts receivable	13,533	-	13,533
Prepaid expenditures	1,124	-	1,124
Due from other governments	58,871	-	58,871
	<u>513,547</u>	<u>-</u>	<u>513,547</u>
<b>TOTAL ASSETS</b>	<b>\$ 513,547</b>	<b>\$ -</b>	<b>\$ 513,547</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 6,344	\$ -	\$ 6,344
Due to other governments	8,680	-	8,680
	<u>15,024</u>	<u>-</u>	<u>15,024</u>
<b>TOTAL LIABILITIES</b>	<b>15,024</b>	<b>-</b>	<b>15,024</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	2,962	-	2,962
Prepaid taxes	236	-	236
	<u>3,198</u>	<u>-</u>	<u>3,198</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,198</b>	<b>-</b>	<b>3,198</b>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid expenditures	1,124	-	1,124
Restricted:			
Stabilization by State statute	72,404	-	72,404
Unassigned	421,797	-	421,797
	<u>495,325</u>	<u>-</u>	<u>495,325</u>
<b>TOTAL FUND BALANCES</b>	<b>495,325</b>	<b>-</b>	<b>495,325</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 513,547</b>	<b>\$ -</b>	<b>\$ 513,547</b>

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

**TOWN OF FAIRVIEW, NORTH CAROLINA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE**  
**SHEET TO THE STATEMENT OF NET POSITION**  
**June 30, 2017**

**Exhibit 3-2**

<b>Fund balances - Total governmental funds (Exhibit 3-1)</b>	<b>\$ 495,325</b>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	1,549,806
Less: Accumulated depreciation	(33,477)
Other long-term assets are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.	
Accrued interest receivable on taxes	1,736
Earned revenues considered deferred inflows of resources in fund statements.	<u>2,962</u>
<b>Net position of governmental activities (Exhibit 1)</b>	<b><u>\$ 2,016,352</u></b>

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

TOWN OF FAIRVIEW, NORTH CAROLINA

Exhibit 4-1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2017

	General Fund	Park Capital Project Fund	Total Governmental Funds
<b>REVENUES</b>			
Ad valorem taxes	\$ 84,359	\$ -	\$ 84,359
Unrestricted intergovernmental	190,019	-	190,019
Restricted intergovernmental	-	473,818	473,818
Permits and fees	6,870	-	6,870
Investment earnings	1,986	-	1,986
Miscellaneous	4,535	-	4,535
	<u>287,769</u>	<u>473,818</u>	<u>761,587</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Current:			
General government	90,890	-	90,890
Public safety	62,569	-	62,569
Economic and physical development	39,480	-	39,480
Environmental protection	8,000	-	8,000
Culture and recreation	9,752	-	9,752
Capital outlay	-	1,263,139	1,263,139
	<u>210,691</u>	<u>1,263,139</u>	<u>1,473,830</u>
<b>TOTAL EXPENDITURES</b>			
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	77,078	(789,321)	(712,243)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from (to) other funds	<u>20,727</u>	<u>(20,727)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	97,805	(810,048)	(712,243)
<b>FUND BALANCES, beginning</b>	<u>397,520</u>	<u>810,048</u>	<u>1,207,568</u>
<b>FUND BALANCES, ending</b>	<u>\$ 495,325</u>	<u>\$ -</u>	<u>\$ 495,325</u>

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



**TOWN OF FAIRVIEW, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2017**

**Exhibit 5**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 78,100	\$ 78,100	\$ 84,359	\$ 6,259
Unrestricted intergovernmental	193,000	180,240	190,019	9,779
Permits and fees	3,000	6,500	6,870	370
Investment earnings	2,400	1,750	1,986	236
Miscellaneous	-	3,600	4,535	935
<b>TOTAL REVENUES</b>	<u>276,500</u>	<u>270,190</u>	<u>287,769</u>	<u>17,579</u>
<b>EXPENDITURES</b>				
General government	100,253	94,550	90,890	3,660
Public safety	62,568	62,569	62,569	-
Economic and physical development	39,425	40,000	39,480	520
Environmental protection	8,000	8,000	8,000	-
Culture and recreation	16,000	12,500	9,752	2,748
<b>TOTAL EXPENDITURES</b>	<u>226,246</u>	<u>217,619</u>	<u>210,691</u>	<u>6,928</u>
<b>REVENUES OVER EXPENDITURES</b>	50,254	52,571	77,078	24,507
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	-	-	20,727	20,727
<b>REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	50,254	52,571	97,805	45,234
<b>UNAPPROPRIATED FUND BALANCE</b>	<u>(50,254)</u>	<u>(52,571)</u>	-	<u>52,571</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	97,805	<u>\$ 97,805</u>
<b>FUND BALANCE, beginning</b>			<u>397,520</u>	
<b>FUND BALANCE, ending</b>			<u>\$ 495,325</u>	

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

**TOWN OF FAIRVIEW, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of 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**

Town of Fairview is a municipal corporation which is governed by an elected mayor and a four-member council.

**B. BASIS OF PRESENTATION**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government and its component units, if any. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements would distinguish between the *governmental* and *business-type activities* of the Town; however, Town of Fairview does not have any business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Statements for the Town's only fund category – *governmental* – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds, when applicable.

The Town reports the following major governmental funds:

*General Fund.* The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources, except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, other taxes and licenses, permits and fees, and investment income. The primary expenditures are for general government, public safety, and economic and physical development.

*Park Capital Project Fund.* The Park Capital Project Fund is used to account for the construction of a new Town park.

**TOWN OF FAIRVIEW, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

*Government-wide Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases (if any) 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

**TOWN OF FAIRVIEW, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017**

Sales taxes and certain intergovernmental revenues, such as the utilities sales tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for Town of Fairview because the tax is levied by Union County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**D. BUDGETARY DATA**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted as needed. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the object level for all annually budgeted funds and for any multi-year funds. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND  
FUND EQUITY**

**DEPOSITS 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). The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price.

**TOWN OF FAIRVIEW, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**CASH AND CASH EQUIVALENTS**

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<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2016.

**ALLOWANCES FOR DOUBTFUL ACCOUNTS**

Allowances for doubtful accounts are not maintained by the Town due to expected collectability of all accounts receivable.

**PREPAID EXPENDITURES**

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

**CAPITAL ASSETS**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land \$1,000; buildings and improvements \$1,000; equipment and furniture \$1,000; computer software and equipment \$1,000. Donated capital assets received prior to June 16, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Town are depreciated on a straight-line basis over the following estimated useful lives:

Leasehold improvements	15 years
Furniture and equipment	5-15 years
Buildings and improvements	7-30 years

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

**TOWN OF FAIRVIEW, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**COMPENSATED ABSENCES**

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

**NET POSITION/FUND BALANCES**

**NET POSITION:**

Net position in government-wide financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

**FUND BALANCES:**

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

Prepaid expenditures - portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses, which are not spendable resources.

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

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

*Committed Fund Balance* - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Fairview's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The Town does not have any committed fund balance this fiscal year.

*Assigned Fund Balance* - portion of fund balance that the Town intends to use for specific purposes. The Town does not have any assigned fund balance this fiscal year.

*Unassigned Fund Balance* - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Town has not adopted a minimum fund balance policy, but follows the State Treasurer's guidance.

**TOWN OF FAIRVIEW, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017**

**DEFINED BENEFIT COST-SHARING PLANS**

The Town's employees do not participate in the State retirement plan.

**NOTE 2 – 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 the Town's name. 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 the Town's name. 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. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2017, the Town's deposits had a carrying amount of \$436,086 and a bank balance of \$436,518. At June 30, 2017, the Town's bank balances exceeded federally insured limits by \$186,518. All deposits of the Town are insured or collateralized under the Pooling Method.

**INVESTMENTS**

At June 30, 2017, the Town's investments consisted of \$971 in the North Carolina Capital Management Trust's Government 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.

**RECEIVABLES**

Virtually all ad valorem taxes and accounts receivable are collected, and accordingly, allowances for doubtful accounts are not considered material or necessary.

**TOWN OF FAIRVIEW, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017**

**CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land and improvements	\$ 287,125	\$ -	\$ 74,764	\$ 212,361
Capital assets being depreciated:				
Park equipment	-	138,960	-	138,960
Buildings and improvements	-	1,181,643	-	1,181,643
Leasehold improvements	2,500	-	-	2,500
Office equipment	14,342	-	-	14,342
Total capital assets being depreciated	<u>16,842</u>	<u>1,320,603</u>	<u>-</u>	<u>1,337,445</u>
Less accumulated depreciation for:				
Park equipment	-	3,495	-	3,495
Buildings and improvements	-	18,021	-	18,021
Leasehold improvements	1,084	166	-	1,250
Office equipment	8,634	2,077	-	10,711
Total accumulated depreciation	<u>9,718</u>	<u>23,759</u>	<u>-</u>	<u>33,477</u>
Total capital assets being depreciated, net	<u>7,124</u>			<u>1,303,968</u>
Governmental activities capital assets, net	<u>\$ 294,249</u>			<u>\$1,516,329</u>

Depreciation expense was charged to governmental departments as follows:

General government	\$ 2,243
Culture and recreation	<u>21,516</u>
	<u>\$ 23,759</u>

**B. LIABILITIES**

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

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

Taxes receivable	\$ 2,962
Prepaid taxes	<u>236</u>
	<u>\$ 3,198</u>

**TOWN OF FAIRVIEW, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in an insurance pool administered by the Interlocal Risk Financing Fund of North Carolina. Through this pool, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, and property coverage up to the total insurance values of the property policy.

The Town carries commercial insurance for workers' compensation coverage and all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded insurance coverage in any of the past three fiscal years.

The Town does not currently participate in the National Flood Insurance Plan (NFIP). There are no structures in a designated Flood Hazard Area within the incorporated limits of the Town.

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 finance officer and the tax collector/land use administrator are bonded for \$50,000 and \$10,000, respectively. The Town also has a blanket bond for \$10,000.

**COMMITMENTS**

Town of Fairview entered into an interlocal agreement dated February 20, 2011. Under this agreement, the Town, Union County, and one other municipality are obligated to equally pay for any operating deficit incurred by Piedmont Collection Site. The municipalities are only liable for up to \$8,000 each per fiscal year. The municipalities agreed to pay for the operating deficit in order to keep the landfill open. This agreement automatically renews for successive annual terms.

In December, 2015, Town of Fairview agreed to make quarterly payments of \$13,142 to the Fairview Fire and Rescue Association to assist the Association with debt payments on a new fire truck. The agreement was for a five year period that will end in October, 2020.

**CLAIMS AND JUDGMENTS**

At June 30, 2017, the Town had no litigation pending.

**LONG-TERM OBLIGATIONS**

The Town has no long-term obligations at June 30, 2017. At June 30, 2017, Town of Fairview had a legal debt margin of \$33,292,979.

**C. OPERATING LEASES**

On December 18, 2014, the Town entered into a five-year agreement with Fairview Fire and Rescue Association to lease office space at the Fairview Fire Department. The lease automatically renews on a yearly basis after the initial term. On June 2, 2016, the Town entered into a 4 year agreement to lease a printer. The Town has the option to buy the printer at fair market value at the end of the lease.

**TOWN OF FAIRVIEW, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017**

The annual minimum lease payments as of June 30, 2017, are as follows:

Year Ending <u>June 30,</u>	
2018	\$ 3,712
2019	3,712
2020	<u>1,250</u>
	<u>\$ 8,674</u>

Rent expense for the year ended June 30, 2017, was \$3,712.

**D. INTERFUND BALANCES AND ACTIVITY**

Transfers to/from other funds at June 30, 2017, consist of the following:

	<u>From</u>	<u>To</u>
<b><i>General Fund</i></b>		
From Park Capital Project Fund	\$ 20,727	\$ -
<b><i>Park Capital Project Fund</i></b>		
To General Fund	<u>-</u>	<u>20,727</u>
	<u>\$ 20,727</u>	<u>\$ 20,727</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for grant programs.

**E. FUND BALANCE**

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 495,325
Less:	
Nonspendable - Prepaid expenditures	1,124
Stabilization by State statute	<u>72,404</u>
Unassigned fund balance	<u>\$ 421,797</u>

**TOWN OF FAIRVIEW, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017**

**NOTE 3 – JOINT VENTURES**

*Charlotte Regional Transportation Planning Organization*

The Town participates in a joint venture, Charlotte Regional Transportation Planning Organization (CRTPO), with 23 other jurisdictions in Iredell, Mecklenburg, and Union counties to work cooperatively with each other and the North Carolina Department of Transportation to enhance transportation planning opportunities for the region. CRTPO is one of the four MPO's and one RPO that make up the Charlotte Regional Alliance for Transportation. The Charlotte-Mecklenburg Planning Department is the lead planning agency for CRTPO. None of the participating governments have any equity interest in CRTPO, so no equity interest has been reflected in the financial statements at June 30, 2017. In accordance with the agreement between the participating governments and CRTPO, the Town paid \$1,231 to the CRTPO during the fiscal year ended June 30, 2017, for membership dues. Complete financial statements for CRTPO may be obtained from CRTPO's office at 600 E. Fourth Street, 8<sup>th</sup> Floor, Charlotte, North Carolina 28202-2853.

**NOTE 4 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

**STATE ASSISTED PROGRAMS**

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

**INDIVIDUAL FUND**  
**STATEMENTS AND SCHEDULES**

**TOWN OF FAIRVIEW, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2017**

**Exhibit A-1**  
**Page 1 of 2**

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
<b>Ad valorem taxes:</b>			
Taxes	\$ 78,100	\$ 83,920	\$ 5,820
Penalties and interest	-	439	439
Total	<u>78,100</u>	<u>84,359</u>	<u>6,259</u>
<b>Unrestricted intergovernmental:</b>			
Local option sales tax	24,000	25,096	1,096
Beer and wine tax	16,240	16,243	3
Telecommunications sales tax	-	31,718	31,718
Piped natural gas sales tax	-	454	454
Utilities sales tax	140,000	108,271	(31,729)
Video franchise fee	-	8,237	8,237
Total	<u>180,240</u>	<u>190,019</u>	<u>9,779</u>
<b>Permits and fees:</b>			
Zoning fees and permits	<u>6,500</u>	<u>6,870</u>	<u>370</u>
<b>Investment earnings</b>	<u>1,750</u>	<u>1,986</u>	<u>236</u>
<b>Miscellaneous</b>	<u>3,600</u>	<u>4,535</u>	<u>935</u>
<b>TOTAL REVENUES</b>	<u>270,190</u>	<u>287,769</u>	<u>17,579</u>
<b>EXPENDITURES</b>			
<b>General government:</b>			
Advertising	1,000	1,029	(29)
Audit fees	7,050	7,050	-
Bank service charges	150	128	22
Collection fees - Ad valorem	1,300	1,384	(84)
Computer and internet	6,000	5,737	263
Dues and subscriptions	5,500	5,391	109
Insurance	5,500	5,158	342
Legal fees	6,500	5,980	520
Miscellaneous	1,000	453	547
Office supplies	5,000	4,903	97
Professional fees	7,500	7,475	25
Rent	3,000	3,000	-
Repairs and maintenance	1,000	-	1,000
Salaries and employee benefits	39,800	39,293	507
Telephone	3,250	3,080	170

**TOWN OF FAIRVIEW, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2017**

**Exhibit A-1**  
**Page 2 of 2**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Training	250	125	125
Travel	500	439	61
Utilities	<u>250</u>	<u>265</u>	<u>(15)</u>
<b>Total general government</b>	<u>94,550</u>	<u>90,890</u>	<u>3,660</u>
<b>Public safety:</b>			
Fire:			
Operating expenditures	<u>62,569</u>	<u>62,569</u>	<u>-</u>
<b>Economic and physical development:</b>			
Salaries and employee benefits	<u>40,000</u>	<u>39,480</u>	<u>520</u>
<b>Environmental protection:</b>			
Sanitation contracted services	<u>8,000</u>	<u>8,000</u>	<u>-</u>
<b>Culture and recreation:</b>			
Operating expenditures	<u>12,500</u>	<u>9,752</u>	<u>2,748</u>
<b>TOTAL EXPENDITURES</b>	<u>217,619</u>	<u>210,691</u>	<u>6,928</u>
<b>REVENUES OVER EXPENDITURES</b>	52,571	77,078	24,507
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds	<u>-</u>	<u>20,727</u>	<u>20,727</u>
<b>REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	52,571	97,805	45,234
<b>UNAPPROPRIATED FUND BALANCE</b>	<u>(52,571)</u>	<u>-</u>	<u>52,571</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>97,805</u>	<u>\$ 97,805</u>
<b>FUND BALANCE, beginning</b>		<u>397,520</u>	
<b>FUND BALANCE, ending</b>		<u>\$ 495,325</u>	

TOWN OF FAIRVIEW, NORTH CAROLINA

PARK CAPITAL PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

From Inception and for the Year Ended June 30, 2017

Exhibit A-2

	Project Authorization <i>(As amended)</i>	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>REVENUES</b>					
PARTF grant	\$ 317,550	\$ 28,732	\$ 288,818	\$ 317,550	\$ -
Special appropriation from General Assembly	<u>185,000</u>	<u>-</u>	<u>185,000</u>	<u>185,000</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>502,550</u>	<u>28,732</u>	<u>473,818</u>	<u>502,550</u>	<u>-</u>
<b>EXPENDITURES</b>					
Design and construction management	65,150	57,464	-	57,464	7,686
Park development	<u>1,301,159</u>	<u>-</u>	<u>1,263,139</u>	<u>1,263,139</u>	<u>38,020</u>
<b>TOTAL EXPENDITURES</b>	<u>1,366,309</u>	<u>57,464</u>	<u>1,263,139</u>	<u>1,320,603</u>	<u>45,706</u>
<b>REVENUES UNDER EXPENDITURES</b>	(863,759)	(28,732)	(789,321)	(818,053)	45,706
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from (to) other funds	<u>863,759</u>	<u>838,780</u>	<u>(20,727)</u>	<u>818,053</u>	<u>(45,706)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 810,048</u>	<u>(810,048)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCE, beginning</b>			<u>810,048</u>		
<b>FUND BALANCE, ending</b>			<u>\$ -</u>		

**OTHER SCHEDULES**

**TOWN OF FAIRVIEW, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2017**

**Exhibit B-1**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	\$ -	\$ 83,701	\$ 83,336	\$ 365
2015-2016	357	6	212	151
2014-2015	230	-	72	158
2013-2014	238	-	93	145
2012-2013	198	-	97	101
2011-2012	155	-	64	91
2010-2011	184	-	30	154
2009-2010	832	-	476	356
2008-2009	288	505	38	755
2007-2008	484	233	31	686
2006-2007	134	-	134	-
	<u>\$ 3,100</u>	<u>\$ 84,445</u>	<u>\$ 84,583</u>	<u>\$ 2,962</u>

Reconcilement with revenues:

Ad Valorem Taxes - General Fund	\$ 84,359
Reconciling items:	
Interest collected	(439)
Taxes written off	<u>663</u>
Total collections and credits	<u>\$ 84,583</u>

**TOWN OF FAIRVIEW, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE LEVY**  
**For the Year Ended June 30, 2017**

**Exhibit B-2**

	Town-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 414,264,741	\$ 0.02	\$ 82,853	\$ 73,766	\$ 9,087
Penalties and adjustments	<u>-</u>		<u>468</u>	<u>468</u>	<u>-</u>
Total	414,264,741		83,321	74,234	9,087
Discoveries:					
Current year taxes	6,124,000	0.02	1,225	1,225	-
Releases	<u>(4,226,500)</u>		<u>(845)</u>	<u>(845)</u>	<u>-</u>
Total property valuation	<u>\$ 416,162,241</u>				
Net levy			83,701	74,614	9,087
Unpaid (by taxpayer) taxes at June 30, 2017			<u>(365)</u>	<u>(365)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 83,336</u>	<u>\$ 74,249</u>	<u>\$ 9,087</u>
Current levy collection percentage			<u>99.56%</u>	<u>99.51%</u>	<u>100.00%</u>

**COMPLIANCE SECTION**

# **J. B. WATSON & CO., P.L.L.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

120 SOUTH RUTHERFORD STREET

P. O. BOX 341

WADESBORO, N.C. 28170

JAMES F. HANNA, CPA  
DENEAL H. BENNETT, CPA  
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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Fairview, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Fairview's basic financial statements, and have issued our report thereon dated March 7, 2018.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Fairview's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Fairview's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in Town of Fairview's internal control to be a material weakness.

*Segregation of Duties:*

In an organization such as Town of Fairview with a limited number of personnel for certain functions, there are inherent limitations of the effectiveness of certain controls due to the lack of segregation of duties among the Town personnel. We, therefore, recommend the Town separate duties as much as possible and provide alternative controls, including involvement of the Town board with oversight and approvals, where feasible.

Compliance and Other Matters

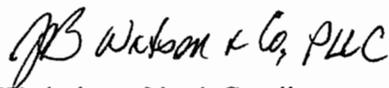
As part of obtaining reasonable assurance about whether Town of Fairview's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

Town of Fairview's Response to Findings

The Town agrees with these findings and plans to alleviate the effects of these noted deficiencies where feasible and cost effective. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wadesboro, North Carolina  
March 7, 2018

**TOWN OF FAIRVIEW, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2017**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Grant Funds Expended		
			Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<b>State Grants:</b>					
<b>Cash Assistance:</b>					
<u>N.C. Dept. of Environment and Natural Resources:</u>					
Parks and Recreation Trust Fund		2014-773	\$ -	\$ 288,818	\$ 748,534
 <u>N.C. Dept. of Transportation:</u>					
Highway Construction Program			-	185,000	40,787
			<u>\$ -</u>	<u>\$ 473,818</u>	<u>\$ 789,321</u>

**Notes to the Schedule of Expenditures of Federal and State Awards:**

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures fo federal and State awards (SEFSA) includes the federal and State grant activity of Town of Fairview under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. Because the SEFSA presents only a selected portion of the operations of Town of Fairview, it is not intended to, and does not, present the financial position or changes in net position of Town of Fairview.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.