

FOXFIRE VILLAGE, NORTH CAROLINA

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2016

FOXFIRE VILLAGE, NORTH CAROLINA

OFFICIALS

JUNE 30, 2016

MAYOR

MICK McCUE

VILLAGE COUNCIL

JON SEDLAK

VICTOR KOOS

LESLIE FRUSCO

DON BOITO

OTHER OFFICIALS

LESLIE FRUSCO

FINANCE DIRECTOR

SHARON SANCHEZ

DEPUTY FINANCE OFFICER

FOXFIRE VILLAGE, NORTH CAROLINA
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June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Village Council
Foxfire Village, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of Foxfire Village, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Foxfire Village'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. 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 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 on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of Foxfire Village, 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 the Management's Discussion and Analysis, on pages 3 through 9, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 38 and 39, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual fund 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 by us. In our opinion, based on our audit, the procedures performed as described above, the individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Rockingham, NC
September 8, 2016

Management's Discussion and Analysis

As management of Foxfire Village, we offer readers of Foxfire Village's financial statements this narrative overview and analysis of the financial activities of Foxfire Village 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 Village's financial statements, which follow this narrative.

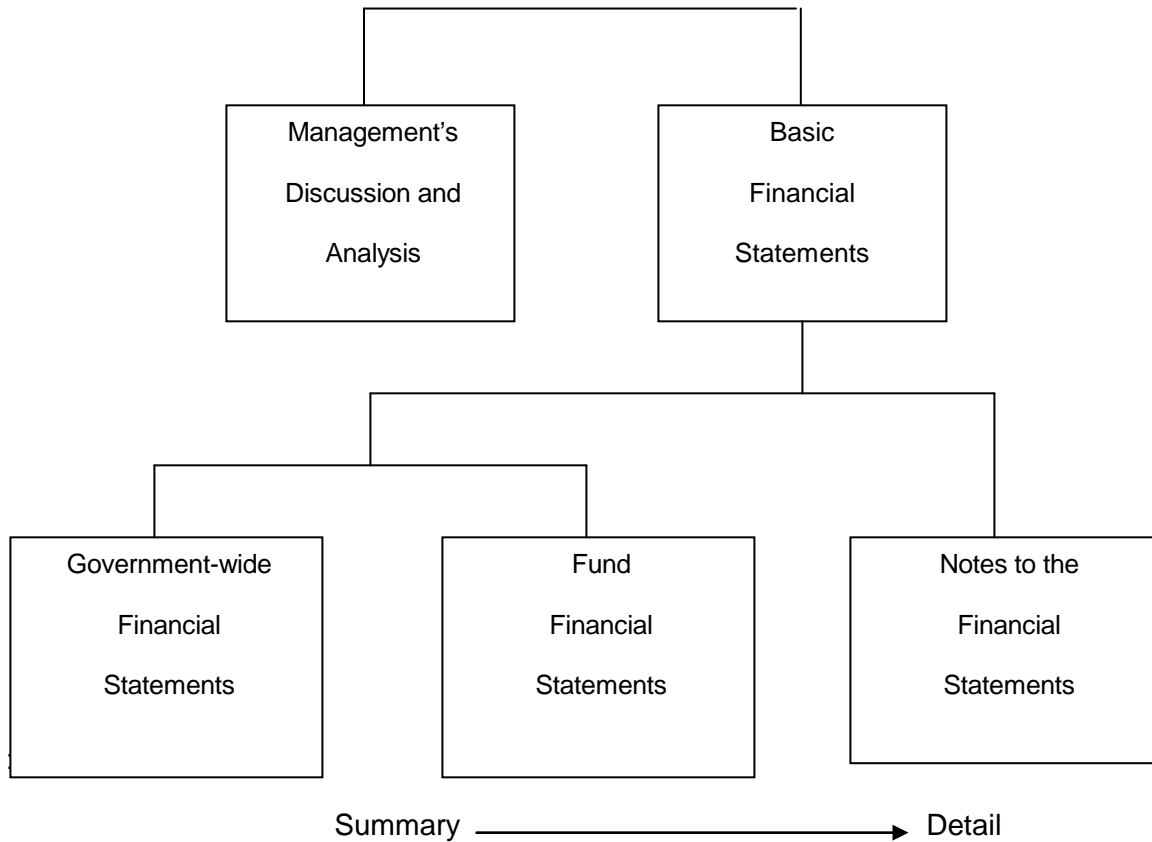
Financial Highlights

- The assets and deferred outflows of resources of Foxfire Village exceeded its liabilities at the close of the fiscal year by \$3,690,565 (*net position*).
- The government's total net position increased by \$311,681, primarily due to revenues exceeding expenditures.
- As of the close of the current fiscal year, Foxfire Village's governmental funds and activities reported ending fund balance of \$1,256,678, a decrease of \$209,909 in comparison with the prior year. Approximately 56.0 percent of this total amount or \$703,602 is available for spending at the government's discretion. In 2016, the Village Council adopted a resolution establishing a fund balance policy that the Village should maintain a minimum fund balance of 35 to 40 percent of budgeted general fund expenses. Based on budgeted expenses for FYE 2016-2017 of \$1,007,100, the required working capital balance is \$402,840. As outlined in the Fund Balance Policy, funds exceeding 40 percent of the next year's budgeted expenditures shall be transferred to the Capital Reserve fund, or another restricted fund, at the discretion of the Council.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$703,602, or 57.1 percent of total general fund expenditures for the fiscal year.
- Foxfire Village's total debt decreased by \$492,154 (26.6%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Foxfire Village's basic financial statements. The Village's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Village 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 Foxfire Village.

Required Components of Annual Financial Report



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Village's financial status.

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Village'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 Village'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 Village'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 Village's financial status as a whole.

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

The government-wide statements describe governmental activities and include most of the Village's basic services such as public safety, streets, and general administration. Property taxes, sales and other taxes, and state funding finance most of these activities

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the Village'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. Foxfire Village, 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 Village's budget ordinance. Foxfire Village has one fund category, the governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Village'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 Village'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.

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

Proprietary Funds – Foxfire Village has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Foxfire Village uses an enterprise fund to account for its water activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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 20-37 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information.

Government-Wide Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Village as a whole.

Foxfire Village's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 1,288,141	\$ 1,504,307	\$ 758,331	\$ 694,974	\$ 2,046,472	\$ 2,199,281
Capital assets	2,005,188	2,006,293	1,077,951	1,114,239	3,083,139	3,120,532
Deferred outflows of resources	49,924	45,880	5,962	7,358	55,886	53,238
Total assets and deferred outflows of resources	<u>3,343,253</u>	<u>3,556,480</u>	<u>1,842,244</u>	<u>1,816,571</u>	<u>5,185,497</u>	<u>5,373,051</u>
Long-term liabilities outstanding	953,280	1,389,867	245,252	306,487	1,198,532	1,696,354
Other liabilities	205,739	188,434	64,859	54,656	270,598	243,090
Deferred inflows of resources	23,866	47,018	1,936	7,705	25,802	54,723
Total liabilities and deferred inflows of resources	<u>1,182,885</u>	<u>1,625,319</u>	<u>312,047</u>	<u>368,848</u>	<u>1,494,932</u>	<u>1,994,167</u>
Net position						
Net investments in capital assets	1,226,167	919,103	824,471	815,952	2,050,638	1,735,055
Restricted	87,950	88,083	25,000	-	112,950	88,083
Unrestricted	<u>846,251</u>	<u>923,975</u>	<u>680,726</u>	<u>631,771</u>	<u>1,526,977</u>	<u>1,555,746</u>
Total net position	<u>\$ 2,160,368</u>	<u>\$ 1,931,161</u>	<u>\$ 1,530,197</u>	<u>\$ 1,447,723</u>	<u>\$ 3,690,565</u>	<u>\$ 3,378,884</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 Foxfire Village exceeded liabilities and deferred inflows by \$3,690,565 as of June 30, 2016. The Village's net position increased by \$311,681 for the fiscal year ended June 30, 2016. A large portion, 55.6%, reflects the Village's net investments in capital assets. Foxfire Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Foxfire Village's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of \$112,950 and \$1,526,977 is restricted and unrestricted net position, respectively.

Foxfire Village's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 32,655	\$ 35,849	\$ 232,965	\$ 222,407	\$ 265,620	\$ 258,256
Operating grants and contributions	250	100	-	-	250	100
Capital grants and contributions	42,548	42,273	-	-	42,548	42,273
General revenues:						
Property taxes	613,487	586,645	-	-	613,487	586,645
Other taxes	-	2,587	-	-	-	2,587
Grants and contributions not restricted to specific programs	326,174	301,124	-	-	326,174	301,124
Other	5,153	9,703	2,599	1,843	7,752	11,546
Total revenues	<u>1,020,267</u>	<u>978,281</u>	<u>235,564</u>	<u>224,250</u>	<u>1,255,831</u>	<u>1,202,531</u>
Expenses:						
General government	186,515	159,561	-	-	186,580	159,561
Public safety	295,789	310,528	-	-	295,724	310,528
Transportation	135,462	177,857	-	-	135,462	177,857
Culture and recreation	121,017	64,893	-	-	121,017	64,893
Outside services	38	427	-	-	38	427
Interest on long-term debt	52,239	56,729	-	-	52,239	56,729
Water and sewer	-	-	153,090	160,668	153,090	160,668
Total expenses	<u>791,060</u>	<u>760,995</u>	<u>153,090</u>	<u>160,668</u>	<u>944,150</u>	<u>921,663</u>
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	229,207	217,286	82,474	63,582	311,681	280,868
Net position, beginning, as previously reported	<u>1,931,161</u>	<u>1,739,763</u>	<u>1,447,723</u>	<u>1,388,674</u>	<u>3,378,884</u>	<u>3,128,437</u>
Restatement	-	(25,888)	-	(4,533)	-	(30,421)
Net position, beginning, restated	1,931,161	1,713,875	1,447,723	1,384,141	3,378,884	3,098,016
Net position, ending	<u>\$ 2,160,368</u>	<u>\$ 1,931,161</u>	<u>\$ 1,530,197</u>	<u>\$ 1,447,723</u>	<u>\$ 3,690,565</u>	<u>\$ 3,378,884</u>

Governmental activities: Governmental activities increased the Village's overall net position by \$311,681. Of this increase, \$229,207 resulted from Governmental activities and \$82,474 from Business-type activities. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Increased efforts to maximize tax collections also contributed to the favorable net position.

Financial Analysis of the Village's Funds

As noted earlier, Foxfire Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Foxfire Village's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Foxfire Village'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 Foxfire Village. At the end of the current fiscal year, Foxfire Village's fund balance available in the General Fund was \$703,602, while total fund balance reached \$1,256,678. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 57.1 percent of total General Fund expenditures, while total fund balance represents 101.9 percent of that same amount. The Village Council has established by policy that the Village should maintain a minimum unassigned fund balance of 35-40% of budgeted general fund expenses.

General Fund Budgetary Highlights: During the fiscal year, the Village revised the budget on several occasions. 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.

Revenues were more than the budgeted amounts primarily because of collection of delinquent property taxes and sales tax revenue. In addition, expenditures were held in check and the Village was able to comply with its budgetary requirements.

Proprietary Funds. Foxfire Village's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$680,726. The total increase in net position was \$82,474. Other factors concerning the finances of these two funds have already been addressed in the discussion of Foxfire Village's business-type activities.

Capital Asset and Debt Administration

Capital assets. Foxfire Village's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totals \$3,083,139 (net of accumulated depreciation). These assets include buildings, land, equipment and vehicles.

Financial Analysis of the Village's Funds (continued)

A police vehicle was the only asset addition during the year.

Foxfire Village's Capital Assets

(Net of depreciation)

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Land and construction in progress	\$ 1,723,436	\$ 191,498	\$ 1,914,934
Buildings	155,548	-	155,548
Improvements	95,968	-	95,968
Plant and water distribution system	-	852,260	852,260
Vehicles and motorized equipment	30,147	-	30,147
Other equipment	<u>89</u>	<u>34,193</u>	<u>34,282</u>
Total	<u>\$ 2,005,188</u>	<u>\$ 1,077,951</u>	<u>\$ 3,083,139</u>

Additional information on the Village's capital assets can be found on page 26 of the Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of Foxfire Village

- Increased residential construction occurred during the year. Applications for building permits increased. There was a decrease in new home construction in fiscal year end June 30, 2016.
- A large golf course community planned for an area annexed by the Village has been delayed by the current local and national economy.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities: The Village has approved a \$1,007,100 General fund budget for fiscal year 2017. This is a decrease of 26.7% from the prior year. The property tax rate for fiscal year 2017 has remained at 38 cents per \$100 of assessed valuation.

Requests for Information

This report is designed to provide an overview of the Village'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 the Finance Officer, Foxfire Village, 1 Town Hall Drive, Foxfire Village, North Carolina 27281.

FOXFIRE VILLAGE, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2016

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,227,248	\$ 733,582	\$ 1,960,830
Taxes receivables (net)	10,048	-	10,048
Accounts receivable (net)	-	23,846	23,846
Prepaid expenses	2,053	75	2,128
Due from other governments	48,792	828	49,620
Total current assets	<u>1,288,141</u>	<u>758,331</u>	<u>2,046,472</u>
Capital assets			
Land, non-depreciable improvements and construction in progress	1,723,436	191,498	1,914,934
Other capital assets, net of depreciation	281,752	886,453	1,168,205
Total capital assets	<u>2,005,188</u>	<u>1,077,951</u>	<u>3,083,139</u>
Total assets	<u>\$ 3,293,329</u>	<u>\$ 1,836,282</u>	<u>\$ 5,129,611</u>
DEFERRED OUTFLOWS OF RESOURCES			
Assessments	39,158	5,038	44,196
Contributions to pension plan in current fiscal year	10,766	924	11,690
Total deferred outflows of resources	<u>49,924</u>	<u>5,962</u>	<u>55,886</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 59,280	\$ 2,881	\$ 62,161
Customer deposits	-	24,233	24,233
Compensated absences	9,176	1,679	10,855
Installment notes payable - current	137,283	\$ 36,066	173,349
Total current liabilities	<u>205,739</u>	<u>\$ 64,859</u>	<u>270,598</u>
Non-current liabilities			
Compensated absences	9,177	1,679	10,856
Installment notes payable	944,103	243,573	1,187,676
Total non-current liabilities	<u>953,280</u>	<u>245,252</u>	<u>1,198,532</u>
Total liabilities	<u>\$ 1,159,019</u>	<u>\$ 310,111</u>	<u>\$ 1,469,130</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	1,293	-	1,293
Pension deferrals	10,338	887	11,225
Net pension liability	12,235	1,049	13,284
Total deferred inflows of resources	<u>23,866</u>	<u>1,936</u>	<u>25,802</u>
NET POSITION			
Net investments in capital assets	\$ 1,226,167	824,471	2,050,638
Restricted for:			
Stabilization by State Statute	87,950	-	87,950
Future well reserve	-	25,000	25,000
Unrestricted	846,251	680,726	1,526,977
Total net position	<u>\$ 2,160,368</u>	<u>\$ 1,530,197</u>	<u>\$ 3,690,565</u>

FOXFIRE VILLAGE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 186,515	\$ 12,366	\$ -	\$ -	\$ (174,149)	\$ -	\$ (174,149)
Public safety	295,789	279	-	-	(295,510)	-	(295,510)
Transportation	135,462	-	-	42,548	(92,914)	-	(92,914)
Cultural and recreational	121,017	20,010	250	-	(100,757)	-	(100,757)
Outside services	38	-	-	-	(38)	-	(38)
Interest on long-term debt	52,239	-	-	-	(52,239)	-	(52,239)
Total governmental activities	<u>791,060</u>	<u>32,655</u>	<u>250</u>	<u>42,548</u>	<u>(715,607)</u>	<u>-</u>	<u>(715,607)</u>
Business-type activities							
Water and sewer	153,090	232,965	-	-	-	79,875	79,875
Total primary government	<u>\$ 944,150</u>	<u>\$ 265,620</u>	<u>\$ 250</u>	<u>\$ 42,548</u>	<u>(715,607)</u>	<u>79,875</u>	<u>(635,732)</u>
General revenues							
Taxes							
Property taxes, levied for general purposes					613,487	-	613,487
Grants and contributions, not restricted to specific programs					326,174	-	326,174
Unrestricted investment earnings					417	202	619
Miscellaneous					4,736	2,397	7,133
Total general revenues and transfers					<u>944,814</u>	<u>2,599</u>	<u>947,413</u>
Change in net position					229,207	82,474	311,681
Net position, beginning, as previously reported					1,931,161	1,447,723	3,378,884
Net position, ending					<u>\$ 2,160,368</u>	<u>\$ 1,530,197</u>	<u>\$ 3,690,565</u>

FOXFIRE VILLAGE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

Exhibit 3

	<u>Major Fund</u> <u>General</u>
ASSETS	
Cash and cash equivalents	\$ 1,227,248
Receivables, net	
Taxes	10,048
Prepaid expenses	2,053
Due from other governments	<u>48,792</u>
Total assets	<u>\$ 1,288,141</u>
DEFERRED OUTFLOWS OF RESOURCES	
Assessments	<u>39,158</u>
Total deferred outflows of resources	<u>39,158</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable and accrued liabilities	<u>\$ 59,280</u>
Total liabilities	<u>59,280</u>
DEFERRED INFLOWS OF RESOURCES	
Tax Receivable	10,048
Prepaid taxes	<u>1,293</u>
Total deferred inflows of resources	<u>11,341</u>
Fund balances	
Restricted	
Stabilization by State Statute	87,950
Committed	
Capital improvements	191,179
Debt service	200,019
Assigned	
Streets-future debt	35,928
Subsequent year's expenditures	38,000
Working capital/fund balance policy	402,840
Unassigned	<u>300,762</u>
Total fund balances	<u>1,256,678</u>
Total liabilities, deferred inflows / outflows of resources and fund balances	<u>\$ 1,327,299</u>
Reconciliation of fund balance as reported in the balance sheet - governmental funds with net position - governmental activities	
Fund balance as reported in the balance sheet - governmental funds	\$ 1,256,678
Amounts reported for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	2,005,188
Net pension liability	(12,235)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	10,766
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	10,048
Compensated absences not expected to be materially liquidated with expendable available resources	(18,353)
Long-term liabilities, principally installment purchases and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds	(1,081,386)
Pension related deferrals	<u>(10,338)</u>
Net position of governmental activities	<u>\$ 2,160,368</u>

FOXFIRE VILLAGE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

Exhibit 4

	<u>Major Fund</u>
	<u>General</u>
REVENUES	
Ad valorem taxes	\$ 616,426
Unrestricted intergovernmental	326,174
Restricted intergovernmental	42,548
Permits and fees	12,366
Sales and services	20,539
Investment earnings	417
Miscellaneous	<u>4,736</u>
Total revenues	<u>1,023,206</u>
EXPENDITURES	
Current	
General government	175,663
Public safety	308,780
Transportation	135,462
Cultural and recreational	124,444
Outside services	38
Debt service	
Principal retirement	436,489
Interest and other charges	<u>52,239</u>
Total expenditures	<u>1,233,115</u>
Net change in fund balances	(209,909)
Fund balances, beginning	<u>1,466,587</u>
Fund balances - ending	<u>\$ 1,256,678</u>

FOXFIRE VILLAGE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

Exhibit 5

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

Net changes in fund balances - total governmental funds \$ (209,909)

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. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal

Capital outlay	29,778
Depreciation	(30,883)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	4,044
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Taxes including interest and penalties	(2,939)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Compensated absences	(1,389)
Pension expense	4,016

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

436,489

Total change in net position of governmental activities	<u>\$ 229,207</u>
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FOXFIRE VILLAGE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2016

Exhibit 6

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 592,000	\$ 592,000	\$ 616,426	\$ 24,426
Unrestricted intergovernmental	280,000	280,000	326,174	46,174
Restricted intergovernmental	41,000	41,000	42,548	1,548
Permits and fees	5,000	5,000	12,366	7,366
Sales and services	14,900	15,100	20,539	5,439
Investment earnings	900	200	417	217
Miscellaneous	-	500	4,736	4,236
Total revenues	<u>933,800</u>	<u>933,800</u>	<u>1,023,206</u>	<u>89,406</u>
EXPENDITURES				
Current				
General government	188,840	204,910	175,663	29,247
Public safety	336,390	336,390	308,780	27,610
Transportation	152,200	152,200	135,462	16,738
Cultural and recreational	81,430	138,400	124,444	13,956
Outside services	2,540	2,500	38	2,462
Capital outlay	-	-	-	-
Debt service				
Principal retirement	135,000	435,900	436,489	(589)
Interest and other charges	53,900	53,000	52,239	761
Total expenditures	<u>950,300</u>	<u>1,323,300</u>	<u>1,233,115</u>	<u>90,185</u>
Revenues over (under) expenditures	(16,500)	(389,500)	(209,909)	179,591
Other financing sources (uses)				
Transfer to capital reserve	(50,000)	(50,000)	-	(50,000)
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>100,000</u>
Fund balance appropriated	66,500	439,500	-	439,500
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(209,909)	<u>\$ (209,909)</u>
Fund balances - beginning			1,466,587	
Fund balances - ending			<u>\$ 1,256,678</u>	

FOXFIRE VILLAGE, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2016

Exhibit 7

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 733,582
Accounts receivable (net)	23,846
Assessments	5,038
Due from other governments	828
Prepaid expenses	75
Total current assets	<u>763,369</u>
Noncurrent assets	
Net pension asset	-
Capital assets	
Land, non-depreciable improvements and construction in progress	191,498
Other capital assets, net of depreciation	886,453
Total capital assets, net	<u>1,077,951</u>
Total assets	<u>\$ 1,841,320</u>
DEFERRED OUTFLOWS OF RESOURCES	
Contributions to pension plan in current fiscal year	<u>924</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 2,881
Customer deposits	24,233
Compensated absences payable - current	1,679
Notes payable - current	36,066
Total current liabilities	<u>64,859</u>
Noncurrent liabilities	
Other noncurrent liabilities	
Compensated absences payable - noncurrent	1,679
Notes payable - noncurrent	243,573
Total noncurrent liabilities	<u>245,252</u>
Total liabilities	<u>310,111</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	887
Net pension liability	1,049
Total deferred inflows of resources	<u>1,936</u>
NET POSITION	
Net investment in capital assets	824,471
Restricted Future well reserve	161,076
Unrestricted	544,650
Total net position	<u>\$ 1,530,197</u>

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

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FOXFIRE VILLAGE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2016

Exhibit 8

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 219,915
Water and sewer taps	<u>13,050</u>
Total operating revenues	<u>232,965</u>
OPERATING EXPENSES	
Water treatment and distribution	90,489
Depreciation and amortization	<u>50,399</u>
Total operating expenses	<u>140,888</u>
Operating income	<u>92,077</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	202
Miscellaneous revenue	2,397
Interest and other charges	<u>(12,202)</u>
Total nonoperating revenues (expenses), net	<u>(9,603)</u>
Change in net position	82,474
Total net position, beginning	<u>1,447,723</u>
Total net position, ending	<u>\$ 1,530,197</u>

FOXFIRE VILLAGE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2016

	Business-Type Activities
	<u>Enterprise Fund</u>
	Water Fund
	<u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 233,665
Cash paid for goods and services	(47,838)
Cash paid to or on behalf of employees for services	(42,668)
Customer deposits received	4,560
Customer deposits returned	<u>(2,769)</u>
Net cash provided by operating activities	<u>144,950</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on bonds, notes and capital leases	(55,665)
Interest paid on bonds, notes and capital leases	(12,202)
Acquisition and construction of capital assets	(14,111)
Miscellaneous revenue	2,397
Collection on assessments	<u>1,143</u>
Net cash (used) by capital and related financing activities	<u>(78,438)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>202</u>
Net increase in cash and cash equivalents	66,714
Balances, beginning	<u>666,868</u>
Balances, ending	<u>\$ 733,582</u>

FOXFIRE VILLAGE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2016

	Business-Type Activities
	<u>Enterprise Fund</u>
	Water and <u>Sewer Fund</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ <u>92,077</u>
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation	50,399
Changes in assets and liabilities	
Decrease in accounts receivable	700
(Increase) in due from other governments	(317)
Increase in prepaid items	(75)
Increase in accounts payable and accrued liabilities	2,721
Increase in customer deposits	1,791
Increase in compensated absences payable	121
Decrease in net pension asset	3,049
(Increase) Decrease in deferred outflows of resources-pensions	253
Increase in net pension liability	1,049
Increase (Decrease) in deferred inflows of resources-pensions	<u>(6,818)</u>
Total adjustments	<u>52,873</u>
Net cash provided by operating activities	<u>\$ 144,950</u>

FOXFIRE VILLAGE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Foxfire Village, North Carolina and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

Foxfire Village, North Carolina, is a municipal corporation which is governed by a five-member Council, mayor elected by the Council. As required by generally accepted accounting principles, these financial statements present the Village and its component unit, a legally-separate entity for which the Village is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Village's financial statements in order to emphasize that it is legally separate from the Village.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Village. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Village and for each function of the Village'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 Village's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Village reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Village. 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 grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and recreation services.

The Village reports the following major enterprise fund:

Water Fund - This fund is used to account for the Village's water operations. The Village maintains a water capital projects fund which is consolidated with the water fund in the basic financial statements

FOXFIRE VILLAGE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary fund 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 Village 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village enterprise funds are charges to customers for sales and services. The Village recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 Village 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. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2015 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

FOXFIRE VILLAGE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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 Village are recognized as revenue. Sales taxes are considered a shared revenue for Foxfire Village because the tax is levied by Moore 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. Under the terms of grant agreements, the Village funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Village's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Village's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general and enterprise funds. All annual appropriations lapse at fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund. The governing Village Council must approve all amendments. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing Village Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Statement of Cash Flows

All cash and investments of the enterprise funds are maintained in cash and investment pools. Funds are available on demand from the pools. Accordingly, all cash and investments are considered cash and cash equivalents in the statement of cash flows.

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

Deposits and Investments

All deposits of the Village are made in Village Council-designated official depositories and are secured as required by state law [G.S. 159-31]. The Village may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Village 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 Village 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

Cash and Cash Equivalents

The Village pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**FOXFIRE VILLAGE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, Deferred Outflows / Inflows of Resources and Fund Equity (Continued)

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Village levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2015.

Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated and is determined primarily by the age of the receivable and management's opinion of its collectability.

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: Buildings, improvements, furniture and equipment, and vehicles, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. 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. General infrastructure capitalization cost is \$100,000. 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>
Buildings	50
Infrastructure	30
Improvements	20
Vehicles	4
Furniture and equipment	10
Computer equipment	3

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 Village has two items that meet this criterion, assessments and contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Village has several items that meet the criterion for this category - prepaid taxes, taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

**FOXFIRE VILLAGE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, Deferred Outflows / Inflows of Resources and Fund Equity (Continued)

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities or proprietary fund type statement of net position.

Compensated Absences

The vacation policies of the Village provides for the accumulation of up to forty (40) days earned vacation leave with such leave being fully vested when earned. For the Village's government-wide and proprietary fund, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Village has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Village's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Village has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of three 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:

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)).

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Committed fund balance – Capital improvements portion of fund balance that can only be used for capital improvement purposes. Any change or removal of specific purpose requires majority action by the 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.

**FOXFIRE VILLAGE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, Deferred Outflows / Inflows of Resources and Fund Equity (Continued)

Assigned fund balance – portion of fund balance that the Village of Foxfire intends to use for specific purposes.

Transportation-future debt – a portion of fund balance that is assigned for future debt payments in the transportation department.

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

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

The Village of Foxfire has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Village funds, Village funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Village.

G. Other

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

H. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Foxfire Village's employer contributions are recognized when due and Foxfire Village has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

All the deposits of the Village 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 Village'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 Village, these deposits are considered to be held by the Village's agents in their names. The amount of the pledged collateral is based on an approved averaging method for noninterest 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 Village or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Village under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows.

FOXFIRE VILLAGE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

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 Village 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 Village complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Village has no formal policy regarding custodial credit risk for deposits.

At June 30, 2016, the Village's deposits had a carrying amount of \$1,960,830 and a bank balance of \$1,981,759. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,731,759 was covered by collateral held under the pooling method.

Receivables

Due from Other Governmental Agencies

At June 30, 2016, funds due from other governmental agencies consisted of the following:

	<u>Governmental Activities</u>	
	<u>General</u>	<u>Enterprise</u>
	<u>Fund</u>	<u>Fund</u>
State:		
Local option sales tax	\$ 39,624	\$ -
Sales and gas tax refunds	4,528	828
Moore County	<u>4,640</u>	<u>-</u>
Total	\$ 48,792	\$ 828

Assessments

Water system and Street assessments – In connection with construction of additional water lines and road improvements, the Village assessed property owners for the cost of making water available and road construction.

Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Beginning</u>			<u>Ending</u>
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$1,723,436	\$ -	\$ -	\$1,723,436
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,723,436</u>	<u>-</u>	<u>-</u>	<u>1,723,436</u>
Capital assets being depreciated				
Buildings	287,390	-	-	287,390
Other improvements	170,924	-	-	170,924
Equipment	92,419	-	-	92,419
Vehicles and motorized equipment	<u>111,817</u>	<u>29,769</u>	<u>23,458</u>	<u>118,128</u>
Total capital assets being depreciated	<u>662,550</u>	<u>29,769</u>	<u>23,458</u>	<u>668,861</u>
Less accumulated depreciation				
Buildings	124,198	7,644	-	131,842
Other improvements	67,067	7,889	-	74,956
Equipment	89,260	3,070	-	92,330
Vehicles and motorized Equipment	<u>99,168</u>	<u>12,280</u>	<u>23,467</u>	<u>87,981</u>
Total accumulated depreciation	<u>\$ 379,693</u>	<u>\$ 30,883</u>	<u>\$ 23,467</u>	<u>387,109</u>
Total capital assets being depreciated, net	<u>282,857</u>			<u>281,752</u>
Governmental activity capital assets, net	<u>\$2,006,293</u>			<u>\$2,005,188</u>

FOXFIRE VILLAGE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

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

General government	\$ 4,951
Public safety	16,787
Cultural and recreational	<u>9,145</u>
Total depreciation expense	<u>\$30,883</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 191,498	\$ -	\$ -	\$ 191,498
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>191,498</u>	<u>-</u>	<u>-</u>	<u>191,498</u>
Capital assets being depreciated				
Plant and distribution system	1,774,139	7,115	-	1,781,254
Vehicles and motorized equipment	14,219	-	-	14,219
Other equipment	<u>108,506</u>	<u>6,996</u>	<u>-</u>	<u>115,502</u>
Total capital assets being depreciated	<u>1,896,864</u>	<u>14,111</u>	<u>-</u>	<u>1,910,975</u>
Less accumulated depreciation				
Plant and distribution system	887,554	41,440	-	928,994
Vehicles and motorized equipment	14,219	-	-	14,219
Other equipment	<u>72,350</u>	<u>8,959</u>	<u>-</u>	<u>81,309</u>
Total accumulated depreciation	<u>974,123</u>	<u>\$ 50,399</u>	<u>\$ -</u>	<u>1,024,522</u>
Total capital assets being depreciated, net	<u>922,741</u>			<u>886,453</u>
Business-type activity capital assets, net	<u>\$ 1,114,239</u>			<u>\$ 1,077,951</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. Foxfire Village is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**FOXFIRE VILLAGE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Foxfire Village employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Foxfire Village's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.76% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from Foxfire Village were \$11,690 for the year ended June 30, 2016.

Refunds of Contributions – Village employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Village reported a liability of \$13,284 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Village's proportion of the net pension asset was based on a projection of the Village's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension

**FOXFIRE VILLAGE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2016**

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Village's proportion was 0.0347%, which was a decrease of 0.00051% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Village recognized pension expense of \$4,835. At June 30, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,124
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,782
Changes in proportion and differences between Village contributions and proportionate share of contributions	-	4,319
Village contributions subsequent to the measurement date	11,690	-
Total	<u>\$ 11,690</u>	<u>\$ 11,225</u>

\$9,706 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 5,637
2018	5,637
2019	5,628
2020	(5,677)
2021	-
Thereafter	-
Total	<u>\$ 11,225</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

FOXFIRE VILLAGE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2015 to be effective July 1, 2015. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent,

FOXFIRE VILLAGE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

1% Decrease <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
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Foxfire Village's proportionate share of the net pension liability (asset)	\$	92,631	\$	13,284	\$ (53,564)
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Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Village is required to contribute at an actuarially determined rate. For the Village, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.76% and 7.15%, respectively, of annual covered payroll. The contribution requirements of members and of Foxfire Village are established and may be amended by the North Carolina General Assembly. The Village's contributions to LGERS for the years ended June 30, 2016, 2015, and 2014 were \$11,690, \$15,798 and \$11,767, respectively. The contributions made by the Village equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

Plan Description

Foxfire Village, NC administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Village's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Village are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>2</u>
Total	<u>2</u>

FOXFIRE VILLAGE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

Summary of Significant Accounting Policies

Basis of Accounting. The Village has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions

The Village is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Village's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The Village has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Village contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and Village Council of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Village. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Village to contribute each month an amount equal to five percent of law enforcement officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$3,472, which consisted of \$3,472 from the Village and \$-0- from law enforcement officers.

The Village has also elected for all permanent full-time employees not engaged in law enforcement to be covered under the Supplemental Retirement Income Plan. The Village contributes 5% of employee's monthly compensation to the plan, and the employees may make voluntary contributions. Total contributions for the year ended June 30, 2016 for employees were \$7,268, which consisted of \$4,868 from the Village and \$2,400 from employees.

FOXFIRE VILLAGE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Other Employment Benefits

The Village has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Village has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Village considers the contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The Village had several deferred outflows of resources. Deferred outflows of resources is comprised on the following:

<u>Source</u>	<u>Amount</u>
Contribution to pension plan in current fiscal year (General)	\$ 10,766
Contribution to pension plan in current fiscal year (Business Type)	924
Total	<u>\$ 11,690</u>

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

Taxes receivable, net (General)	\$ 10,048
Prepaid Tax, net (General)	1,293
Pension deferrals (General)	10,338
Assessments (General)	44,195
Pension on deferral (Business Type)	887

4. Risk Management

The Village 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 Village participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Village obtains general liability, auto liability, police professional and public official's liability coverage of \$3 million per occurrence, property coverage up to \$1,503,288 and workers' compensation and employee benefit liability coverage up to \$1 million. No flood insurance is held by the Village since no Village property is in a flood plain.

In accordance with G.S. 159-29, the Village employees that have access to \$100 or more at any given time of the Village's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are individually bonded for \$50,000 and \$10,000 each respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

The Village carries commercial coverage 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 fiscal years.

FOXFIRE VILLAGE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

5. Long-Term Obligations

a. Promissory Note Payable – Park facility debt

On July 13, 2006, the Village executed a promissory note payable to BB&T to help finance the Village Green Project. Effective July 1, 2016 the Village refinanced this note with First Bank and the following terms are noted:

The note requires five annual payments of \$20,995 plus interest at a fixed rate of 2.35%. The schedule date for final repayment is August 3, 2020. The financing agreement and deed of trust describes security for this financing as “Being all of Lot 14, a 50.01 acre tract and all of that parcel of land designated as Lot 63, Phase 1 of Foxfire Golf and Country Club and all improvements and fixtures on this site.”

Annual requirements to retire this debt are as follows:

Year Ending June 30	Principle	Interest	Total
2017	\$ 20,793	\$ 202	\$ 20,995
2018	19,108	1,887	20,995
2019	19,563	1,432	20,995
2020	20,029	966	20,995
2021	<u>20,507</u>	<u>489</u>	<u>20,996</u>
Total	\$100,000	\$ 4,976	\$104,976

b. Private placement installment purchase contract – Paving/Utilities

On April 3, 2009 the Village executed a financing agreement and deed of trust with Branch Banking and Trust Company to finance the Woodland Circle street paving and water extension project. The note was refinanced on April 3, 2013, requiring 15 annual principal payments of \$126,502 plus interest at the annual rate of 3.19%. The scheduled date for final payment is June, 2027. The Deed of Trust (Mortgaged Property) is described in the financing agreement as all the Village’s right title and interest in the Woodland Circle extension from approximately Dogwood Court to the intersection of Lowell Court and Eagle Drive, including approximately 7,122 linear feet of residential subdivision roadway and associated storm drains and approximately 7,080 linear feet of waterline.

Requirements to retire this debt are as follows:

Year End June 30	<u>Governmental Activities</u>			<u>Business Type Activities</u>			<u>Total</u>	
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
2017	\$ 116,490	\$ 40,876	\$ 157,366	\$ 10,012	\$ 3,513	\$ 13,525	\$ 126,502	\$ 44,389
2018	116,490	37,160	153,650	10,012	3,194	13,206	126,502	40,354
2019	116,490	33,444	149,934	10,012	2,875	12,887	126,502	36,319
2020	116,490	29,700	146,190	10,012	2,583	12,595	126,502	32,283
2021	116,490	26,013	142,503	10,012	2,235	12,247	126,502	28,248
2022-2028	<u>398,936</u>	<u>78,037</u>	<u>476,973</u>	<u>34,843</u>	<u>6,706</u>	<u>41,549</u>	<u>433,779</u>	<u>84,743</u>
Total	\$ <u>981,386</u>	\$ <u>245,230</u>	\$ <u>1,226,616</u>	\$ <u>84,903</u>	\$ <u>21,106</u>	\$ <u>106,009</u>	\$ <u>1,066,289</u>	\$ <u>266,336</u>

FOX FIRE VILLAGE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

5. Long-Term Obligations (Continued)

c. Promissory Note Payable – Water and Well Project

On July 23, 2008, the Village executed a promissory note payable to BB&T to finance the Hoffman road well project. Effective July 1, 2016 the Village refinanced this note with First Bank and the following terms are noted:

The note requires seven annual principal payments of \$26,448 including interest at a fixed rate of 2.35%, and is secured by a first lien security interest on 2643 Hoffman Road well site and a UCC filing on all pipes, valves, and fittings associated with the project. The scheduled date for final repayment is August 1, 2023.

Annual requirements to retire this debt are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 26,054	\$ 394	\$ 26,448
2018	22,429	4,019	26,448
2019	22,963	3,485	26,448
2020	23,510	2,938	26,448
2021	24,071	2,377	26,448
2022-2023	<u>75,709</u>	<u>3,636</u>	<u>79,345</u>
Total	<u>\$ 194,736</u>	<u>\$16,849</u>	<u>\$ 211,585</u>

d. Changes in long-term liabilities

The following is a summary of changes in the Village's long-term debt for the year ended June 30, 2016:

	<u>Bal. July 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Bal. June 30, 2016</u>	<u>Current Portion</u>
Governmental Activities:					
Village Green Obligation	\$ 120,000	\$ -	\$ 20,000	\$ 100,000	\$ 20,793
Paving/Utilities	1,397,875	-	416,489	981,386	116,490
Net pension liability (LGERs)	-	17,639	-	17,639	-
Compensated absences	16,964	8,129	6,740	18,353	9,176
Total	<u>\$1,534,839</u>	<u>\$25,768</u>	<u>\$443,229</u>	<u>\$ 1,117,378</u>	<u>\$ 146,459</u>
Business-Type Activities:					
Water Well Project	\$ 215,158	\$ -	\$ 20,422	\$ 194,736	\$ 26,054
Paving/Utilities	120,146	-	35,243	84,903	10,012
Net pension liability (LGERs)	-	1,513	-	1,513	-
Compensated absences	3,237	1,396	1,275	3,358	1,679
Total	<u>\$ 338,541</u>	<u>\$ 2,909</u>	<u>\$ 56,940</u>	<u>\$ 284,510</u>	<u>\$ 37,745</u>
Total long-term debt	<u>\$1,873,380</u>	<u>\$28,677</u>	<u>\$500,169</u>	<u>\$ 1,401,888</u>	<u>\$ 184,204</u>

FOXFIRE VILLAGE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Legal Debt Margin

At June 30, 2016, Foxfire Village has a legal debt margin (maximum borrowing ability) of \$11,787,014.

7. Description of Leasing Agreements

The Village leases its Village Hall facilities under an operating lease. The lease commenced on January 1, 2010 and will continue in effect through December 31, 2016. Upon expiration of the lease term, the Village has the right to extend the lease for additional years.

Annual rent for this lease agreement is \$8,850 payable in monthly installments to be adjusted every lease year anniversary by \$25 per month. Rent expense for the year ended June 30, 2016 was \$8,850.

NOTE 3 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. Federal and State Assisted Programs

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

NOTE 4 – NET INVESTMENT IN CAPITAL ASSETS

	Governmental	Business-type
Capital assets	\$ 2,005,188	\$ 1,077,951
less: long-term debt		
Village Green	100,000	-
Well Water Project	-	194,736
Paving Utility Debt *	<u>679,021</u>	<u>58,744</u>
Net investment in capital assets	<u>\$ 1,226,167</u>	<u>\$ 824,471</u>
Current year debt	\$ 981,386	\$ 84,903
	x 69.19%	x 69.19%
	<u>\$ 679,021</u>	<u>\$ 58,744</u>
*Initial Debt	<u>\$ 1,892,345</u>	
Fixed asset component	1,309,421	
Assessment receivable component	<u>582,924</u>	
Debt percentage related to fixed assets	69.19%	

FOXFIRE VILLAGE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 5 – 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>\$1,256,678</u>
Less:	
Stabilization by State Statute	87,950
Subsequent year's expenditures	38,000
Capital Improvements	191,179
Debt service	200,019
Streets future debt	35,928
Working Capital/Fund Balance Policy	402,840
Remaining Fund Balance	300,762

FOXFIRE VILLAGE, NORTH CAROLINA
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Two Fiscal Years *

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>
Foxfire Village's proportion of the net pension liability (asset) (%)	0.00296%	0.00347%
Foxfire Village's proportion of the net pension liability (asset) (\$)	\$ 13,284	\$ (20,464)
Foxfire Village's covered-employee payroll	\$ 169,494	\$ 180,208
Foxfire Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.83%	(11.36%)
Plan fiduciary net position as a percentage of the total pension liability**	91.40%	93.42%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

FOXFIRE VILLAGE, NORTH CAROLINA
Foxfire Village's Contributions
Required Supplementary Information
Last Two Fiscal Years

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 11,690	\$ 7,899
Contributions in relation to the contractually required contribution	11,690	7,899
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 176,882	\$ 180,208
Contributions as a percentage of covered-employee payroll	6.60%	4.38%

FOXFIRE VILLAGE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

Exhibit A-1
Page 1 of 3

	2016		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Ad valorem taxes			
Current year	\$ -	\$ 606,441	\$ -
Prior years	-	7,601	-
Penalties and interest	-	2,384	-
Total	<u>592,000</u>	<u>616,426</u>	<u>24,426</u>
Unrestricted intergovernmental			
Local option sales tax	-	234,646	-
Hold harmless	-	-	-
Utility franchise tax	-	57,492	-
Telecommunications tax	-	4,216	-
Video franchise fee	-	24,951	-
Tax refunds	-	442	-
Beer and wine tax	-	4,333	-
ABC Profit distribution	-	94	-
Total	<u>280,000</u>	<u>326,174</u>	<u>46,174</u>
Restricted intergovernmental			
Powell Bill allocation	<u>41,000</u>	<u>42,548</u>	<u>1,548</u>
Permits and fees			
Building permits	<u>5,000</u>	<u>12,366</u>	<u>7,366</u>
Sales and services			
Pool fees	-	19,905	-
Foxfire merchandise	-	105	-
Park fees	-	250	-
Arrest fees	-	279	-
Total	<u>15,100</u>	<u>20,539</u>	<u>5,439</u>
Investment earnings	<u>200</u>	<u>417</u>	<u>217</u>
Miscellaneous			
Other	-	4,736	-
Total	<u>500</u>	<u>4,736</u>	<u>4,236</u>
Total revenues	<u>933,800</u>	<u>1,023,206</u>	<u>89,406</u>

FOXFIRE VILLAGE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	2016		Variance Positive (Negative)
	Budget	Actual	
Expenditures			
General Government			
General administration			
Salaries and employee benefits	-	103,270	-
Other operating expenditures	-	72,393	-
Total general government	204,910	175,663	29,247
Public Safety			
Police			
Salaries and employee benefits	-	110,803	-
Other operating expenditures	-	38,861	-
Capital outlay	-	29,769	-
Total	205,490	179,433	26,057
Fire			
Other operating expenditures	-	129,347	-
Total	130,900	129,347	1,553
Total public safety	336,390	308,780	27,610
Transportation			
Streets and highways			
Other operating expenditures	-	135,462	-
Total transportation	152,200	135,462	16,738
Cultural and recreation			
Salaries and employee benefits	-	14,605	-
Other operating expenditures	-	109,839	-
Total cultural and recreation	138,400	124,444	13,956
Outside Services			
Other operating expenditures	2,500	38	2,462
Total outside services	2,500	38	2,462

FOXFIRE VILLAGE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	2016		Variance Positive (Negative)
	Budget	Actual	
Debt service			
Principal retirement	-	436,489	-
Interest and fees	-	52,239	-
Total debt service	<u>488,900</u>	<u>488,728</u>	<u>172</u>
Total expenditures	<u>1,323,300</u>	<u>1,233,115</u>	<u>90,185</u>
Revenues over (under) expenditures	<u>(389,500)</u>	<u>(209,909)</u>	<u>179,591</u>
Other financing sources (uses)			
Transfer to capital reserve	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
Fund balance appropriated	<u>439,500</u>	<u>-</u>	<u>(439,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>(209,909)</u>	<u>\$ (309,909)</u>
Fund balance, beginning		<u>1,466,587</u>	
Fund balance, ending		<u>\$ 1,256,678</u>	

	2016		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Charges for services			
Water sales	\$ -	\$ 219,915	\$ -
Water taps	-	13,050	-
Total	<u>233,600</u>	<u>232,965</u>	<u>(635)</u>
Nonoperating revenues			
Interest earnings	-	202	-
Miscellaneous	-	2,397	-
Total	<u>200</u>	<u>2,599</u>	<u>2,399</u>
Total revenues	<u>233,800</u>	<u>235,564</u>	<u>1,764</u>
Expenditures			
Water treatment and distribution			
Salaries and employee benefits	-	42,547	-
Other operating expenditures	-	50,288	-
Total	<u>169,600</u>	<u>92,835</u>	<u>76,765</u>
Capital outlay	-	14,111	(14,111)
Debt service			
Principal retirement	-	55,665	-
Interest and fees	-	12,202	-
Total	<u>68,230</u>	<u>67,867</u>	<u>363</u>
Total expenditures	<u>237,830</u>	<u>174,813</u>	<u>63,017</u>
Revenues (under) expenditures	<u>(4,030)</u>	<u>60,751</u>	<u>64,781</u>
Other financing sources (uses)			
Collection on assessments	<u>3,800</u>	<u>1,143</u>	<u>(2,657)</u>
Total	<u>3,800</u>	<u>1,143</u>	<u>(2,657)</u>
Fund balance appropriated	<u>25,230</u>	-	<u>(25,230)</u>
Revenues and other sources over expenditures and other uses	<u>\$ 25,000</u>	<u>\$ 61,894</u>	<u>\$ 36,894</u>

	2016		Variance Positive (Negative)
	Budget	Actual	
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over expenditures		\$ 61,894	
Reconciling items:			
Principal retirement		55,665	
Depreciation		(50,399)	
Assessments		(1,143)	
Capital outlay		14,111	
Increase in accrued vacation pay		(121)	
Decrease in net pension asset		(3,049)	
Increase in deferral outflows of resources - pensions		(253)	
Increase in net pension liability		(1,049)	
Decrease in deferral inflows of resources - pensions		6,818	
Total reconciling items		20,580	
Change in net position		\$ 82,474	

FOXFIRE VILLAGE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2016

Exhibit C-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2015</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$ -	\$ 611,249	\$ 606,441	\$ 4,808
2014-2015	4,392	-	3,159	1,233
2013-2014	2,975	-	2,096	879
2012-2013	1,666	-	774	892
2011-2012	1,727	-	703	1,024
2010-2011	1,162	-	695	467
2009-2010	465	-	77	388
2008-2009	47	-	-	47
2007-2008	214	-	91	123
2006-2007	187	-	-	187
2005-2006	152	(2)	150	-
	<u>\$ 12,987</u>	<u>\$ 611,247</u>	<u>\$ 614,186</u>	<u>10,048</u>
Less: Allowance for uncollectible accounts General Fund				-
Ad valorem taxes receivable - net				<u>\$ 10,048</u>
Reconciliation with revenues:				
Taxes - ad valorem - General Fund				\$ 616,426
Release of prior year taxes				<u>144</u>
Subtotal				616,570
Less interest collected				<u>(2,384)</u>
Total collections and credits				<u>\$ 614,186</u>

FOXFIRE VILLAGE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
June 30, 2016

Exhibit C-2

	Town-Wide Levy		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current year's rate	\$ 160,857,368	\$.38	\$ 611,258	\$ 568,292	\$ 42,966
Penalties	-		-	-	-
Total	<u>160,857,368</u>		<u>611,258</u>	<u>568,292</u>	<u>42,966</u>
Abatements:	<u>(2,368)</u>	\$.38	<u>(9)</u>	<u>(9)</u>	<u>-</u>
Total property valuation	<u>\$ 160,855,000</u>				
Net levy			611,249	568,283	42,966
Uncollected taxes at June 30, 2016			<u>4,808</u>	<u>4,808</u>	<u>-</u>
Current year's taxes collected			<u>\$ 606,441</u>	<u>\$ 563,475</u>	<u>\$ 42,966</u>
Current levy collection percentage			<u>99.21%</u>	<u>99.15%</u>	<u>100.00%</u>