

**VILLAGE OF MARVIN
NORTH CAROLINA**

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.**

"A Professional Association of Certified Public Accountants and Management Consultants"

VILLAGE OF MARVIN, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	FINANCIAL SECTION	
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-11
	BASIC FINANCIAL STATEMENTS	
	Government-Wide Financial Statements	
A	Statement of Net Position	12
B	Statement of Activities	13
	Fund Financial Statements	
C	Balance Sheet - Governmental Fund	14
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund	15
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities of Governmental Fund	16
F	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	17
	Notes to the Financial Statements	18-29
	SUPPLEMENTAL STATEMENTS	
1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	30-31
2	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Project Fund	32

VILLAGE OF MARVIN, NORTH CAROLINA

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FOR YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	OTHER SCHEDULES	
3	Schedule of Ad Valorem Taxes Receivable	33
4	Analysis of Current Tax Levy - Village-Wide Levy	34
	COMPLIANCE SECTION	
	Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	35-36
	Schedule of Findings and Responses	36-39
	Summary Schedule of Prior Year's Audit Findings	40

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Marvin, North Carolina, as of and for the year ended June 30, 2014, 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, each major fund, and the aggregate remaining fund information of the Village of Marvin, North Carolina, as of June 30, 2014, and the respective changes in financial position 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.

Supplementary and 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 the 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 the 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 the 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 September 19, 2014, on our consideration of the Village of Marvin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of 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
September 19, 2014

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, 2014. 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

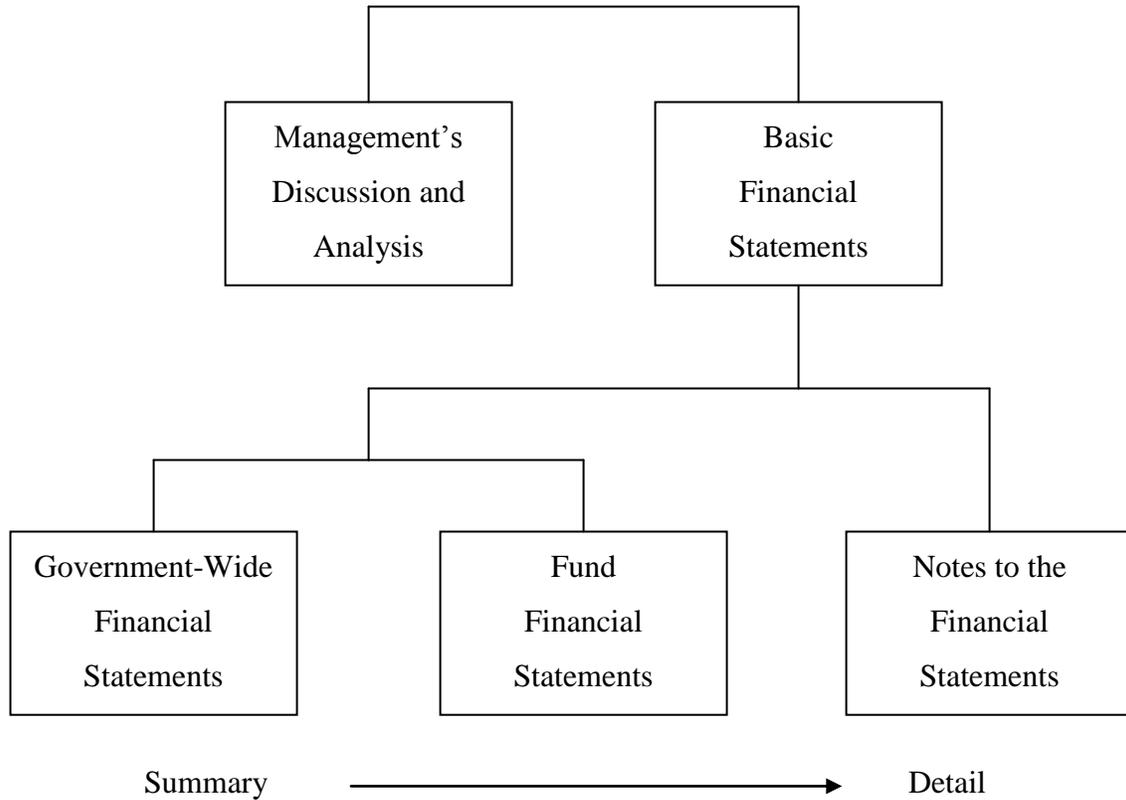
- The assets of the Village of Marvin exceeded its liabilities at the close of the fiscal year by \$4,737,752 (*net position*).
- The Village's total net position increased by \$518,372.
- As of the close of the current fiscal year, the Village's governmental funds reported ending fund balance of \$1,825,660, an increase of \$407,949 in comparison with the prior year. Approximately 14.03 percent of this amount, or \$256,283, is non-spendable or restricted.
- The Village Council has assigned all fund balances in the General Fund after non-spendable, restrictions, and commitments have taken place.
- The Village of Marvin's total debt decreased by \$107,143 (21.0%) 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 it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are 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.

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 18 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.

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

Government-Wide Financial Analysis

Village of Marvin’s Net Position

Figure 2

	Governmental Activities	
	2014	2013
Assets:		
Current and other assets	\$ 1,861,359	\$ 1,423,255
Capital assets	<u>3,307,198</u>	<u>3,303,193</u>
Total assets	<u>5,168,557</u>	<u>4,726,448</u>
Liabilities:		
Long-term liabilities	285,714	392,857
Current and other liabilities	<u>145,091</u>	<u>114,211</u>
Total liabilities	<u>430,805</u>	<u>507,068</u>
Net Position:		
Net investment in capital assets	2,914,341	2,803,193
Restricted	251,263	158,391
Unrestricted	<u>1,572,148</u>	<u>1,257,796</u>
Total net position	<u>\$ 4,737,752</u>	<u>\$ 4,219,380</u>

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets of the Village of Marvin exceeded liabilities by \$4,737,752 as of June 30, 2014. The Village’s net position increased by \$518,372 for the fiscal year ended June 30, 2014. Approximately (61.51%) of the Village’s net position (\$2,914,341) is net investment in capital assets. This consists primarily of right-of-way easements obtained for greenways and trails, land donated, 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, \$251,263 (5.3%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,572,148 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 increased by \$4,005 as a result of continued development of Marvin-Efird Park, furniture, and computer equipment purchases.

Village of Marvin's Changes in Net Position
Figure 3

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Capital grants and contributions	\$ 122,524	\$ 118,565
General revenues:		
Property taxes	550,846	534,312
Other taxes and licenses	447,593	631,597
Investment earnings	436	34
Miscellaneous	82,965	95,661
Total revenues	<u>1,204,364</u>	<u>1,380,169</u>
Expenses:		
General government	453,519	366,672
Public safety	89,846	77,387
Economic and physical development	37,819	12,852
Culture and recreation	92,589	119,666
Interest on long-term debt	<u>12,219</u>	<u>15,123</u>
Total expenses	<u>685,992</u>	<u>591,700</u>
Change in net position	518,372	788,469
Net Position:		
Beginning of year - July 1	<u>4,219,380</u>	<u>3,430,911</u>
End of year - June 30	<u><u>\$ 4,737,752</u></u>	<u><u>\$ 4,219,380</u></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 \$1,774,027, while total fund balance reached \$1,790,827. 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 233.01% of General Fund expenditures, while total fund balance represents 235.27% of the same amount.

At June 30, 2014, the governmental funds of the Village of Marvin reported a total fund balance of \$1,825,660, with a net increase in the fund balance of \$407,949. The fund balance increased in the current year largely due to actual expenditures coming in under budget and actual revenues coming in over budget.

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 five 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.

Capital Asset and Debt Administration

Capital Assets. The Village of Marvin's investment in capital assets for its governmental activities as of June 30, 2014 totaled \$3,307,198 (net of accumulated depreciation). These assets include land, right-of-way easements, and infrastructure for Marvin Community Loop; equipment and structures for Marvin-Efird Park; and 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	
	2014	2013
Land and improvements	\$ 2,178,523	\$ 2,178,523
Leasehold improvements	1,837	1,901
Buildings and improvements	422,031	428,359
Infrastructure	636,472	623,400
Equipment and computer	48,439	42,353
Furniture	9,996	12,298
Construction in progress	9,900	16,359
Total	\$ 3,307,198	\$ 3,303,193

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, 2014, the Village of Marvin had installment debt outstanding of \$392,857.

Village of Marvin's Debt Outstanding

Figure 5

	Governmental Activities	
	2014	2013
Installment purchase	\$ 392,857	\$ 500,000

During the current fiscal year, the Village of Marvin's total debt decreased by \$107,143 (21.0%) 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 eight percent (8.0%) of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Village of Marvin is \$86,480,590.

Budget Highlights for the Fiscal Year Ending June 30, 2015

The budget for the fiscal year ending June 30, 2015, reflects a full year of anticipated revenues and expenditures. The revenues generated during the year will be used to finance programs currently in place such as traffic safety measures, park operations, 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. In addition to the General Fund Budget, the Village is in the initial planning stages of a Capital Improvement Plan for the purpose of creating a long-term strategy for future projects in the Village of Marvin.

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, 2014

	<u>Primary Government Governmental Activities</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,601,626
Restricted cash	239,483
Taxes receivable, net	3,450
Due from other governments	5,588
Accounts receivable	6,192
Prepaid items	<u>5,020</u>
Total current assets	<u>1,861,359</u>
Capital assets:	
Land and improvements	2,188,423
Other capital assets, net of depreciation	<u>1,118,775</u>
Total capital assets	<u>3,307,198</u>
Total assets	<u>5,168,557</u>
Liabilities:	
Current liabilities:	
Accrued expenses	31,774
Prepaid barn rentals	475
Current portion of long-term liabilities	<u>112,842</u>
Total current liabilities	<u>145,091</u>
Long-term liabilities:	
Due in more than one year	<u>285,714</u>
Total liabilities	<u>430,805</u>
Net Position:	
Net investment in capital assets	2,914,341
Restricted for:	
Stabilization by State statute	11,780
Streets - Powell Bill	239,483
Unrestricted	<u>1,572,148</u>
Total net position	<u>\$ 4,737,752</u>

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

VILLAGE OF MARVIN, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Capital</u>	<u>Revenues and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in Net</u>
			<u>Contributions</u>	<u>Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 453,519	\$ -	\$ -	\$ (453,519)
Public safety	89,846	-	-	(89,846)
Economic and physical development	37,819	-	122,524	84,705
Culture and recreation	92,589	-	-	(92,589)
Interest on long-term debt	12,219	-	-	(12,219)
Total primary government	<u>\$ 685,992</u>	<u>\$ -</u>	<u>\$ 122,524</u>	<u>(563,468)</u>
General Revenues:				
Property taxes, levied for general purposes				550,846
Other taxes and licenses				447,593
Investment earnings				436
Miscellaneous				<u>82,965</u>
Total general revenues				<u>1,081,840</u>
Change in net position				518,372
Net Position:				
Beginning of year - July 1				<u>4,219,380</u>
End of year - June 30				<u>\$ 4,737,752</u>

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

VILLAGE OF MARVIN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>Major Fund</u>		<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 1,566,793	\$ 34,833	\$ 1,601,626
Taxes receivable (net)	3,450	-	3,450
Due from other governments	5,588	-	5,588
Accounts receivable (net)	6,192	-	6,192
Prepaid items	5,020	-	5,020
Restricted cash	239,483	-	239,483
Total assets	<u>\$ 1,826,526</u>	<u>\$ 34,833</u>	<u>\$ 1,861,359</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Accrued expenses	\$ 31,774	\$ -	\$ 31,774
Prepaid barn rentals	475	-	475
Total liabilities	<u>32,249</u>	<u>-</u>	<u>32,249</u>
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	3,450	-	3,450
Fund Balances:			
Non-spendable:			
Prepays	5,020	-	5,020
Restricted:			
Stabilization by State statute	11,780	-	11,780
Streets - Powell Bill	239,483	-	239,483
Committed	-	34,833	34,833
Assigned:			
Land acquisition	753,513	-	753,513
Loop projects	228,513	-	228,513
Capital asset replacement	10,000	-	10,000
Maintenance of greenway trails	18,000	-	18,000
Village signs	20,000	-	20,000
Intersection/traffic improvement	284,518	-	284,518
Road maintenance	20,000	-	20,000
Reserves	200,000	-	200,000
Total fund balances	<u>1,790,827</u>	<u>34,833</u>	<u>1,825,660</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,826,526</u>	<u>\$ 34,833</u>	<u>\$ 1,861,359</u>
Amounts Reported for Governmental Activities in the Statement of Net Position (Exhibit A) Are Different Because:			
Total fund balances - governmental funds			\$ 1,825,660
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds statement.			3,307,198
Liabilities for earned revenues considered deferred inflows of resources in fund statements			3,450
Some liabilities, including installment loans, are not due and payable in the current period and, therefore, are not reported in the funds.			<u>(398,556)</u>
Net position of governmental activities			<u>\$ 4,737,752</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, 2014

	<u>Major Fund</u>		<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 551,790	\$ -	\$ 551,790
Unrestricted intergovernmental	447,593	-	447,593
Restricted intergovernmental revenues	122,524	-	122,524
Investment earnings	433	3	436
Permits and fees	75,928	-	75,928
Other	7,037	-	7,037
Total revenues	<u>1,205,305</u>	<u>3</u>	<u>1,205,308</u>
Expenditures:			
Current:			
General government	434,073	-	434,073
Public safety	89,846	-	89,846
Economic and physical development	37,819	-	37,819
Culture and recreation	62,064	36,175	98,239
Capital outlay	18,020	-	18,020
Debt service:			
Principal retirement	107,143	-	107,143
Interest and other charges	12,219	-	12,219
Total expenditures	<u>761,184</u>	<u>36,175</u>	<u>797,359</u>
Revenues over (under) expenditures	444,121	(36,172)	407,949
Other Financing Sources (Uses):			
Transfers	<u>(71,005)</u>	<u>71,005</u>	<u>-</u>
Net change in fund balance	373,116	34,833	407,949
Fund Balance:			
Beginning of year - July 1	<u>1,417,711</u>	<u>-</u>	<u>1,417,711</u>
End of year - June 30	<u>\$ 1,790,827</u>	<u>\$ 34,833</u>	<u>\$ 1,825,660</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, 2014**

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

Net change in fund balances total government funds	\$ 407,949
<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	43,009
Depreciation expense for governmental assets	(39,004)
<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	(944)
<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 position.</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>219</u>
Total change in net position of governmental activities	<u>\$ 518,372</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, 2014

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 523,442	\$ 523,442	\$ 551,790	\$ 28,348
Unrestricted intergovernmental revenues	398,112	398,112	447,593	49,481
Restricted intergovernmental revenues	118,565	118,565	122,524	3,959
Investment earnings	250	250	433	183
Permits and fees	35,206	35,206	75,928	40,722
Other	5,405	5,405	7,037	1,632
Total revenues	<u>1,080,980</u>	<u>1,080,980</u>	<u>1,205,305</u>	<u>124,325</u>
Expenditures:				
Current expenditures:				
General government	521,728	590,651	434,073	156,578
Public safety	92,987	94,796	89,846	4,950
Economic and physical development	19,655	42,763	37,819	4,944
Cultural and recreation	90,928	76,977	62,064	14,913
Capital outlay	132,757	125,257	18,020	107,237
Debt service:				
Principal retirement	107,143	107,143	107,143	-
Interest and other charges	12,219	12,219	12,219	-
Total expenditures	<u>977,417</u>	<u>1,049,806</u>	<u>761,184</u>	<u>288,622</u>
Revenues over (under) expenditures	<u>103,563</u>	<u>31,174</u>	<u>444,121</u>	<u>412,947</u>
Other Financing Sources (Uses):				
Transfers out	(71,005)	(71,005)	(71,005)	-
Contingency	(32,558)	-	-	-
Appropriated fund balance	-	39,831	-	(39,831)
Total other financing sources (uses)	<u>(103,563)</u>	<u>(31,174)</u>	<u>(71,005)</u>	<u>(39,831)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	373,116	<u>\$ 373,116</u>
Fund Balance:				
Beginning of year - July 1			<u>1,417,711</u>	
End of year - June 30			<u>\$ 1,790,827</u>	

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

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 fund.

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.

The Village reports the following nonmajor governmental funds.

Capital Project Fund. This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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

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 for property other than motor vehicle 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 property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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. 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.

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 alters total expenditures of any fund or that changes functional appropriations according to the Financial Policy adopted by the Village. 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 they 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.

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, 2013.

Allowance for Doubtful Accounts

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, 2014

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, \$1,000; 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 Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Village does not have any items meeting this criterion. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as *revenue* until then. The Village has 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.

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 Village's 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 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.

Net Position/Fund Balances

Net Position

Net position in government-wide financial statements is classified as net investment in capital assets; restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, 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 an 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)].

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Village of Marvin’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Committed for Capital Project Funds – portion of fund balance that has been committed by the Village Council for expenditures related to capital project funds of the Village. The projects in progress were the Community Center and the Marvin-Efird Park Improvements.

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the 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 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.

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.

Assigned for Intersection/Traffic Improvement – portion of fund balance that has been assigned by the Village Council for expenditures related to traffic improvements within the Village.

Assigned for Road Maintenance – portion of fund balance that has been assigned by the Village Council for expenditures related to road maintenance.

Assigned for Reserves – portion of fund balance that has been assigned by Village Council as a percentage of current year budgeted expenditures in accordance with internal financial policy.

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, the Village's deposits had a carrying amount of \$1,841,109 and a bank balance of \$1,853,006. 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, 2014

Receivables

Receivables presented on the Balance Sheet and the Statement of Net Position at June 30, 2014 were:

Accounts	\$	6,192
Property taxes receivable		3,450
Due from other governments		<u>5,588</u>
Total	\$	<u>15,230</u>

Due from other governments consists of:

Due from Union County	\$	3,686
Due from NCDOR		<u>1,902</u>
Total	\$	<u>5,588</u>

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance	Increases	Decreases	Balance
	July 1, 2013			June 30, 2014
Non-Depreciable Capital Assets:				
Right-of-way easements	\$ 1,086,646	\$ -	\$ -	\$ 1,086,646
Land and improvements	1,091,877	-	-	1,091,877
Construction in progress	16,359	36,175	(42,634)	9,900
Total non-depreciable capital assets	2,194,882	36,175	(42,634)	2,188,423
 Depreciable Capital Assets:				
Leasehold improvements	2,513	-	-	2,513
Buildings and improvements	443,361	5,173	-	448,534
Infrastructure	644,803	26,275	-	671,078
Equipment and computers	65,186	18,020	-	83,206
Furniture	23,820	-	-	23,820
Total depreciable capital assets	1,179,683	49,468	-	1,229,151
 Less Accumulated Depreciation:				
Leasehold improvements	612	64	-	676
Buildings and improvements	15,002	11,501	-	26,503
Infrastructure	21,403	13,203	-	34,606
Equipment and computers	22,833	11,934	-	34,767
Furniture	11,522	2,302	-	13,824
Total accumulated depreciation	71,372	\$ 39,004	\$ -	110,376
 Total depreciable capital assets, net	 1,108,311			 1,118,775
 Governmental activities capital assets, net	 \$ 3,303,193			 \$ 3,307,198

Depreciation expense of \$19,665 was charged to general government expense and \$19,339 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, 2014

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, 2014 was \$9,646. 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 are comprised of the following:

	<u>Unavailable Revenue</u>
Taxes receivable (General Fund)	<u>\$ 3,450</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, 2014

Long Term Obligations

In February 2011, the Village entered into a \$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, 2014, including interest, are as follows:

Year Ending <u>June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>\$ 392,857</u>	<u>\$ 19,961</u>	<u>\$ 412,818</u>

Changes in Long-Term Liabilities

	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchase	\$ 500,000	\$ -	\$ 107,143	\$ 392,857	\$ 107,143
Compensated absences	5,918	9,492	9,711	5,699	5,699
Total	<u>\$ 505,918</u>	<u>\$ 9,492</u>	<u>\$ 116,854</u>	<u>\$ 398,556</u>	<u>\$ 112,842</u>

At June 30, 2014, the Village had a legal debt margin of \$86,480,590.

VILLAGE OF MARVIN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 1,790,827
Less:	
Prepays	5,020
Stabilization by State statute	<u>11,780</u>
Available fund balance	<u>\$ 1,774,027</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 \$1,339 to the Council during the fiscal year ended June 30, 2014.

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. Significant Effects of Subsequent Events

The Village of Marvin's Council has voted to discontinue Powell Bill operations as of July 1, 2014 due to the change in the NCDOT's policy of accepting new roads. The Village anticipates refunding the remaining Powell Bill funds of \$239,483 in September 2014 to the State.

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over /Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 523,442	\$ 551,790	\$ 28,348
Unrestricted Intergovernmental:			
ABC profit distribution	25,338	25,843	505
Cable franchise tax	9,201	4,920	(4,281)
Utility franchise tax	255,180	278,175	22,995
Local option sales taxes	108,393	138,655	30,262
Total	<u>398,112</u>	<u>447,593</u>	<u>49,481</u>
Restricted Intergovernmental:			
Powell Bill - bikeways	<u>118,565</u>	<u>122,524</u>	<u>3,959</u>
Investment Earnings			
	<u>250</u>	<u>433</u>	<u>183</u>
Permits and Fees			
	<u>35,206</u>	<u>75,928</u>	<u>40,722</u>
Other:			
Park revenues	5,325	4,754	(571)
Miscellaneous	80	2,283	2,203
Total	<u>5,405</u>	<u>7,037</u>	<u>1,632</u>
Total revenues	<u>1,080,980</u>	<u>1,205,305</u>	<u>124,325</u>
Expenditures:			
General Government:			
Community events	8,000	5,116	2,884
Dues and subscriptions	11,060	10,646	414
Elections	6,592	3,414	3,178
Furniture and equipment	18,000	1,193	16,807
Insurance and bonds	17,211	16,898	313
Occupancy	22,793	21,000	1,793
Office expenses and supplies	43,618	27,651	15,967
Powell Bill expenses	113,525	650	112,875
Professional services	46,245	45,114	1,131
Road improvements	49,807	53,134	(3,327)
Salaries and related expenses	246,958	242,798	4,160
Training	6,842	6,459	383
Total general government	<u>590,651</u>	<u>434,073</u>	<u>156,578</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over /Under</u>
Public Safety:			
Salaries and related expenses	79,796	79,796	-
Operating costs	<u>15,000</u>	<u>10,050</u>	<u>4,950</u>
Total public safety	<u>94,796</u>	<u>89,846</u>	<u>4,950</u>
Economic and Physical Development	<u>42,763</u>	<u>37,819</u>	<u>4,944</u>
Recreation:			
Salaries and related expenses	19,404	17,549	1,855
Operating costs	<u>57,573</u>	<u>44,515</u>	<u>13,058</u>
Total recreation	<u>76,977</u>	<u>62,064</u>	<u>14,913</u>
Capital Outlay	<u>125,257</u>	<u>18,020</u>	<u>107,237</u>
Debt Service:			
Principal retirement	107,143	107,143	-
Interest	<u>12,219</u>	<u>12,219</u>	<u>-</u>
Total debt service	<u>119,362</u>	<u>119,362</u>	<u>-</u>
Total expenditures	<u>1,049,806</u>	<u>761,184</u>	<u>288,622</u>
Revenues over (under) expenditures	<u>31,174</u>	<u>444,121</u>	<u>412,947</u>
Other Financing Sources (Uses):			
Transfers out	(71,005)	(71,005)	-
Fund balance appropriated	<u>39,831</u>	<u>-</u>	<u>(39,831)</u>
Total financing sources (uses)	<u>(31,174)</u>	<u>(71,005)</u>	<u>(39,831)</u>
Net change in fund balance	<u>\$ -</u>	<u>373,116</u>	<u>\$ 373,116</u>
Fund Balance:			
Beginning of year - July 1		<u>1,417,711</u>	
End of year - June 30		<u>\$ 1,790,827</u>	

VILLAGE OF MARVIN, NORTH CAROLINA

CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Authorization	Actual		Total to Date
		Prior Year	Current Year	
Revenues:				
Investment earnings	\$ -	\$ -	\$ 3	\$ 3
Expenditures:				
Community Center:				
Engineering	6,000	-	-	-
Architectural	6,000	-	7,200	7,200
Construction	320,103	-	-	-
Total Community Center	332,103	-	7,200	7,200
Marvin-Efird Park Improvements:				
Engineering	15,000	-	2,700	2,700
Construction	108,800	-	26,275	26,275
Total Marvin-Efird Park Improvements	123,800	-	28,975	28,975
Bidding contingency	44,102	-	-	-
Total expenditures	500,005	-	36,175	36,175
Revenues over (under) expenditures	(500,005)	-	(36,172)	(36,172)
Other Financing Sources (Uses):				
Transfers from other fund:				
General Fund	500,005	-	71,005	71,005
Net change in fund balance	\$ -	\$ -	34,833	\$ 34,833
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			\$ 34,833	

VILLAGE OF MARVIN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2014

<u>Year Ended June 30</u>	<u>Uncollected Balance July 1, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 543,012	\$ 541,970	\$ 1,042
2012-2013	1,545	-	911	634
2011-2012	1,050	-	564	486
2010-2011	969	-	432	537
2009-2010	830	-	410	420
2008-2009	-	8	-	8
2007-2008	-	86	-	86
2006-2007	-	47	-	47
2005-2006	-	135	-	135
2004-2005	-	45	-	45
2003-2004	-	10	-	10
2002-2003	-	43	(43)	-
Total	<u>\$ 4,394</u>	<u>\$ 543,386</u>	<u>\$ 544,244</u>	<u>3,450</u>
Ad valorem taxes receivable, net				<u>\$ 3,450</u>
Reconciliation with Revenues:				
Ad valorem taxes:				
General Fund				\$ 551,790
Reconciling items:				
Taxes written off				(43)
Refunds of overpayments				(1,447)
Tax collection fees				(100)
Miscellaneous				<u>(5,956)</u>
Total collections and credits				<u>\$ 544,244</u>

VILLAGE OF MARVIN, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2014

			<u>Total Levy</u>		
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$1,019,452,000	\$ 0.05	\$ 509,726	\$ 509,726	\$ -
Motor vehicles taxed at current year's rate	68,068,000	0.05	34,034	-	34,034
Penalties	-		53	53	-
Total	<u>1,087,520,000</u>		<u>543,813</u>	<u>509,779</u>	<u>34,034</u>
Discoveries	<u>94,000</u>		<u>47</u>	<u>47</u>	<u>-</u>
Abatements	<u>(1,696,000)</u>		<u>(848)</u>	<u>(292)</u>	<u>(556)</u>
Total property valuation	<u>\$1,085,918,000</u>				
Net Levy			543,012	509,534	33,478
Uncollected taxes at June 30, 2014			<u>1,042</u>	<u>1,033</u>	<u>9</u>
Current Year's Taxes Collected			<u>\$ 541,970</u>	<u>\$ 508,501</u>	<u>\$ 33,469</u>
Current Levy Collection Percentage			<u>99.81%</u>	<u>99.80%</u>	<u>99.97%</u>

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the Village Council
Village of Marvin
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 accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Marvin, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village of Marvin's basic financial statements, and have issued our report thereon dated September 19, 2014.

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 2014-001 and 2014-002 described in the accompanying Schedule of Findings and Responses 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 grant 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 Responses to Findings

The Village of Marvin's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. 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, NC
September 19, 2014

VILLAGE OF MARVIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Auditor's Results

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported
- Non-compliance material to financial statements noted? Yes No

2. Financial Statement Findings

Finding 2014-001:

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 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: Mary Carolyn Titus, 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 RESPONSES FOR THE YEAR ENDED JUNE 30, 2014

Finding 2014-002:

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 with access to the accounting systems. Presently, a single individual maintains the general ledger system and a different single individual maintains all aspects of the tax system on a daily basis. These Village employees have full access to make adjustments in the system they are working in at any given point.

Context: While gaining an understanding of the systems of internal controls, we noted the lack of segregation of duties in the condition above.

Effect: Adjustments could be made to the systems without any form of oversight. Misappropriation of assets or errors could occur and not be detected and corrected in a timely manner.

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

Recommendation: Access within each system should be limited to the duties of each employee. Duties should be segregated to where one employee is not handling all of the functions of the same system to build a better control environment. 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: Mary Carolyn Titus, Finance Officer

Views of Responsible Officials and Planned Corrective Actions: Management is aware of the weakness and has steps in place to minimize the likelihood of errors in the financial reporting. While all activity in the financial software is the responsibility of the Finance Officer, all journal entries are approved by the Village Administrator in advance of posting, and all invoices are approved by the Village Administrator prior to entry into the financial software. All checks require two signatures, first by the Finance Officer and then by the Village Administrator. After the Village Administrator has signed the checks, they are given directly to the Tax Collector, who has no responsibility for posting anything to the financial software. The Tax Collector compares checks to the invoices for accuracy and approval, and then mails them. Checks never go back to the Finance Officer.

The Tax Collector deposits checks to the bank account via remote capture on the same day that she posts the checks to the tax software. A report is run from the tax software and attached to the daily General Fund deposit report. The Finance Officer compares the report from the tax software to the report from the bank to ensure agreement and then posts the deposit to the financial software. A report is also run at month end reconciling tax revenue per the financial statements to the tax revenue per the software. Any differences are investigated, resolved, and documented.

VILLAGE OF MARVIN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2014

As a final step, a transparency report is run every month which shows all activity from every aspect of the financial software, including checks, invoices, journal entries, etc. This is part of the treasury report that is approved by the Village Council at their monthly Council meeting. Management believes all of these steps are sufficient to offset any risk of errors in financial reporting, given the limited number of personnel at the Village.

VILLAGE OF MARVIN, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Finding 2013-001

Status: Modified and repeated as Finding 2014-001.

Finding 2013-002

Status: Modified and repeated as Finding 2014-002.