

**Town of Fairview
North Carolina**

**Audited Financial Statements
For the Year Ended
June 30, 2013**

Town Council

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

Administrative and Financial Staff

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

Town of Fairview, North Carolina
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June 30, 2013

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Financial Section



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fairview, North Carolina, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement

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

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

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Fairview as of June 30, 2013, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The combining and individual fund financial statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and

statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules and other are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standard*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2013 on our consideration of Town of Fairview's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Fairview's internal control over financial reporting and compliance.

Moyer, Smith & Roller, CPA
Monroe, North Carolina
October 23, 2013

Moyer, Smith + Roller, P.A.

Management's Discussion and Analysis

As management of the Town of Fairview, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Fairview for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Fairview exceeded its liabilities and deferred inflows of resources at the close of the year by \$1,441,533 (net position).
- The Town's net position increased by \$181,853 during the current fiscal year.
- As of the close of the current fiscal year, the Town of Fairview's governmental funds reported combined ending fund balances of \$1,208,696, an increase of \$179,500 in comparison with the prior year. Approximately 96.60% of this total amount is available for spending at the government's discretion.
- As of the end of the current fiscal year, unassigned fund balance for the General Fund was \$467,582 or 281.62% of the total general fund expenditures for the fiscal year. This increased from the prior year due to the purchase of land in fiscal year 2012 for future municipal purposes.

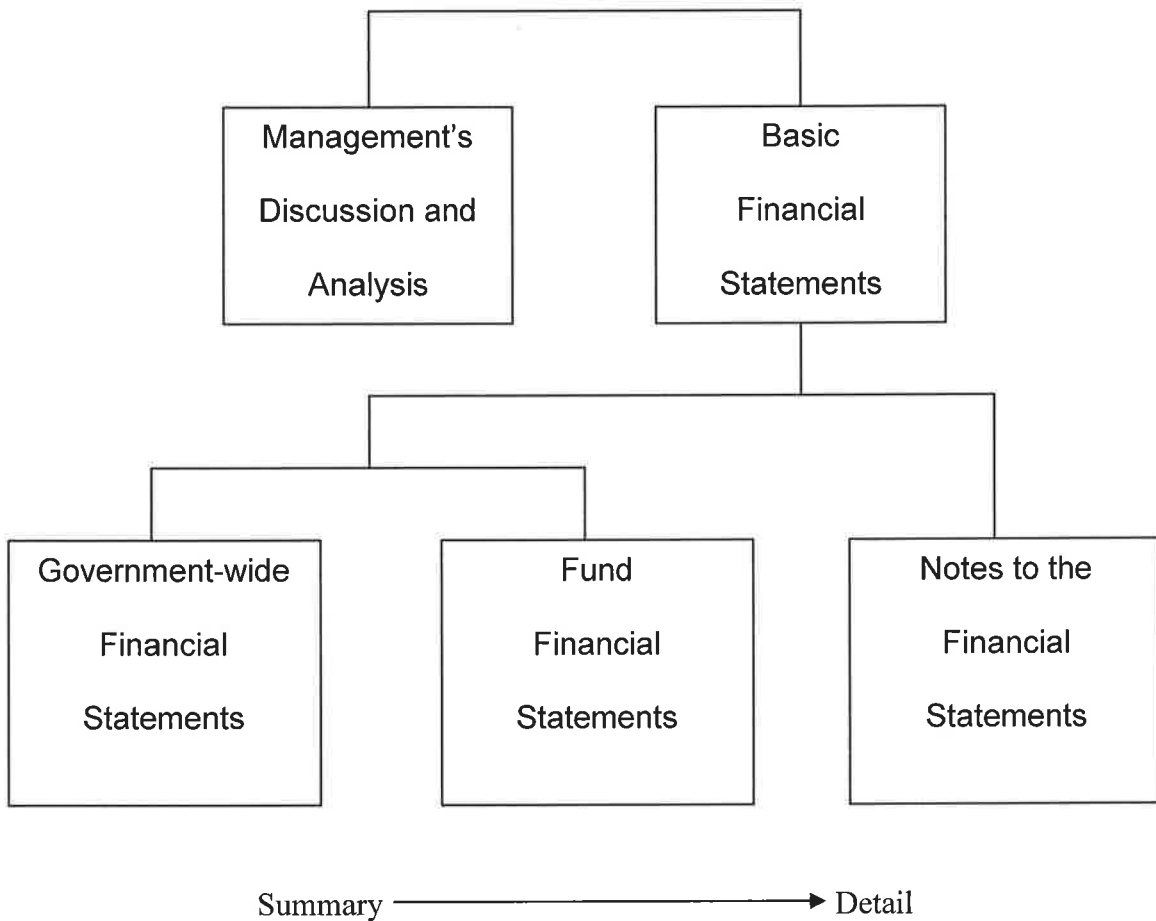
The Town of Fairview had no debt during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements 2) fund financial statements 3) notes to the financial statements. The basic financial statements present two different views of the town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Fairview.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information for the town also can be found in this section of the statements.

Government-wide Financial Statements

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

The two government-wide statements report on the Town's net position and how they have changed. Net position is the difference between the Town's total assets and deferred outflow of resources and total liabilities and deferred inflow of resources. Measuring net position is one way to gauge the Town's financial condition.

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

The Town of Fairview adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the council; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Notes to the Financial Statements –The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 17 of this report.

Government-wide Financial Analysis

The Town of Fairview's Net Position

	Governmental Activities		Total	
	2013	2012	2013	2012
Current and other assets	\$1,228,873	\$1,048,984	\$1,228,873	\$ 1,048,984
Capital assets	225,164	222,898	225,164	222,898
Total assets	1,454,037	1,271,882	1,454,037	1,271,882
Current liabilities	12,504	12,202	12,504	12,202
Total liabilities	12,504	12,202	12,504	12,202
Net position:				
Invested in capital assets, net of related debt	225,164	222,898	225,164	222,898
Restricted	739,989	746,723	739,989	746,723
Unrestricted	476,380	290,059	476,380	290,059
Total net position	\$1,441,533	\$1,259,680	\$1,441,533	\$1,259,680

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Fairview exceeded liabilities and deferred inflows by \$1,441,534 as of June 30, 2013. The Town's net position increased by \$181,853 for the fiscal year ended June 30, 2013. A balance of \$476,380 is unrestricted.

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

- The Town has restricted net position in the amount \$225,164 for capital assets.
- The Town has restricted net position in the amount of \$700,000 to be used for future capital acquisitions and \$39,989 is restricted by state statute.

Town of Fairview's Changes in Net Position

	Governmental Activities		Total	
	2013	2012	2013	2012
Revenues				
Program Revenues:				
Charges for services	\$6,559	\$ 6,389	\$6,559	\$ 6,389
General Revenues:				
Property taxes	86,307	86,935	86,307	86,935
Other taxes	252,306	170,385	252,306	170,385
Other	450	16,141	450	16,141
Total Revenues	<u>345,622</u>	<u>279,850</u>	<u>345,622</u>	<u>279,850</u>
Expenses				
General government	127,116	149,061	127,116	149,061
Economic physical development	36,653	35,700	36,653	35,700
Total expenses	<u>163,769</u>	<u>184,761</u>	<u>163,769</u>	<u>184,761</u>
Increase in net position	181,853	95,089	181,853	95,089
Net position, July 1	1,259,680	\$1,164,591	1,259,680	\$1,164,591
Net position, June 30	<u>\$1,441,533</u>	<u>\$1,259,680</u>	<u>\$1,441,533</u>	<u>\$1,259,680</u>

Governmental activities increased the Town's net position by \$181,853. Items relating to governmental activities are listed below.

Revenues – Governmental Activities

- The Town's total revenues, excluding special items, were \$345,622, at June 30, 2013. Property taxes make up 24.97% of the Town's total revenues.
- The Town received an adjustment of franchise taxes from prior years, which caused that revenue item to be higher than normal.
- The tax rate during fiscal year 2013 was \$0.02/\$100 cents with an assessed value of \$431,890,000.

Expenditures – Governmental Activities

- Amounts paid to the Fairview Volunteer Fire Department for public safety declined by \$30,000 during the year, which is the main reason for the decrease in general government expenses.

Financial Analysis of the Town's Funds

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

Governmental Funds

The focus of the Town of Fairview's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Fairview's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Fairview. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$467,582, while total fund balance reached \$1,208,696.

At June 30, 2013, the governmental funds of the Town of Fairview reported a fund balance of \$1,208,696, an increase of \$179,500, primarily due to the excess of revenue over expenses for the fiscal year.

Capital Assets and Debt Administration

Capital Assets

The Town of Fairview's investments in capital assets for its governmental activities as of June 30, 2013 totals \$225,164 (net of accumulated depreciation). These assets include land, computer equipment, office furniture and leasehold improvements.

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

Long-term Debt

As of June 30, 2013, the Town of Fairview has no outstanding debt.

Economic Factors and Next Year's Budgets and Rates

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

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

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

Governmental Activities

The Town of Fairview has approved a general fund budget for the next fiscal year ending June 30, 2014 with anticipated net revenues of \$202,195. This amount includes a \$68,205 fund balance appropriation. This represents approximately a 1.23% decrease from prior fiscal year ended June 30, 2013 adopted budget. This anticipates slight revenue decrease in investment earnings due to the low interest rate environment. No appropriated fund balance was used to balance the 2014 budget.

Capital outlay expenses are budgeted at \$3,150 in anticipation of purchasing new computer related equipment.

Request for Information

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

Basic Financial Statements

Town of Fairview, North Carolina
Statement of Net Position
June 30, 2013

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 481,210	\$ 481,210
Taxes receivables (net)	7,673	7,673
Due from other governments	38,866	38,866
Prepaid items	1,124	1,124
Restricted cash and cash equivalents	700,000	700,000
Total current assets	1,228,873	1,228,873
Non-current assets:		
Capital assets (Note III):		
Land, non-depreciable improvements, and construction in progress	219,516	219,516
Other capital assets, net of depreciation	5,648	5,648
Total capital assets	225,164	225,164
Total assets	\$ 1,454,037	\$ 1,454,037
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,504	\$ 12,504
Total liabilities	12,504	12,504
NET ASSETS		
Net investment in capital assets	225,164	225,164
Restricted for Stabilization by State Statute	39,989	39,989
Unrestricted	1,176,380	1,176,380
Total net position	\$ 1,441,533	1,441,533

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, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>	<u>Primary Governmental Activities</u>	<u>Totals</u>
Primary government:						
Governmental Activities:						
General government	\$ 127,116	\$ 2,759		\$ (124,357)		\$ (124,357)
Economic and physical Development	36,653	3,800		(32,853)		(32,853)
Total governmental activities (see Note 1)	\$ 163,769	\$ 6,559		\$ (157,210)		\$ (157,210)

General revenues:

Taxes:			
Property taxes, levied for general purpose	\$ 86,307	\$ 86,307	
Other taxes	252,306	252,306	
Unrestricted investment earnings	450	450	
Total general revenues and transfers	339,063	339,063	
Change in net position	181,853	181,853	
Net position, beginning	1,259,680	1,259,680	
Net position, ending	\$ 1,441,533	\$ 1,441,533	

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

**Town of Fairview
Balance Sheet
Governmental Funds
June 30, 2013**

	Major Funds	
	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 481,210	\$ 481,210
Receivables, net:		
Taxes	7,673	7,673
Due from other governments	38,866	38,866
Prepaid items	1,124	1,124
Restricted cash & cash equivalents	700,000	700,000
Total assets	<u>\$ 1,228,873</u>	<u>\$ 1,228,873</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	12,504	12,504
Total liabilities	<u>12,504</u>	<u>12,504</u>
Deferred inflows of resources:		
Property taxes receivable	7,673	7,673
Total deferred in flows of resources	<u>7,673</u>	<u>7,673</u>
Non Spendable - Prepays	1,124	1,124
Restricted by State Statue-Stabliization	39,989	39,989
Assigned for capital projects	700,000	700,000
Unassigned	467,583	467,583
Total fund balances	<u>1,208,696</u>	<u>1,208,696</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,228,873</u>	
Amounts reported for governmental activities in the Statement of Net Position are different because :		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	244,963	
Accumulated depreciation	<u>(19,799)</u>	225,164
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		<u>7,673</u>
Net position of governmental activities		<u>\$ 1,441,533</u>

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

Town of Fairview
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
June 30, 2013

	Major Funds	
	General Fund	Total Governmental Funds
REVENUES		
Ad valorem taxes	\$ 86,220	\$ 86,220
Other taxes and licenses	6,559	6,559
Unrestricted intergovernmental	252,306	252,306
Investment income	450	450
Total revenues	<u>345,535</u>	<u>345,535</u>
EXPENDITURES		
Current:		
General government	125,022	125,022
Economic and physical development	36,653	36,653
Capital outlay	4,360	4,360
Total expenditures	<u>166,035</u>	<u>166,035</u>
Excess (deficiency) of revenues over expenditures	<u>179,500</u>	<u>179,500</u>
Net change in fund balance	179,500	179,500
Fund balances, beginning as previously reported	1,029,196	1,029,196
Fund balances, ending	<u>\$ 1,208,696</u>	<u>\$ 1,208,696</u>

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

Town of Fairview
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
June 30, 2013

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

Net changes in fund balances - total governmental funds \$ 179,500

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

Capital outlay expenditures which were capitalized	4,360	
Depreciation expense for governmental assets	<u>(2,094)</u>	2,266

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

Change in unavailable revenue for tax revenues	87
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Total changes in net position of governmental activities	<u><u>\$ 181,853</u></u>
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Town of Fairview
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
June 30, 2013

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 82,700	\$ 83,386	\$ 86,220	\$ 2,834
Other taxes and licenses	4,000	6,259	6,559	300
Unrestricted intergovernmental	184,000	248,300	252,306	4,006
Investment income	8,825	7,375	450	(6,925)
Total revenues	279,525	345,320	345,535	215
Expenditures:				
Current:				
General government	152,919	119,335	125,022	(5,687)
Economic and physical development	36,653	36,653	36,653	-
Capital outlay	15,156	4,360	4,360	-
Total expenditures	204,728	160,348	166,035	(5,687)
Revenues over (under) expenditures	74,797	184,972	179,500	(5,472)
Fund balance appropriated	(74,797)	(184,972)	-	184,972
Net change in fund balance	-	-	179,500	179,500
Fund balance, as previously reported			1,029,196	
Fund balance ending			\$ 1,208,696	

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, 2013

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Fairview conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Statements for the Town's only fund category – *governmental* – are presented.

The Town reports only the following major governmental fund:

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

The Town has no other funds to report.

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013**

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with the change in the law, Union County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts within the county, including the Town of Fairview. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due.

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013**

I. Summary of Significant Accounting Policies (Continued)

Therefore, the Town's vehicle taxes for vehicles registered from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

D. Budgetary Data

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity

Deposits

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013**

I. Summary of Significant Accounting Policies (Continued)

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

Cash and Cash Equivalents

The Town occasionally maintains funds in certificates of deposit to maximize investment income. All cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2011.

Allowances for Doubtful Accounts

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

Prepaid Items

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

Capital Assets

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

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013**

I. Summary of Significant Accounting Policies (Continued)

Capital assets are depreciated over the following estimated useful lives:

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

Deferred Outflows/Inflows of Resources

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

Compensated Absences / Employee Benefits

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

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

Net Position

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

Fund Balances

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

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013**

I. Summary of Significant Accounting Policies (Continued)

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

II. Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2013, the expenditures made in the Town’s General Fund exceeded the authorized appropriations made by the governing board for general government activities by \$5,687. The over expenditure occurred because of unplanned payroll expenditures. Management and the Town will more closely review the budget reports to ensure compliance in future years.

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013**

III. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2013, the Town's deposits have a carrying amount of \$1,180,831 and a bank balance of \$1,182,139. Of the bank balance the \$250,000 was covered by federal depository insurance, and \$932,139 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2013, the Town of Fairview had \$379 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

Restricted Assets

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

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013**

III. Detail Notes on All Funds (Continued)

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2013, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets not being depreciated:				
Land & Land Improvements	\$ 215,156	\$ 4,360	\$ -	\$ 219,516
Total capital assets not being depreciated	<u>215,156</u>	<u>4,360</u>	<u>-</u>	<u>219,516</u>
Governmental activities:				
Capital assets being depreciated:				
Office Equipment	22,947	-	-	22,947
Leasehold Improvements	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Total capital assets being depreciated	<u>25,447</u>	<u>-</u>	<u>-</u>	<u>25,447</u>
Less accumulated depreciation for:				
Office Equipment	17,288	1,927	-	19,215
Leasehold Improvements	<u>417</u>	<u>167</u>	<u>-</u>	<u>584</u>
Total accumulated depreciation	<u>17,705</u>	<u>2,094</u>	<u>-</u>	<u>19,799</u>
Total capital assets being depreciated, net	<u>7,742</u>			<u>5,648</u>
Governmental activity capital assets, net	<u>\$ 222,898</u>			<u>\$ 225,164</u>

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

General government	<u>\$ 2,094</u>
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B. Liabilities

Deferred Outflows and Inflows of Resources

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

Total Receivable (General Fund), less penalties	<u>\$ 7,673</u>
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Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has a commercial insurance policy in place to manage their risk. Coverage under this policy is as follows:

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

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013**

III. Detail Notes on All Funds (Continued)

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

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

Long-Term Obligations

Facility Lease

On August 30, 2009, the Town entered into a five-year agreement with Fairview Fire and Rescue Association to lease office space at the Fairview Fire Department. As of June 30, 2013 the Town is required to make 15 additional monthly payments of \$250.

The future minimum lease payments as of June 30, 2013 were as follows:

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

Local Government Employees' Retirement System

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

IV. Fund Balance

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

Total fund balance- General Fund	\$ <u>1,208,696</u>
Less:	
Prepays	1,124
Stabilization by State Statue	39,989
Capital Projects	700,000
Working Capital/Fund Balance Policy	16,035
Remaining Fund Balance	451,548

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013**

III. Detail Notes on All Funds (Continued)

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

V. Subsequent Events

Subsequent events have been evaluated through October 23, 2013, the date which the financial statements were available to be issued.

**Individual Fund Statements
and Schedules**

Town of Fairview, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Change in Fund Balances - Budget to Actual
For the Fiscal Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year ad valorem property tax	\$ 75,000	\$ 77,351	\$ 2,351
Motor vehicle tax	6,500	6,597	97
Prior year ad valorem property tax	1,000	1,898	898
Penalties & interest	886	374	(512)
Total	<u>83,386</u>	<u>86,220</u>	<u>2,834</u>
Other taxes and licenses:			
Cable franchise tax	2,759	2,759	-
Zoning fees	3,500	3,800	300
Total	<u>6,259</u>	<u>6,559</u>	<u>300</u>
Unrestricted intergovernmental:			
Utility franchise tax	227,300	230,760	3,460
Sales tax distribution	21,000	21,546	546
Total	<u>248,300</u>	<u>252,306</u>	<u>4,006</u>
Investment income	<u>7,375</u>	<u>450</u>	<u>(6,925)</u>
Total revenues	<u>\$ 345,320</u>	<u>\$ 345,535</u>	<u>\$ 215</u>

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

Town of Fairview, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Advertising	\$ 1,050	\$ 1,032	\$ 18
Audit fees	6,200	6,200	-
Bank service charges	100	214	(114)
Collection fees - Ad valorem	1,265	1,285	(20)
Computers and internet	1,650	1,693	(43)
Dues and subscriptions	4,230	4,227	3
Election expense	620	620	-
Liability insurance	4,920	4,920	-
Legal fees	9,300	9,815	(515)
Office supplies	1,750	2,008	(258)
Payroll expense	22,612	27,130	(4,518)
Postage and delivery	20	16	4
Professional fees	19,943	20,254	(311)
Public safety and fire protection	30,000	30,000	-
Rent	3,000	3,000	-
Telephone	4,100	4,046	54
Travel	450	437	13
Solid waste management	8,000	8,000	-
Education	125	125	-
Total	<u>119,335</u>	<u>125,022</u>	<u>(5,687)</u>
Economic and physical development:			
Zoning administration	<u>36,653</u>	<u>36,653</u>	<u>-</u>
Total	<u>36,653</u>	<u>36,653</u>	<u>-</u>
Capital Outlay:			
Capital outlay	<u>4,360</u>	<u>4,360</u>	<u>-</u>
Total	<u>4,360</u>	<u>4,360</u>	<u>-</u>
Total expenditures	<u>160,348</u>	<u>166,035</u>	<u>(5,687)</u>
Revenues over (under) expenditures	184,972	179,500	<u>(5,472)</u>
Fund balance appropriated	<u>(184,972)</u>	<u>-</u>	<u>184,972</u>
Net change in fund balance	<u>\$ -</u>	179,500	<u>\$ 179,500</u>
Fund balance, beginning of year		<u>1,029,196</u>	
Fund balance, ending		<u>\$ 1,208,696</u>	

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

Other Schedules

Town of Fairview, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2013

Levy Year	Fiscal Year	Uncollected Balance June 30, 2012	Additions	Collections And Credits	Uncollected Balance June 30, 2013
2013		\$ -	\$ 544	\$ (178)	\$ 366
2012	2012-2013	522	85,856	(83,799)	2,579
2011	2011-2012	2,420	9	(1,286)	1,143
2010	2010-2011	883	1	(265)	619
2009	2009-2010	1,373	-	(22)	1,351
2008	2008-2009	1,134	-	(773)	361
2007	2007-2008	551	-	-	551
2006	2006-2007	226	-	-	226
2005	2005-2006	160	-	-	160
2004	2004-2005	149	-	-	149
2003	2003-2004	99	-	-	99
2002	2002-2003	69	-	-	69
		<u>\$ 7,586</u>	<u>\$ 86,410</u>	<u>\$ (86,323)</u>	<u>\$ 7,673</u>

Ad valorem taxes receivable - net \$ 7,673

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 86,307
Reconciling items:	
Interest collected	(374)
Taxes written off	390
Total collections and credits	<u>\$ 86,323</u>

Town of Fairview, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2013

	<u>Town - Wide Levy</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current	\$ 425,470,790	0.02	\$ 85,094	\$ 78,813	\$ 6,281
Discoveries/abatement	<u>6,419,210</u>		<u>1,248</u>	<u>1,284</u>	<u>-</u>
Total property valuation	<u>431,890,000</u>		<u>-</u>	<u>-</u>	<u>-</u>
Net Levy			86,378	80,097	6,281
Uncollected taxes at June 30, 2013			<u>2,579</u>	<u>2,057</u>	<u>522</u>
Current year's taxes collected			<u>\$ 83,799</u>	<u>\$ 78,040</u>	<u>\$ 5,759</u>
Current levy collection percentages			<u>97.01%</u>	<u>97.43%</u>	<u>91.69%</u>

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

Compliance Section



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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fairview, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the Town of Fairview's basic financial statements, and have issued our report thereon dated October 23, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Moyer, Smith & Roller, P.A.

Moyer, Smith & Roller, P.A.
Certified Public Accountants
October 23, 2013

**Town of Fairview, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2013**

Section II. Financial Statement Findings

N/A – No financial statement findings reported

Section III. Federal Award Findings and Questioned Costs

N/A - No major federal programs reported

Section IV. State Award Findings and Questioned Costs

N/A – No major state programs reported

**Town of Fairview, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2013**

N/A – No prior year audit findings reported