

**Town of Fairview
North Carolina**

**Audited Financial Statements
For the Year Ended
June 30, 2016**

Town Council

Phil Thomas, Mayor
Jerry C. Clontz, Mayor Pro-tem
John Biggers
Bradley W. Purser
Gary Wilfong

Administrative and Financial Staff

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

Financial Section

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June 30, 2016**

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Moyer, Smith & Roller, P.A.
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Independent Auditor's Report

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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, 2016 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 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, 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, North Carolina as of June 30, 2016, 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, on pages 4 through 10, 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 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 the Town of Fairview, North Carolina. The combining and individual fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules and other schedules 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 December 14, 2016 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
December 14, 2016

Moyer, Smith & Roller, P.A.

Management's Discussion and Analysis

As management of the Town of Fairview, 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, 2016. 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 \$1,504,917.
- The government's total net position decreased by \$125,712 primarily due to public safety expenses related to the Town's contribution to the Fairview Volunteer Fire Department for the purchase of equipment.
- As of the close of the current fiscal year, the Town of Fairview's governmental funds reported combined ending fund balances of \$1,207,568, a decrease of \$154,342 in fund balance. Approximately, 24.79 percent of this total amount, or \$299,406, is available for spending at the government's discretion (*unassigned fund balance*).

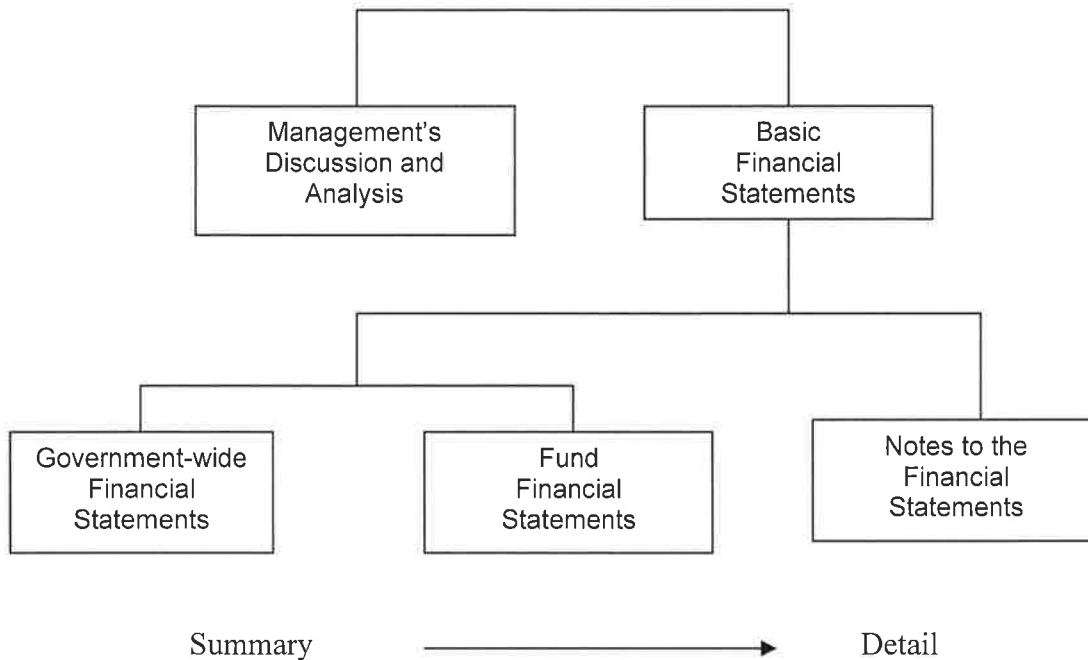
The Town of Fairview had no debt during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to 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 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 are 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 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 they have 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 two government-wide statements are shown as two categories: General Governmental and Park Capital project activities. The General Governmental activity includes the Town's basic services of general administration and economic and physical development and the Park Capital project includes the activity of building the town park. Property taxes and state revenues finance most of these General activities, while a government grant will finance a large portion of the anticipated park expenditures.

The government-wide financial statements are on pages 11 and 12 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 two categories: General Governmental fund and Park Capital project fund.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how 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 government activities (reported in the Statement of Net Position 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.

Park Capital project – This fund is used to account for the park development project expenses and anticipated partial reimbursement by a governmental grant.

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 17 through 27 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with 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 State laws and State appropriations.

**Government-Wide Financial Analysis
The Town of Fairview’s Net Position
Figure 2**

	<u>Governmental Activities</u> <u>2016</u>	<u>Governmental Activities</u> <u>2015</u>
Current and other assets	\$ 1,226,497	\$ 1,411,531
Capital assets	<u>294,249</u>	<u>264,084</u>
Total assets and deferred outflows of resources	<u>1,520,746</u>	<u>1,675,615</u>
Other liabilities	<u>15,829</u>	<u>22,153</u>
Total liabilities and deferred inflows of resources	<u>15,829</u>	<u>22,153</u>
Net assets:		
Invested in capital assets	294,249	264,084
Restricted for stabilization by state statute	39,680	47,190
Unrestricted	<u>1,170,988</u>	<u>1,342,188</u>
Total net position	<u>\$ 1,504,917</u>	<u>\$ 1,653,462</u>

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of the Town of Fairview exceeded liabilities and deferred inflows by \$1,504,917 as of June 30, 2016. The Town’s net position decreased by \$125,712 for the fiscal year ended June 30, 2016 as compared to the restated beginning balance. This decrease primarily reflects the Town’s contribution to the Fairview Volunteer Fire Department for the purchase of equipment

Town of Fairview Changes in Net Position
Figure 3

	<u>Governmental</u> <u>Activities</u> <u>2016</u>	<u>Governmental</u> <u>Activities</u> <u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 6,371	\$ 7,278
Capital Grants	16,205	12,527
General revenues:		
Property taxes	82,461	86,581
Other taxes	173,885	186,848
Other	<u>3,477</u>	<u>4,575</u>
Total revenues	<u>282,399</u>	<u>297,809</u>
Expenses:		
General government	100,776	113,808
Public safety	254,979	-
Economic and physical development	39,918	40,834
Cultural and Recreational	<u>12,438</u>	<u>3,900</u>
Total expenses	<u>408,111</u>	<u>158,542</u>
Increase (decrease) in net position	(125,712)	139,267
Net position, beginning, previously reported	1,653,462	1,514,195
Prior period adjustment	(22,833)	-
Net position, beginning, restated	<u>1,630,629</u>	<u>1,514,195</u>
Net position June 30	<u>\$ 1,504,917</u>	<u>\$ 1,653,462</u>

Governmental activities. Governmental activities decreased the Town of Fairview's net position by \$125,712. The key element of this decrease is as follows:

- Contributions by the Town to the Fairview Volunteer Fire Department for the purchase of equipment.

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's financing requirements

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 \$299,406, while total fund balance was \$1,207,568. Of the total fund balance, \$39,680 was restricted by state statutes, \$52,568 was restricted for future year's expenses, \$810,048 was restricted for capital projects and \$5,866 was restricted for prepaids. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total General fund balance to total General fund expenditures. Unassigned fund balance represents 73.77 percent of total General Fund expenditures, while total General fund balance represents 97.94 percent of that 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 greatest revision to the 2015-2016 budget was due to the following:

- Increased expenditures related to the construction of the Park.

Capital Assets

Capital assets. The Town of Fairview's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totals \$294,249 (net of accumulated depreciation). These assets include buildings, land and office equipment.

Major capital asset transactions during the year include the following:

- Construction in progress for the Town's new park.

**Town of Fairview's Capital Assets
(net of depreciation)
Figure 4**

	<u>Governmental Activities</u> 2016	<u>Governmental Activities</u> 2015
Land	\$ 287,125	\$ 254,716
Office equipment	5,708	7,785
Leasehold improvements	<u>1,416</u>	<u>1,583</u>
Total	<u>\$ 294,249</u>	<u>\$ 264,084</u>

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

Economic Factors and Next Year's Budget and Rates

- Revenue is estimated to be comparable in 2016/2017 as compared to 2015/2016
- The property tax rate for 2016-2017 will remain at \$0.02/\$100
- Total expenses are expected to be lower due to the contribution to the Fairview Volunteer Fire Department for equipment needs in 2015-16.

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 Director of Finance and Administration, Town of Fairview, 7400 Concord Highway, Monroe, NC 28110. One can also call 704-753-1981 or visit our website at www.fairviewnc.gov.

Basic Financial Statements

Town of Fairview, North Carolina
Statement of Net Position
June 30, 2016

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 365,378	\$ 365,378
Taxes receivables (net)	3,100	3,100
Due from other governments	39,679	39,679
Grant receivable	10,699	10,699
Prepaid items	5,866	5,866
Restricted cash and cash equivalents	801,775	801,775
Total current assets	1,226,497	1,226,497
Non-current assets:		
Capital assets (Note III):		
Land, non-depreciable improvements, and construction in progress	287,125	287,125
Other capital assets, net of depreciation	7,124	7,124
Total capital assets	294,249	294,249
Total assets	\$ 1,520,746	\$ 1,520,746
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,403	\$ 13,403
Payable from restricted assets	2,426	2,426
Total liabilities	15,829	15,829
NET POSITION		
Net investment in capital assets	294,249	294,249
Restricted for Stabilization by State Statute	39,680	39,680
Unrestricted	1,170,988	1,170,988
Total net position	\$ 1,504,917	\$ 1,504,917

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, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government	
				Governmental Activities	Totals
Primary government:					
Governmental Activities:					
General government	\$ 100,776	\$ 2,786	\$ -	\$ (97,990)	\$ (97,990)
Public Safety	254,979	-	-	(254,979)	(254,979)
Economic and physical Development	39,918	3,585	-	(36,333)	(36,333)
Cultural & recreational	12,438	-	16,205	3,767	3,767
Total governmental activities (see Note 1)	\$ 408,111	\$ 6,371	\$ 16,205	\$ (385,535)	\$ (385,535)
General revenues:					
Taxes:					
Property taxes, levied for general purpose			\$ -	\$ 82,461	\$ 82,461
Other taxes				173,885	173,885
Unrestricted investment earnings				3,477	3,477
Miscellaneous income				-	-
Total general revenues and transfers				259,823	259,823
Change in net position				(125,712)	(125,712)
Net position, beginning, previously reported				1,653,462	1,653,462
Prior Period Adjustment				(22,833)	(22,833)
Net position, beginning, restated				1,630,629	1,630,629
Net position, ending				\$ 1,504,917	\$ 1,504,917

**Town of Fairview
Balance Sheet
Governmental Funds
June 30, 2016**

	Major Funds		Total Governmental Funds
	General	Park Capital Project	
ASSETS			
Cash and cash equivalents	\$ 365,378	\$ -	\$ 365,378
Receivables, net:			
Taxes	3,100	-	3,100
Due from other governments	39,679	-	39,679
Grant receivable	-	10,699	10,699
Prepaid items	5,866	-	5,866
Restricted cash & cash equivalents	-	801,775	801,775
Total assets	<u>\$ 414,023</u>	<u>\$ 812,474</u>	<u>\$ 1,226,497</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 13,403	\$ -	\$ 13,403
Payable from restricted assets	-	2,426	2,426
Total liabilities	<u>13,403</u>	<u>2,426</u>	<u>15,829</u>
Deferred inflows of resources:			
Property taxes receivable	<u>3,100</u>	-	<u>3,100</u>
Total deferred in flows of resources	<u>3,100</u>	-	<u>3,100</u>
Non Spendable - Prepays	5,866	-	5,866
Restricted by State Statue-Stabilization	39,680	-	39,680
Assigned:			
Subsequent year's expenditures	52,568	-	52,568
Capital Projects	-	810,048	810,048
Unassigned	299,406	-	299,406
Total fund balances	<u>397,520</u>	<u>810,048</u>	<u>1,207,568</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 414,023</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	303,967		
Accumulated depreciation	<u>(9,718)</u>		
			294,249
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			
			<u>3,100</u>
Net position of governmental activities			<u>\$ 1,504,917</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, 2016

	Major Funds		Total Governmental Funds
	General Fund	Park Capital Project Fund	
REVENUES			
Ad valorem taxes	\$ 83,996	\$ -	\$ 83,996
Other taxes and licenses	6,371	-	6,371
Unrestricted intergovernmental	173,885	-	173,885
Restricted Governmental	-	16,205	16,205
Investment income	3,477	-	3,477
Miscellaneous income	-	-	-
Total revenues	267,729	16,205	283,934
EXPENDITURES			
Current:			
General government	98,532	-	98,532
Public Safety	254,979	-	254,979
Economic and physical development	39,918	-	39,918
Cultural & Recreational	12,438	-	12,438
Capital outlay	-	32,409	32,409
Total expenditures	405,867	32,409	438,276
Revenues over (under) expenditures	(138,138)	(16,204)	(154,342)
Other financing sources/(uses):			
Transfers to capital/project fund	(521,230)	521,230	-
Total	(521,230)	521,230	-
Net Change in Fund Balance	(659,368)	505,026	(154,342)
Fund balances, beginning as previously reported	1,079,721	305,022	1,384,743
Prior Period Adjustment	(22,833)	-	(22,833)
Net position, beginning, restated	1,056,888	305,022	1,361,910
Fund balances, ending	\$ 397,520	\$ 810,048	\$ 1,207,568

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, 2016

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

Net changes in fund balances - total governmental funds \$ (154,342)

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	32,409	
Depreciation expense for governmental assets	<u>(2,244)</u>	30,165

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

Change in unavailable revenue for tax revenues (1,535)

Total changes in net position of governmental activities \$ (125,712)

Town of Fairview
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
June 30, 2016

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 76,000	\$ 79,100	\$ 83,996	\$ 4,896
Other taxes and licenses	7,600	6,150	6,371	221
Unrestricted intergovernmental	175,000	172,500	173,885	1,385
Investment income	2,400	3,400	3,477	77
Miscellaneous income	-	-	-	-
Total revenues	261,000	261,150	267,729	6,579
Expenditures:				
Current:				
General government	93,287	105,040	98,532	6,508
Public Safety	255,000	255,000	254,979	21
Economic and physical development	42,018	40,018	39,918	100
Cultural and recreational	24,000	37,100	12,438	24,662
Capital outlay	-	-	-	-
Total expenditures	414,305	437,158	405,867	31,291
Revenues over (under) expenditures	(153,305)	(176,008)	(138,138)	37,870
Other financing sources/(uses):				
Transfer to capital project fund	-	(521,230)	(521,230)	-
Total other financing sources/(uses)	-	(521,230)	(521,230)	-
Fund balance appropriated	153,305	697,238	-	(697,238)
Net change in fund balance	\$ -	\$ -	(659,368)	\$ (659,368)
Fund balance, as previously reported			1,079,721	
Prior Period Adjustment			(22,833)	
Fund Balance, beginning, restated			1,056,888	
Fund balance ending			\$ 397,520	

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, 2016

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. Eliminations have been made to minimize the double counting of internal activities. 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 emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

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, State-shared revenues, and various other taxes and licenses. The primary expenditures are for general government, public safety, and economic and physical development.

Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

Park Capital Project Fund. This fund is used to account for the construction of new town park.

The Town has no other funds to report.

C. Measurement Focus and Basis of Accounting

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

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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 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 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

Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

I. Summary of Significant Accounting Policies (Continued)

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.

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. Sales taxes are considered a shared revenue for the 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. Under the term of a grant agreement, the Town funds a certain program by a cost-reimbursement grant 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 the program, followed 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. A project ordinance is adopted for the Park Capital Project fund. 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 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;

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

I. Summary of Significant Accounting Policies (Continued)

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 securities of the NCCMT – Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

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. Therefore, 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.

Restricted Assets

The Town of Fairview's council has voted to restrict \$801,775 of net position for the park capital project. The money is held in cash accounts and occasionally, in certificates of deposit accounts.

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, 2015.

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.

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

I. Summary of Significant Accounting Policies (Continued)

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. Donated capital assets received prior to June 15, 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 cost 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 are depreciated using the straight-line method 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 three part time employees and does not provide vacation or sick pay; therefore, no provision for compensated absences is made.

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.

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

I. Summary of Significant Accounting Policies (Continued)

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 Items – Portion of fund balance that is not an available resource because it represents certain payments to vendors that reflect costs applicable to future accounting periods.

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). 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.

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

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned Fund Balance – the 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.

Pensions

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

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

II. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the unit'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 agent in its 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, 2016, the Town's deposits have a carrying amount of \$1,166,186 and a bank balance of \$1,169,083. Of the bank balance the \$461,622 at three separate FDIC insured financial institutions was covered by federal depository insurance, and \$708,428 was covered by collateral held under the Pooling Method.

Investments

At June 30, 2016, the Town of Fairview had \$967 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's.

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

II. Detail Notes on All Funds (Continued)

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2016, 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	\$ 254,716	\$ 32,409	\$ -	\$ 287,125
Total capital assets not being depreciated	<u>254,716</u>	<u>32,409</u>	<u>-</u>	<u>287,125</u>
Governmental activities:				
Capital assets being depreciated:				
Office Equipment	14,342	-	-	14,342
Leasehold Improvements	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Total capital assets being depreciated	<u>16,842</u>	<u>-</u>	<u>-</u>	<u>16,842</u>
Less accumulated depreciation for:				
Office Equipment	6,557	2,077	-	8,634
Leasehold Improvements	<u>917</u>	<u>167</u>	<u>-</u>	<u>1,084</u>
Total accumulated depreciation	<u>7,474</u>	<u>2,244</u>	<u>-</u>	<u>9,718</u>
Total capital assets being depreciated, net	<u>9,368</u>			<u>7,124</u>
Governmental activity capital assets, net	<u>\$ 264,084</u>			<u>\$ 294,249</u>

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

General government	<u>\$ 2,244</u>
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Construction Commitments

The government has one active construction project at Jun 30, 2016. At year-end the government commitment with a contract is as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Park	\$ 57,464	\$ 1,223,215

B. Liabilities

Deferred Outflows and Inflows of Resources

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

Taxes Receivable, less penalties (General Fund)	<u>\$ 3,100</u>
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Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

II. Detail Notes on All Funds (Continued)

Risk Management

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

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The land use administrator 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 December 8, 2014, the Town entered into a five-year agreement with Fairview Fire and Rescue Association to lease office space at the Fairview Fire Department. Rent is \$250 monthly. The lease automatically renews on a yearly basis.

The future minimum lease payments as of June 30, 2016 are as follows:

Fiscal year	
<u>Ended June 30,</u>	
2017	\$ 3,000
2018	3,000
2019	3,000
2020	1,250
2021	-
Thereafter	-
Total minimum lease payments	<u>\$ 10,250</u>

**Town of Fairview, North Carolina
 Notes to the Financial Statements
 For the Fiscal Year Ended June 30, 2016**

II. Detail Notes on All Funds (Continued)

Equipment Lease

On June 2, 2016, the Town entered into a 4 year agreement to lease a printer. The Town leases the printer for \$59.33 monthly and has the option to buy the printer at fair market value at the end of the lease.

The future minimum lease payments are as follows:

Fiscal year		
Ended June 30,		
2017	\$	712
2018		712
2019		712
2020		-
2021		-
Thereafter		-
Total minimum lease payments	\$	2,136

Local Government Employees' Retirement System

The Town's employees do not participate in the state retirement system.

Prior Period Adjustment

During the fiscal year ended June 30, 2016, the Town determined that one expenditure was subject to accrual in the General Fund as of June 30, 2015, on a modified accrual basis of accounting, had been omitted. Therefore, an adjustment to beginning fund balance has been recorded to account for this accrual, the net effect of which decreased beginning fund balance by \$22,833. This expense was not properly recorded in the government-wide statements; therefore, an adjustment to beginning net position has been recorded to account for this, the net effect of which decreased beginning net position by \$22,833.

Interfund Activity

Transfers to/from other funds at June 30, 2016 consist of the following:

From the General Fund to the Park Capital Project Fund for park construction \$521,230

During the 2016 fiscal year, the Town made a one-time transfer from the General fund of \$521,230 to the Park Capital Project Fund for construction of the Town's new park.

**Town of Fairview, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016**

III. 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>\$ 397,520</u>
Less:	
Prepays	5,866
Stabilization by State Statue	39,680
Subsequent Year's Expenditures	52,568
Working Capital/Fund Balance Policy	44,316
Remaining Fund Balance	255,09 0

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.

IV. Subsequent Events

Subsequent events have been evaluated through December 14, 2016, 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, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year ad valorem property tax	\$ 69,100	\$ 74,068	\$ 4,968
Motor vehicle tax	10,000	9,387	(613)
Penalties & interest	-	541	541
Total	<u>79,100</u>	<u>83,996</u>	<u>4,896</u>
Other taxes and licenses:			
Cable franchise tax	2,750	2,786	36
Zoning fees	3,400	3,585	185
Total	<u>6,150</u>	<u>6,371</u>	<u>221</u>
Unrestricted intergovernmental:			
Utility franchise tax	150,000	149,781	(219)
Beer and wine tax	-	721	721
Sales tax distribution	22,500	23,383	883
Total	<u>172,500</u>	<u>173,885</u>	<u>1,385</u>
Investment income	3,400	3,477	77
Miscellaneous income	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 261,150</u>	<u>\$ 267,729</u>	<u>\$ 6,579</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, 2016

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Advertising	\$ 1,000	\$ 876	\$ 124
Audit fees	6,800	6,800	-
Bank service charges	100	24	76
Collection fees - Ad valorem	1,440	1,338	102
Computers and internet	7,500	7,386	114
Dues and subscriptions	5,500	5,143	357
Education	1,250	1,065	185
Election expense	3,000	2,721	279
Grants	4,500	4,000	500
Liability insurance	5,000	4,707	293
Legal fees	6,500	6,220	280
Miscellaneous	1,000	440	560
Office supplies	3,000	2,058	942
Payroll expense	38,600	36,978	1,622
Professional fees	3,000	2,823	177
Repairs and Maintenance	1,000	479	521
Rent	3,000	3,000	-
Solid waste management	8,000	8,000	-
Telephone	3,600	3,578	22
Travel	1,250	896	354
Total	<u>105,040</u>	<u>98,532</u>	<u>6,508</u>
Public Safety:			
Fire:			
Other Operating Expenditures	255,000	254,979	21
Total	<u>255,000</u>	<u>254,979</u>	<u>21</u>
Cultural and Recreational Total			
Park Maintenance	37,100	12,438	24,662
Total	<u>37,100</u>	<u>12,438</u>	<u>24,662</u>
Economic and physical development:			
Zoning administration	40,018	39,918	100
Total	<u>40,018</u>	<u>39,918</u>	<u>100</u>
Capital Outlay:			
Capital outlay	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>437,158</u>	<u>405,867</u>	<u>31,291</u>
Revenues over (under) expenditures	(176,008)	(138,138)	37,870
Other financing sources/(uses):			
Transfer to capital project fund	(521,230)	(521,230)	-
Total	<u>(521,230)</u>	<u>(521,230)</u>	<u>-</u>
Fund balance appropriated	<u>697,238</u>	-	(697,238)
Net change in fund balance	<u>\$ -</u>	(659,368)	<u>\$ (659,368)</u>
Fund balance, beginning of year		1,079,721	
Prior Period Adjustment		(22,833)	
Fund Balance, beginning, restated		<u>1,056,888</u>	
Fund balance, ending		<u>\$ 397,520</u>	

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

Town of Fairview, North Carolina
Statement of Revenues, Expenditures, and
Change in Fund Balances - Budget to Actual
Park Capital Project Fund
For the Fiscal Year Ended June 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues:					
PARTF Grant	\$ 317,550	\$ 12,527	\$ 16,205	\$ 28,732	\$ (288,818)
Contributions	185,000	-	-	-	(185,000)
Investment Earnings	-	-	-	-	-
Total Revenues	<u>502,550</u>	<u>12,527</u>	<u>16,205</u>	<u>28,732</u>	<u>(473,818)</u>
Expenditures:					
Design and Construction Management	65,150	25,055	32,409	57,464	7,686
Park Development	1,215,529	-	-	-	1,215,529
Contingency	60,651	-	-	-	60,651
Total Expenditures	<u>1,341,330</u>	<u>25,055</u>	<u>32,409</u>	<u>57,464</u>	<u>1,283,866</u>
Revenues Over Expenditures	(838,780)	(12,528)	(16,204)	(28,732)	810,048
Other Financing Sources/(Uses)					
Transfers from general fund	838,780	317,550	521,230	838,780	-
Total Other Financing Sources/(Uses)	<u>838,780</u>	<u>317,550</u>	<u>521,230</u>	<u>838,780</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	305,022	505,026	<u>\$ 810,048</u>	<u>\$ 810,048</u>
Fund Balance, Beginning		-	305,022		
Fund Balance, Ending		<u>\$ 305,022</u>	<u>\$ 810,048</u>		

Other Schedules

Town of Fairview, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2016

Levy Year	<u>Fiscal Year</u>	Uncollected Balance <u>June 30, 2014</u>	<u>Additions</u>	Collections And Credits	Uncollected Balance <u>June 30, 2016</u>
2016	2016-2017	\$ -	\$ 97	\$ (97)	\$ -
2015	2015-2016	158	82,164	(81,965)	357
2014	2014-2015	1,340	-	(1,110)	230
2013	2013-2014	347	-	(109)	238
2012	2012-2013	265	-	(67)	198
2011	2011-2012	175	-	(20)	155
2010	2010-2011	249	-	(65)	184
2009	2009-2010	951	1	(120)	832
2008	2008-2009	304	-	(16)	288
2007	2007-2008	514	-	(30)	484
2006	2006-2007	163	-	(29)	134
2005	2005-2006	169	-	(169)	-
2004	2004-2005	-	-	-	-
		<u>\$ 4,635</u>	<u>\$ 82,262</u>	<u>\$ (83,797)</u>	<u>\$ 3,100</u>
					Ad valorem taxes receivable - net
					<u>\$ 3,100</u>
					<u>Reconciliation with revenues:</u>
					Ad valorem taxes - General Fund
					\$ 83,996
					Reconciling items:
					Interest collected
					(541)
					Taxes written off
					<u>342</u>
					Total collections and credits
					<u>\$ 83,797</u>

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

Town of Fairview, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2016

	Town - Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 408,281,106	0.02	\$ 81,656	\$ 71,536	\$ 10,120
Discoveries	11,946,950		2,389	2,389	-
Releases	<u>(8,615,000)</u>		<u>(1,723)</u>	<u>(367)</u>	<u>(1,356)</u>
Total property valuation	<u><u>\$ 411,613,056</u></u>				
Net Levy			82,322	73,558	8,764
Uncollected taxes at June 30, 2016			<u>357</u>	<u>357</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 81,965</u></u>	<u><u>\$ 73,201</u></u>	<u><u>\$ 8,764</u></u>
Current levy collection percentages			<u><u>99.57%</u></u>	<u><u>99.51%</u></u>	<u><u>100.00%</u></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, 2016, 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 December 14, 2016.

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.

Our consideration of internal control was for 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 in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. [2016-1]

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.

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*.

Town of Fairview's Response to Findings

The Town of Fairview's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of 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.

Moyer, Smith & Roller, P.A.

Moyer, Smith & Roller, P.A.
Monroe, North Carolina
December 14, 2016

**Town of Fairview, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2016**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? X yes no

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

Noncompliance material to financial statements noted yes X no

Federal Awards

N/A - No major federal programs reported

State Awards

N/A – No major state programs reported

Section II. Financial Statement Findings

MATERIAL WEAKNESSES

2016-1 Prior Period Adjustment

Criteria: The Town is responsible for accruing and recording expenditures in the proper accounting period.

Condition: The Town incurred a material expenditure for the fiscal year ended June 30, 2015, but did not record it until the fiscal year ended June 30, 2016.

Effect: The Town's beginning fund balance and beginning net position were overstated by this expenditure.

Cause: The invoice was received in July 2015, but was not authorized to be paid by the Town Council until August 2016.

**Town of Fairview, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2016**

Section II. Financial Statement Findings (continued)

2016-1 Prior Period Adjustment (continued)

Recommendation: Town personnel should review all July and August invoices each year to determine which fiscal year end they should be recorded in.

Views of responsive officials and planned corrective actions: The Town agrees with this finding.

Section III. Federal Award Findings and Questioned Costs

N/A - No major federal programs reported

Section IV. State Award Findings and Questioned Costs

N/A – No major state programs reported

**Town of Fairview, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2016**

Section II. Financial Statement Findings

MATERIAL WEAKNESSES

2016-1 Prior Period Adjustment

Name of Contact person: Phil Thomas, Mayor

Corrective Action: Town personnel should review all July and August invoices each year to determine which fiscal year end they should be recorded in.

Proposed Completion Date: The Town will implement the above procedure immediately.

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, 2016**

Finding: 2015-1

Status: Corrected.