

**VILLAGE OF MARVIN
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Village Council
Village of Marvin, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Village of Marvin, North Carolina, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village of Marvin, North Carolina, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows, 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because of the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Management has omitted the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employers Contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Marvin's basic financial statements. The budget and actual schedules, and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budget and actual schedules and supplemental ad valorem tax schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **October 29, 2013**, on our consideration of the Village of Marvin's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the Village of Marvin's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, North Carolina
October 29, 2013

Management's Discussion and Analysis

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

Financial Highlights

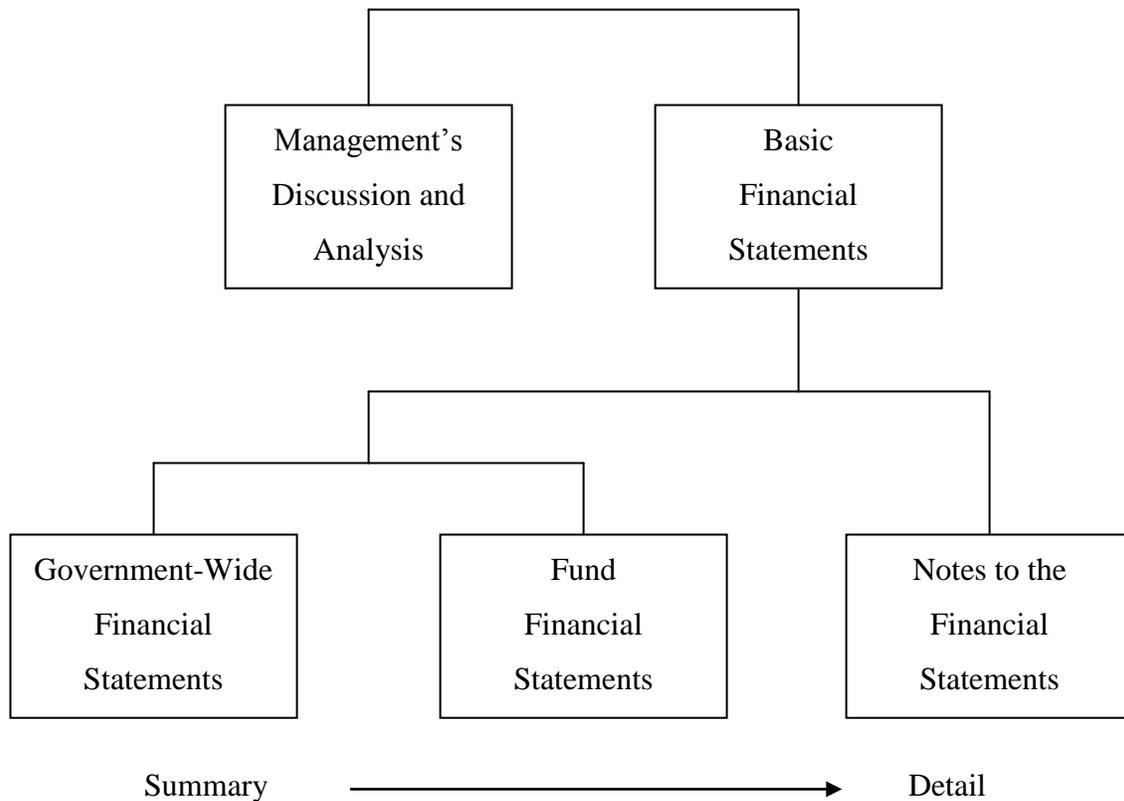
- The assets and deferred outflows of resources of the Village of Marvin exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,219,380 (*net position*).
- The Village's total net position increased by \$788,469 primarily due to increases in the governmental activities.
- As of the close of the current fiscal year, the Village's governmental funds reported ending fund balance of \$1,417,711, an increase of \$691,295 in comparison with the prior year. Approximately 11.4 percent of this amount, or \$162,685, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$159,282.
- The Village of Marvin's total debt decreased by \$107,143 (17.5%) during the current fiscal year as a result of principal payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Marvin'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 (see Figure 1). 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 the Village of Marvin.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through F) 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 three parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund 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 Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The Village has no business-type activities or component units. The governmental activities include all of the Village's basic services such as public safety, parks and recreation, and general administration. Property taxes finance most of these activities.

The government-wide financial statements are on Exhibits A and B 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. The Village of Marvin, 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. The Village has only one fund - the governmental fund. The Village does not have proprietary or fiduciary funds.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Village's services are accounted for in its governmental fund. 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 governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Village of Marvin 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 Board about which services to provide and how to pay for them. It also authorizes the 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.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain other information concerning the Village of Marvin. The Village of Marvin does not have any required supplementary information.

Government-Wide Financial Analysis

Village of Marvin's Net Position

Figure 2

	Governmental Activities	
	2013	2012
Current and other assets	\$ 1,423,255	\$ 749,572
Capital assets	<u>3,303,193</u>	<u>3,311,121</u>
Total assets and deferred outflows of resources	<u>4,726,448</u>	<u>4,060,693</u>
Long-term liabilities	392,857	500,000
Current and other liabilities	114,211	129,782
Total liabilities and deferred inflows of resources	<u>507,068</u>	<u>629,782</u>
Net Position:		
Net investment in capital assets	2,803,193	2,703,978
Restricted	158,391	1,273
Unrestricted	<u>1,257,796</u>	<u>725,660</u>
Total net position	<u>\$ 4,219,380</u>	<u>\$ 3,430,911</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the Village of Marvin exceeded liabilities and deferred inflows by \$4,219,380 as of June 30, 2013. The Village's net position increased by \$788,469 for the fiscal year ended June 30, 2013. Approximately (66.4%) of the Village's net position (\$2,803,193) is net investment in capital assets. This consists primarily of right-of-way easements obtained for greenways and trails, land donated and park land purchased, and a portion of the Marvin Community Loop. The Village of Marvin uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village of Marvin'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. An additional portion of the Village of Marvin's net position \$158,391 (3.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,257,796 is unrestricted.

Several particular aspects of the Village's financial operations reduced the total unrestricted governmental net assets:

- The Village's total debt decreased during the fiscal year by \$107,143 as a result of installment payments made on the \$750,000 loan for the purchase of land for Marvin-Efird Park. There was no additional debt incurred by the Village during the fiscal year.
- The Village's capital assets decreased by \$7,928 as a result of continued development of Marvin-Efird Park, loop construction and furniture and computer equipment purchases.

Village of Marvin's Changes in Net Position

Figure 3

	Governmental Activities	
	2013	2012
Revenues:		
Program revenues:		
Capital grants and contributions	\$ 118,565	\$ -
General revenues:		
Property taxes	534,312	525,636
Other taxes and licenses	631,597	414,317
Investment earnings	34	1,555
Miscellaneous	95,661	31,647
Total revenues	<u>1,380,169</u>	<u>973,155</u>
Expenses:		
General government	366,672	488,099
Public safety	77,387	72,203
Economic and physical development	12,852	9,390
Culture and recreation	119,666	262,381
Interest on long-term debt	15,123	18,029
Total expenditures	<u>591,700</u>	<u>850,102</u>
Increase (decrease) in net position	788,469	123,053
Net position:		
Beginning of year - July 1	<u>3,430,911</u>	<u>3,307,858</u>
End of year - June 30	<u>\$ 4,219,380</u>	<u>\$ 3,430,911</u>

Financial Analysis of the Village's Funds

As noted earlier, the Village of Marvin uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Village has one fund, a governmental fund.

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

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, Village of Marvin's fund balance available in the General Fund was \$1,412,466, while total fund balance reached \$1,417,711. The Village follows the Local Government Commission's recommendation in order to maintain an adequate cash flow in the General Fund. The fund balance available for appropriation should not drop below eight percent (8.0%) of total expenditures. This represents approximately one month's average expenditures. The Village currently has an available fund of 205.17% of General Fund expenditures, while total fund balance represents 205.93% of the same amount.

At June 30, 2013, the General Fund of the Village of Marvin reported total fund balance of \$1,417,711 with a net increase in fund balance of \$691,295.

General Fund Budgetary Highlights. During the fiscal year, the Village made several adjustments to the estimates used to prepare the original budget and reallocated appropriations between budget line items. The Village adopted three budget amendment ordinances during the year. 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; (3) increases in appropriations that become necessary to maintain services.

For the current fiscal year, the revenues far exceeded budgeted revenue due to an unanticipated Utility Franchise Distribution adjustment, and receipt of Powell Bill funds that were not included in the original budget. The North Carolina Department of Revenue reviewed their distribution computations and determined an error in the computation that began in 2002 and continued until 2011. The result was an increase in the current year distribution reflecting accrued distributions that should have been received since 2002. This increase was approximately \$180,000.

Capital Asset and Debt Administration

Capital Assets. The Village of Marvin's investment in capital assets for its governmental activities as of June 30, 2013 totaled \$3,303,193 (net of accumulated depreciation). These assets include land, right-of-way easements, infrastructure (Marvin Community Loop), equipment and structures for Marvin-Efird Park, office furniture, equipment, computer equipment, and a speed radar trailer. During the year, the Village continued to make land and structure improvements with Marvin-Efird Park.

Village of Marvin's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities	
	2013	2012
Land and improvements	\$ 2,178,523	\$ 2,178,523
Leasehold improvements	1,901	1,965
Buildings and improvements	428,359	439,727
Infrastructure	623,400	636,296
Equipment and computer	42,353	39,578
Furniture	12,298	15,032
Construction in progress	16,359	-
Total	\$ 3,303,193	\$ 3,311,121

Additional information on the Village's capital assets can be found in the notes to the basic financial statements.

Long-Term Debt. As of June 30, 2013, the Village of Marvin had total long-term debt of \$500,000.

Village of Marvin's Debt Outstanding

Figure 5

	Governmental Activities	
	2013	2012
Installment purchase	\$ 500,000	\$ 607,143

During the current fiscal year, the Village of Marvin's total debt decreased by \$107,143 (18%) due to payments made on the installment purchase financing agreement to purchase land for the municipal park. Additional information on the Village's long-term debt can be found in the notes to the basic financial statements.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Village of Marvin is \$84,573,760.

Budget Highlights for the Fiscal Year Ending June 30, 2014

The budget for the fiscal year ending June 30, 2014, reflects a full year of anticipated revenues and expenditures. In addition to the General Fund Budget, the Village is in the initial planning stages of a Capital Projects Budget for the purpose of construction of a community center and/or town hall and the expansion of the Marvin loop. The revenues generated during the year will be used to finance programs currently in place as well as park operations, additional development of Marvin-Efird Park, and residential street maintenance relative to .42 miles that were either released from the North Carolina Department of Transportation by Resolution or dedicated right-of-way accepted by the Village Council in May and June 2012.

Claims, Judgments and Contingent Liabilities – None

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, Village of Marvin, 10004 New Town Road, Marvin, North Carolina 28173.

VILLAGE OF MARVIN, NORTH CAROLINA

STATEMENT OF NET POSITION JUNE 30, 2013

	<u>Primary Government Governmental Activities</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,256,176
Restricted cash	157,440
Taxes receivable, net	4,394
Accounts receivable	951
Prepaid items	4,294
Total current assets	<u>1,423,255</u>
Capital assets:	
Land and improvements	2,194,882
Other capital assets, net of depreciation	<u>1,108,311</u>
Total capital assets	<u>3,303,193</u>
Total assets	<u>4,726,448</u>
Liabilities:	
Current liabilities:	
Accrued expenses	1,150
Current portion of long-term liabilities	<u>113,061</u>
Total current liabilities	<u>114,211</u>
Long-term liabilities:	
Due in more than one year	<u>392,857</u>
Total liabilities	<u>507,068</u>
Net Position:	
Net investment in capital assets	2,803,193
Restricted for:	
Stabilization by State statute	951
Streets - Powell Bill	117,609
Road Maintenance Surety Bond	39,831
Unrestricted	<u>1,257,796</u>
Total net position	<u>\$ 4,219,380</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MARVIN, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2013**

	<u>Governmental Fund Type</u>
	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 1,256,176
Restricted cash	157,440
Taxes receivable (net)	4,394
Accounts receivable (net)	951
Prepaid items	4,294
Total assets	<u>\$ 1,423,255</u>
Liabilities:	
Accrued expenses	\$ 1,150
Total liabilities	<u>1,150</u>
Deferred Inflows of Resources:	
Property taxes receivable	<u>4,394</u>
Total deferred inflows of resources	<u>4,394</u>
Fund Balance:	
Non-spendable:	
Prepays	4,294
Restricted:	
Stabilization by State statute	951
Streets - Powell Bill	117,609
Road Maintenance Surety Bond	39,831
Assigned:	
Land Acquisition	542,744
Southwest Regional Library	15,000
Loop Projects	83,000
Capital Asset Replacement	5,000
New Community Center	429,000
Maintenance of Greenway Trails	1,000
Village Signs	20,000
Unassigned	159,282
Total fund balance	<u>1,417,711</u>

**Amounts Reported for Governmental Activities in the Statement of Net Position
(Exhibit A) Are Different Because:**

Total fund balance-governmental funds	1,417,711
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds statement.	3,303,193
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The accompanying notes are an integral part of the financial statements.

Exhibit C

Liabilities for earned revenues considered deferred inflows of resources in fund statements	4,394
Some liabilities, including installment loans, are not due and payable in the current period. and, therefore, are not reported in the funds	<u>(505,918)</u>
Net position of governmental activities	<u>\$ 4,219,380</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MARVIN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2013

	Governmental Fund Type
	General Fund
	<u> </u>
Revenues:	
Ad valorem taxes	\$ 533,867
Unrestricted intergovernmental	631,597
Restricted intergovernmental revenues	118,565
Investment earnings	34
Permits and fees	51,250
Other	<u>44,411</u>
 Total revenues	 <u>1,379,724</u>
Expenditures:	
Current:	
General government	351,251
Public safety	77,387
Economic and physical development	12,852
Culture and recreation	62,113
Capital outlay	62,560
Debt service:	
Principal retirement	107,143
Interest and other charges	<u>15,123</u>
 Total expenditures	 <u>688,429</u>
 Revenues over (under) expenditures	 <u>691,295</u>
 Net change in fund balance	 691,295
Fund Balance:	
Beginning of year - July 1	<u>726,416</u>
 End of year - June 30	 <u>\$ 1,417,711</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MARVIN, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

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

Net change in fund balances total government funds	\$ 691,295
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital outlay expenditures which were capitalized	28,447
Depreciation expense for governmental assets	(35,903)
Cost of capital asset revaluation	(472)
<p>Revenues in the Statements of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Change in unavailable revenue for tax revenues	445
<p>The issuance of long-term debt provides current financial resources to governmental funds statement, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.</p>	
Principal payments on long-term debt	107,143
<p>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.</p>	
Compensated absences	<u>(2,486)</u>
Total changes in net position of governmental activities	<u>\$ 788,469</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MARVIN, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES , EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>			Variance with Final Budget Over/Under
	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Ad valorem taxes	\$ 519,778	\$ 519,778	\$ 533,867	\$ 14,089
Unrestricted intergovernmental revenues	406,940	406,940	631,597	224,657
Restricted intergovernmental revenues	-	118,565	118,565	-
Investment earnings	-	1	34	33
Permits and fees	34,800	34,800	51,250	16,450
Other	9,720	9,720	44,411	34,691
Total revenues	<u>971,238</u>	<u>1,089,804</u>	<u>1,379,724</u>	<u>289,920</u>
Expenditures:				
Current expenditures:				
General government	387,017	520,972	351,251	169,721
Public safety	87,987	87,987	77,387	10,600
Economic and physical development	29,930	28,813	12,852	15,961
Cultural and recreation	93,162	110,747	62,113	48,634
Capital outlay	213,200	219,000	62,560	156,440
Debt service:				
Prinipal retirement	107,143	107,143	107,143	-
Interest and other charges	15,123	15,123	15,123	-
Total expenditures	<u>933,562</u>	<u>1,089,785</u>	<u>688,429</u>	<u>401,356</u>
Revenues over (under) expenditures	<u>37,676</u>	<u>19</u>	<u>691,295</u>	<u>691,276</u>
Other Financing Sources (Uses):				
Installment purchase obligations issued	-	-	-	-
Contingency	(37,676)	(5,019)	-	5,019
Appropriation of fund balance	-	5,000	-	(5,000)
Total other financing sources (uses)	<u>(37,676)</u>	<u>(19)</u>	<u>-</u>	<u>19</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	691,295	<u>\$ 691,295</u>
Fund Balance:				
Beginning of year - July 1			<u>726,416</u>	
End of year - June 30			<u>\$ 1,417,711</u>	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MARVIN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over /Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	519,778	533,867	\$ 14,089
Interest	-	-	-
Total	<u>519,778</u>	<u>533,867</u>	<u>14,089</u>
Unrestricted Intergovernmental:			
ABC profit distribution	25,058	23,401	(1,657)
Cable franchise tax	9,100	11,599	2,499
Utility franchise tax	252,356	468,777	216,421
Local option sales taxes	<u>120,426</u>	<u>127,820</u>	<u>7,394</u>
Total	<u>406,940</u>	<u>631,597</u>	<u>224,657</u>
Restricted Intergovernmental:			
Powell Bill - Bikeways	118,565	<u>118,565</u>	-
Investment Earnings	<u>1</u>	<u>34</u>	<u>33</u>
Permits and Fees	<u>34,800</u>	<u>51,250</u>	<u>16,450</u>
Other:			
Park revenues	9,670	3,745	(5,925)
Miscellaneous	<u>50</u>	<u>40,666</u>	<u>40,616</u>
Total	<u>9,720</u>	<u>44,411</u>	<u>34,691</u>
Total revenues	<u>1,089,804</u>	<u>1,379,724</u>	<u>289,920</u>
Expenditures:			
General Government:			
Community events	300	243	57
Dues and subscriptions	9,306	7,561	1,745
Elections	-	836	(836)
Furniture and equipment	7,500	6,200	1,300
Insurance and bonds	17,778	16,619	1,159
Occupancy	24,180	17,659	6,521
Office expenses and supplies	28,905	20,776	8,129
Powell Bill expenses	127,908	300	127,608
Professional services	51,400	34,597	16,803
Salaries and related expenses	246,713	243,241	3,472
Training	<u>6,982</u>	<u>3,219</u>	<u>3,763</u>
Total general government	<u>520,972</u>	<u>351,251</u>	<u>169,721</u>

VILLAGE OF MARVIN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over /Under</u>
Public Safety	87,987	77,387	10,600
Economic and Physical Development	28,813	12,852	15,961
Recreation	110,747	62,113	48,634
Capital Outlay	219,000	62,560	156,440
Debt Service:			
Principal retirement	107,143	107,143	-
Interest	15,123	15,123	-
Total debt service	122,266	122,266	-
Contingency	5,019	-	5,019
Total expenditures	1,094,804	688,429	406,375
Revenues over (under) expenditures	(5,000)	691,295	696,295
Fund balance appropriated	5,000	-	(5,000)
Net change in fund balance	<u>\$ -</u>	691,295	<u>\$ 691,295</u>
Fund Balance:			
Beginning of year - July 1		<u>726,416</u>	
End of year - June 30		<u>\$ 1,417,711</u>	

VILLAGE OF MARVIN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2013

<u>Year Ending June 30</u>	<u>Uncollected Balance July 1, 2012</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 531,810	\$ 530,265	\$ 1,545
2011-2012	2,787	-	1,737	1,050
2010-2011	1,162	-	193	969
2009-2010	-	830	-	830
2008-2009	-	-	-	-
2007-2008	-	-	-	-
2006-2007	-	-	-	-
2005-2006	-	-	-	-
2004-2005	-	-	-	-
2003-2004	-	-	-	-
2002-2003	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 3,949</u>	<u>\$ 532,640</u>	<u>\$ 532,195</u>	<u>4,394</u>
Less: Allowance for uncollectible accounts - General Fund				<u>-</u>
Ad valorem taxes receivable, net				<u>\$ 4,394</u>
 Reconciliation with Revenues:				
Ad valorem taxes:				
General Fund				\$ 533,867
Reconciling items:				
Miscellaneous				<u>(1,672)</u>
Total collections and credits				<u>\$ 532,195</u>

VILLAGE OF MARVIN, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Total Levy</u>	
				<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$ 1,013,768,000	\$ 0.05	\$ 506,884	\$ 506,884	\$ -
Motor Vehicles taxed at current year's rate	49,450,000	0.05	24,725	-	24,725
Penalties	-		99	99	-
Total	<u>1,063,218,000</u>		<u>531,708</u>	<u>506,983</u>	<u>24,725</u>
Discoveries	<u>406,000</u>		<u>203</u>	<u>203</u>	<u>-</u>
Abatements	<u>(202,000)</u>		<u>(101)</u>	<u>(101)</u>	<u>-</u>
Total property valuation	<u>\$ 1,063,422,000</u>				
Net Levy			531,810	507,085	24,725
Uncollected taxes at June 30, 2013			<u>(1,545)</u>	<u>(1,545)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 530,265</u>	<u>\$ 505,540</u>	<u>\$ 24,725</u>
Current Levy Collection Percentage			<u>99.71%</u>	<u>99.70%</u>	<u>100.00%</u>

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Note 1. Summary of Significant Accounting Policies

The accounting policies of the Village of Marvin (the "Village") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The Village of Marvin, North Carolina, in Union County, was incorporated under the General Statutes of the State of North Carolina in July 1994. It is governed by an elected Mayor and a four-member Council. As required by generally accepted accounting principles, these are the Village of Marvin's financial statements.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the 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. 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 operation 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. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor 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 zoning, public safety, salaries, and professional fees.

C. Measurement Focus and Basis of Accounting

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

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. 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.

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, and claims and judgments, 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 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Union County is responsible for billing and collecting property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Village of Marvin. For motor vehicles registered, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Village's vehicle taxes for vehicles registered in Union County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Amendments are required for any revision that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted.

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

Deposits and Investments

All deposits of the Village are made in Board-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. 159-30C] 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 non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted cash - Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through G.S. 136.41.4

Restricted cash – Road Maintenance Surety Bond are classified as restricted cash because it can be expended only for the purposes of maintain facilities and improvements including streets in the Bridle Path Estates at Wyndham Hall Subdivision per revenue source.

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, 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, 2012.

Allowance for Doubtful Accounts

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

In prior years, the Village collected all of its ad valorem taxes. Accordingly, an allowance for uncollectible accounts is not considered necessary.

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Prepaid Items

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and estimated useful life in excess of two years. Minimum capitalization costs are as follows: land and right-of-way easements \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$1000; and vehicles, \$10,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	50 years
Improvements	39 years
Furniture and equipment	7 years
Computer equipment	5 years

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 does not have any items meeting this criteria. 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 only one item that meets the criterion for this category – property taxes receivable.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In fund financial statements, governmental fund types recognize the face amount of debt issued is reported as other financing sources.

Compensated Absences

The vacation policy of the Village provides for the accumulated of up to twenty days earned vacation leave with such leave being fully vested when earned. For the Villages government-wide fund, an expense and a liability for accrued vacation are recorded as the leave is earned. All of the vacation leave accrued is

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

expected to be used in the next fiscal year and is designed as a current liability in the government-wide financial statements.

The Village's sick leave policy provides 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 does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

Prepays - portion of fund balance that is not available resource because it represents the year-end balance of prepaid items, which are not expendable, available resources.

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

Stabilization by State statute - portion of fund balance that is not an available resource for appropriation in accordance with State law [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

Road Maintenance Surety Bond – portion of fund balance that is restricted by revenue source to properly maintain facilities and improvements including streets in the Bridle Path Estates at Wyndham Hall Subdivision. This amount represents the balance of the total unexpended surety bond proceeds.

Assigned Fund Balance. Assigned fund balance is portion of fund balance that Village of Marvin intends to use for specific purposes. The Village's Council approves the appropriations.

Assigned for land acquisition – portion of fund balance that has been assigned by the Village Council for expenditures related to the purchase of land for the Village.

Assigned for Southwest Regional Library - portion of fund balance that has been assigned by the Village Council as contributions to a proposed public library serving the Southwest Region of Union County.

Assigned for Loop Projects - portion of fund balance that has been assigned by the Village Council for expenditures related to the Village of Marvin Loop located in the Village.

Assigned for capital asset replacement – portion of fund balance that has been assigned by the Village Council for expenditures related to the purchase of capital assets for the Village.

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Assigned for new Community Center - portion of fund balance that has been assigned by the Village Council to build a new Community Center.

Assigned for maintenance of greenway trails - portion of fund balance that has been assigned by the Village Council for expenditures related to maintaining the greenway trails currently being constructed.

Assigned for Village signs - portion of fund balance that has been assigned by the Village council for the design and purchase of signs welcoming visitors to the Village of Marvin.

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance.

The Village of Marvin follows the Local Government Commission's recommendation in order to maintain an adequate cash flow in the General Fund. The fund balance available for appropriation should not drop below 8.0% of total expenditures. This represents approximately one month's average expenditures.

Note 2. Details 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 depositor insurance coverage level are collateralized with securities held by the Village's agent in the Village's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the 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 non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Village. Because of the inability to measure the exact amounts of collateral pledge for the Village under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depositor that collateralizes public deposits under the Pooling Method. The Village has no formal policy regarding custodial credit risks 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 designated official depositories and verifying that deposits are properly secured.

At June 30, 2013, the Village's deposits had a carrying amount of \$1,413,616 and a bank balance of \$1,426,920. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Capital Assets

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

	Balance	Increases	Decreases	Balance
	June 30, 2012			June 30, 2013
Capital Assets Not Being Depreciated:				
Right-of-way easements	\$ 1,086,646	\$ -	\$ -	\$ 1,086,646
Land and improvements	1,091,877	-	-	1,091,877
Construction in progress	<u>-</u>	<u>16,359</u>	<u>-</u>	<u>16,359</u>
Total capital assets, not being depreciated	<u>2,178,523</u>	<u>16,359</u>	<u>-</u>	<u>2,194,882</u>
Capital Assets Being Depreciated:				
Leasehold improvements	2,513	-	-	2,513
Buildings and Improvements	443,361	-	-	443,361
Infrastructure	644,803	-	-	644,803
Equipment and computers	56,099	12,088	(3,001)	65,186
Furniture	<u>23,820</u>	<u>-</u>	<u>-</u>	<u>23,820</u>
Total capital assets being depreciated	<u>1,170,596</u>	<u>12,088</u>	<u>(3,001)</u>	<u>1,179,683</u>
Less Accumulated Depreciation:				
Leasehold improvements	548	64	-	612
Buildings and Improvements	3,634	11,368	-	15,002
Infrastructure	8,507	12,896	-	21,403
Equipment and computers	16,521	8,841	(2,529)	22,833
Furniture	<u>8,788</u>	<u>2,734</u>	<u>-</u>	<u>11,522</u>
Total accumulated depreciation	<u>37,998</u>	<u>\$ 35,903</u>	<u>\$ (2,529)</u>	<u>71,372</u>
Total capital assets being depreciated, net	<u>1,132,598</u>			<u>1,108,311</u>
Governmental activities capital assets, net	<u>\$ 3,311,121</u>			<u>\$ 3,303,193</u>

Depreciation expense of \$16,911 was charged to general government expense, and \$18,992 was charged to culture and recreation expense in the Statement of Activities.

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

B. Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Village of Marvin contributes to the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS 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.

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 is eight percent of annual covered payroll. The contribution requirements of members and of the Village are established and may be amended by the North Carolina General Assembly. The Village's contribution to LGERS for the year ended June 30, 2013 was \$11,702. The contribution made by the Village equaled the required contribution for the year.

Deferred Outflows and Inflows of Resources

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

	Unavailable Revenue
Taxes receivable (General Fund)	\$ 4,394
Total	<u>\$ 4,394</u>

Risk Management

The Village is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village carries commercial insurance for all risks of loss, with the exception of flood. The Village's offices are not located in a flood plain; therefore, flood insurance is not deemed a necessity. Settled claims have not exceeded commercial insurance covered in any of the past three fiscal years. Additionally, the Village carries a fidelity bond on its Finance Officer and Tax Collector in the amount of \$100,000 and \$60,000, respectively, and \$10,000 for all other employees.

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Long Term Obligations

In February 2011, the Village entered into \$750,000 installment purchase contract to purchase land for a future municipal park. The financing contract requires monthly payments beginning in March 2011 with interest rate 2.71 percent.

Annual debt service payments of the installment purchase as of June 30, 2013, including interest, are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2014	107,143	12,219	119,362
2015	107,143	9,316	116,459
2016	107,143	6,412	113,555
2017	107,143	3,508	110,651
2018	71,428	725	72,153
Total	\$ 500,000	\$ 32,180	\$ 532,180

Changes in Long-Term Liabilities

	July 1, 2012 Balance	Increases	Decreases	June 30, 2013 Balances	Current Portion
Governmental activities:					
Installment purchase	\$ 607,143	\$ -	\$ 107,143	\$ 500,000	\$ 107,143
Compensated absences	3,432	8,124	5,638	5,918	5,918
Total	\$ 610,575	\$ 8,124	\$ 112,781	\$ 505,918	\$ 113,061

At June 30, 2013, the Village had a legal debt margin of \$84,573,760.

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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	\$ 1,417,711
Less:	
Prepays	4,294
Stabilization by State statute	951
Remaining Fund Balance	<u>\$ 1,412,466</u>

Note 3. Jointly Governed Organization

Centralina Council of Government was formed in 1968 and is one of the seventeen North Carolina COGs. Funding comes from member dues, federal and State grants, and fees for services. The Board of Delegates comprising elected officials from the (Member Governments) counties, cities, and towns in the nine counties set COG policies. The Village paid membership fees of \$1,311 to the Council during the fiscal year ended June 30, 2013.

Note 4. Summary Disclosure of Significant Contingencies

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 appropriated expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grant agencies. Management believes that any required refunds would be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Note 5. Change in Accounting Principles

The Village implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

VILLAGE OF MARVIN, NORTH CAROLINA

SCHEDULE OF FINDINGS, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Auditors' Results

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant Deficiency(s) identified that are not considered to be material weaknesses? Yes None reported
- Noncompliance material to financial statements noted Yes No

2. Financial Statement Findings

Finding 2013-001:

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board requires a level of technical expertise not possessed by the Village's personnel with regards to drafting full accrual, full disclosure financial statements.

Context: The Village personnel cannot draft full disclosure GAAP financial statements.

Effect: The Village requires assistance from the external auditor in drafting the financial statements.

Cause: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above is cost prohibitive.

Recommendation: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears cost prohibitive. Therefore, the Village should exercise due care in reviewing the financial statements drafted by the external auditor as the Village is responsible for the accuracy of the audited financial statements.

Name of Contact Person Gina Fisher, Finance Officer

Views of responsible officials and planned corrective actions: Management is aware of the weakness, but due to the cost benefit analysis, they will continue to rely on the external auditor to draft the year-end financial statements. The Village will exercise due care in reviewing the financial statements drafted by the external auditor. The Village acknowledges and accepts responsibility for the accuracy of the audited financial statements.

VILLAGE OF MARVIN, NORTH CAROLINA
SCHEDULE OF FINDINGS, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Finding 2013-002:

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Due to the limited number of personnel in the Village office, there are inherent limitations to segregation of duties among Village personnel.

Context: Presently, a single individual reconciles bank accounts, performs payroll duties, and maintains the general ledger. Village employees in the Finance Department have full access to make adjustment in both the general ledger system and the tax collection system.

Effect: Adjustments could be made to the general ledger without any form of oversight.

Cause: There are limited number of personnel for certain functions in the Village.

Recommendation: Access to the books and records of the Village should be separated from access to the assets of the Village as much as possible. The Village Administrator should review an adjustment report on a monthly basis to detect unauthorized adjustments to the tax receivable system and general ledger. Alternative controls should be used to compensate for any lack of segregation of duties. The Village Council members should provide some of these controls.

Name of Contact Person: Gina Fisher, Finance Officer

Views of responsible officials and planned corrective actions: Management is aware of the adjustments made as a result of erroneous year end financial activities.

VILLAGE OF MARVIN, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Finding 2012-02

Status: Repeated as Finding 2013-001.

October 29, 2012

To the Honorable Mayor and
Members of the Village Council
Village of Marvin, NC

We have audited the financial statements of the governmental activities, and each major fund of the Village of Marvin for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 29, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Marvin are described in Note 1 to the financial statements. The Village adopted GASB 63 and GASB 65 during fiscal year 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates noted.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The material misstatements detected as a result of our audit procedures that were corrected by management are included in the attached schedule. Management has corrected all identified misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management, which are included in the management representation letter dated [Date of Management Representation Letter] .

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our profession standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles general accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Independence

Amendment No. 3, Independence, to Government Auditing Standards requires that an audit firm document an understanding with the audited entity regarding the objectives of nonaudit services. As part of our audit, we performed certain nonaudit services which did not impair our

independence. We prepared a draft of the Village's financial statements and related notes. In accordance with Government Auditing Standards, the Village's management is required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, the Village's management is required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

This information is intended solely for the information and use of the Village Council and management of Village of Marvin, North Carolina and is not intended to be used by anyone than these specified parties.

Very truly yours,

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC

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

Independent Auditor's Report

The Honorable Mayor and
Members of the Village Council
Village of Marvin, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, and each major fund of the Village of Marvin, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, not presented here, which collectively comprise the Village of Marvin's basic financial statements, and have issued our report thereon dated **October 29, 2013**.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2013-001 and 2013-002 described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Marvin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, contracts, and grants agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Village of Marvin's Response to Findings

The Village of Marvin's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Findings and Questioned Costs. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 29, 2013

Management's Discussion and Analysis

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

Financial Highlights

- The assets and deferred outflows of resources of the Village of Marvin exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,219,380 (*net position*).
- The Village's total net position increased by \$788,469 primarily due to increases in the governmental activities.
- As of the close of the current fiscal year, the Village's governmental funds reported ending fund balance of \$1,417,711, an increase of \$691,295 in comparison with the prior year. Approximately 11.4 percent of this amount, or \$162,685, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$159,282.
- The Village of Marvin's total debt decreased by \$107,143 (17.5%) during the current fiscal year as a result of principal payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Marvin'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 (see Figure 1). 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 the Village of Marvin.