FOXFIRE VILLAGE, NORTH CAROLINA

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

FOXFIRE VILLAGE, NORTH CAROLINA

OFFICIALS

JUNE 30, 2017

MAYOR

MICK McCUE

VILLAGE COUNCIL

JON SEDLAK	VICTOR KOOS
LESLIE FRUSCO	DON BOITO

OTHER OFFICIALS

LESLIE FRUSCO	FINANCE DIRECTOR
SHARON SANCHEZ	DEPUTY FINANCE OFFICER

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June 30, 2017

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of Foxfire Village, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Foxfire Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of Foxfire Village, North Carolina as of June 30, 2017, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 9, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 40 and 41, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 42 and 43, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Anderson Smith + Wike PLLC

Rockingham, NC
October 5, 2017

Management's Discussion and Analysis

As management of Foxfire Village, we offer readers of Foxfire Village's financial statements this narrative overview and analysis of the financial activities of Foxfire Village for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Village's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of Foxfire Village exceeded its liabilities at the close of the fiscal year by $3,992,271 (*net position).*

- The government's total net position increased by $341,795, primarily due to revenues exceeding expenditures.

- As of the close of the current fiscal year, Foxfire Village's governmental funds and activities reported ending fund balance of $1,401,214, an increase of $144,536 in comparison with the prior year. Approximately 10.0 percent of this total amount or $140,222 is available for spending at the government's discretion. In 2017, the Village Council adopted a resolution establishing a fund balance policy that the Village should maintain a minimum fund balance of 35 to 40 percent of budgeted general fund expenses. Based on budgeted expenses for FYE 2017-2018 of $983,250, the required working capital balance is $393,300. As outlined in the Fund Balance Policy, funds exceeding 40 percent of the next year's budgeted expenditures shall be transferred to the Capital Reserve fund, or another restricted fund, at the discretion of the Council.

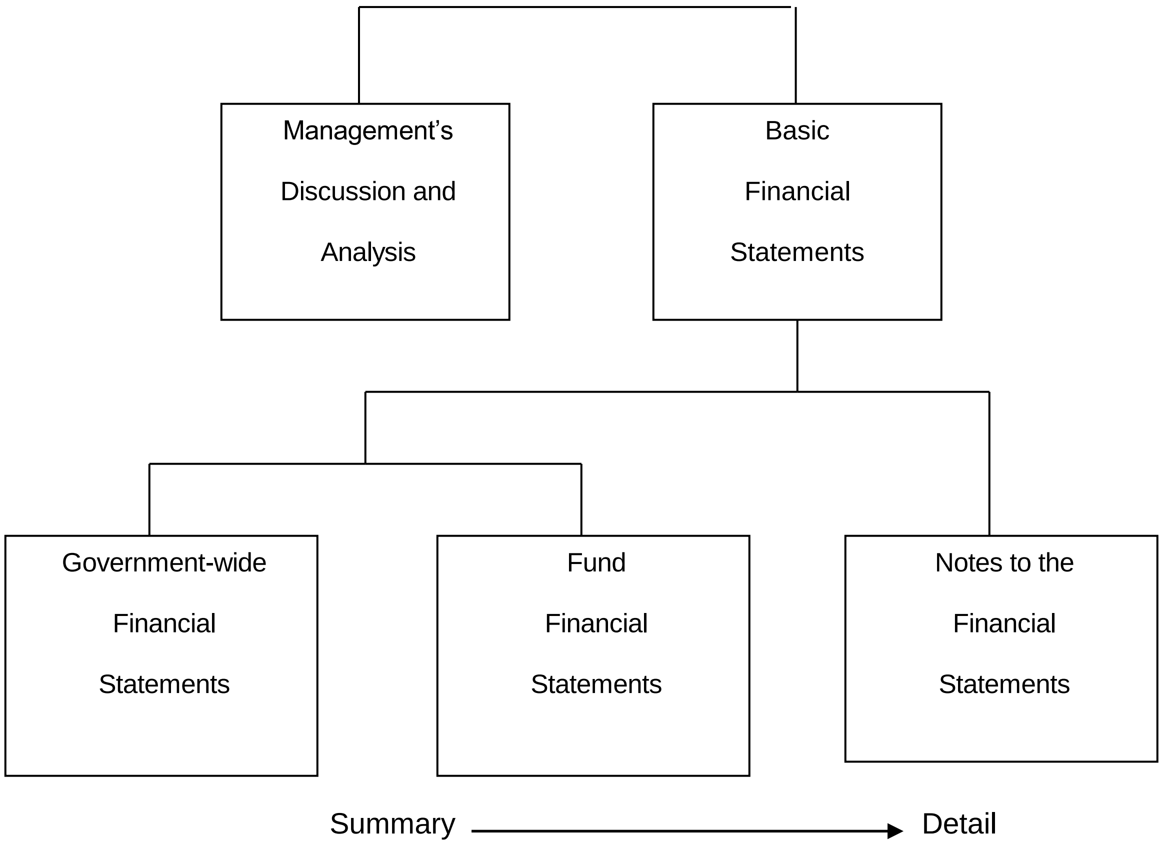
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $140,222, or 15.5 percent of total general fund expenditures for the fiscal year.

- Foxfire Village's total debt decreased by $165,400 (12.2%) during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Village's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the Village's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Foxfire Village, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Village's budget ordinance. Foxfire Village has one fund category, the governmental funds.

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 20-39 of this report.

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

Government-Wide Financial Analysis

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

Foxfire Village's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 1,417,720	$ 1,288,141	$ 776,475	$ 758,331	$ 2,194,195	$ 2,046,472
Capital assets	2,005,470	2,005,188	1,098,421	1,077,951	3,103,891	3,083,139
Deferred outflows of resources	92,650	49,924	11,638	5,962	104,198	55,886
Total assets and deferred outflows of resources	3,515,750	3,343,253	1,886,534	1,842,244	5,402,284	5,185,497
Long-term liabilities outstanding	937,779	953,280	221,809	245,252	1,159,588	1,198,532
Other liabilities	182,864	205,739	59,575	64,859	242,439	270,598
Deferred inflows of resources	7,380	23,866	606	1,936	7,986	25,802
Total liabilities and deferred Inflows of resources	1,128,023	1,182,885	281,990	312,047	1,410,013	1,494,932
Net position						
Net investments in capital assets	1,332,960	1,226,167	877,327	824,471	2,210,287	2,050,638
Restricted	88,566	87,950	186,076	25,000	274,642	112,950
Unrestricted	966,201	846,251	541,141	680,726	1,507,342	1,526,977
Total net position	$ 2,387,727	$ 2,160,368	$ 1,604,544	$ 1,530,197	$ 3,992,271	$ 3,690,565

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Foxfire Village exceeded liabilities and deferred inflows by $3,992,271 as of June 30, 2017. The Village's net position increased by $301,706 for the fiscal year ended June 30, 2017 due to an increase of $341,795 in net position and a restatement of $($40,089) for law enforcement officers pension obligation. A large portion, 55.4%, reflects the Village's net investments in capital assets. Foxfire Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Foxfire Village's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of $274,642 and $1,507,342 is restricted and unrestricted net position, respectively.

Foxfire Village's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	$ 25,396	$ 32,655	$ 239,509	$ 232,965	$ 264,905	$ 265,620
Operating grants and contributions	28	250	-	-	28	250
Capital grants and contributions	50,500	42,548	-	-	50,500	42,548
General revenues:						
Property taxes	626,421	613,487	-	-	626,421	613,487
Grants and contributions not restricted to specific programs	340,269	326,174	-	-	340,269	326,174
Other	7,367	5,153	444	2,599	7,811	7,752
Total revenues	1,049,981	1,020,267	239,953	235,564	1,289,934	1,255,831
Expenses:						
General government	176,130	186,515	-	-	176,130	186,580
Public safety	358,065	295,789	-	-	358,065	295,724
Transportation	146,805	135,462	-	-	146,805	135,462
Culture and recreation	62,268	121,017	-	-	62,268	121,017
Outside services	7	38	-	-	37	38
Interest on long-term debt	39,258	52,239	-	-	39,258	52,239
Water and sewer	-	-	165,606	153,090	165,606	153,090
Total expenses	782,533	791,060	165,606	153,090	948,139	944,150
Transfers	-	-	-	-	-	-
Increase in net position	267,448	229,207	74,347	82,474	341,795	311,681
Net position, beginning, as previously reported	2,160,368	1,931,161	1,530,197	1,447,723	3,690,565	3,378,884
Restatement	(40,089)	-	-	-	(40,089)	-
Net position, beginning, restated	2,120,279	1,931,161	1,530,197	1,447,723	3,650,476	3,378,884
Net position, ending	$ 2,387,727	$ 2,160,368	$ 1,604,544	$ 1,530,197	$ 3,992,271	$ 3,690,565

Governmental activities: Governmental activities increased the Village's overall net position by $341,795. Of this increase, $267,448 resulted from Governmental activities and $74,347 from Business-type activities. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Increased efforts to maximize tax collections also contributed to the favorable net position.

Financial Analysis of the Village's Funds

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

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

The general fund is the chief operating fund of Foxfire Village. At the end of the current fiscal year, Foxfire Village's fund balance available in the General Fund was $140,222, while total fund balance reached $1,401,214. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 15.5 percent of total General Fund expenditures, while total fund balance represents 154.8 percent of that same amount. The Village Council has established by policy that the Village should maintain a minimum unassigned fund balance of 35-40% of budgeted general fund expenses.

General Fund Budgetary Highlights: During the fiscal year, the Village revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

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

Proprietary Funds. Foxfire Village's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year amounted to $593,997. The total increase in net position was $74,347. Other factors concerning the finances of these two funds have already been addressed in the discussion of Foxfire Village's business-type activities.

Capital Asset and Debt Administration

Capital assets. Foxfire Village's investment in capital assets for its governmental and business–type activities as of June 30, 2017, totals $3,103,891 (net of accumulated depreciation). These assets include buildings, land, equipment and vehicles.

Financial Analysis of the Village's Funds (continued)

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

Foxfire Village's Capital Assets

(Net of depreciation)

	Governmental Activities	Business Activities	Total
Land and construction in progress	$ 1,745,724	$ 191,498	$ 1,937,222
Buildings	147,904	-	147,904
Improvements	88,920	-	88,920
Plant and water distribution system	-	867,515	867,515
Vehicles and motorized equipment	17,867	-	17,867
Other equipment	5,055	39,408	44,463
Total	$ 2,005,470	$ 1,098,421	$ 3,103,891

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

Economic Factors and Next Year's Budgets and Rates

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

- Increased residential construction occurred during the year. Applications for building permits increased. There was a decrease in new home construction in fiscal year end June 30, 2017.
- A large golf course community planned for an area annexed by the Village has been delayed by the current local and national economy.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities: The Village has approved a $983,250 General fund budget for fiscal year 2018. This is a decrease of 2.4% from the prior year. The property tax rate for fiscal year 2018 has remained at 38 cents per $100 of assessed valuation.

Requests for Information

This report is designed to provide an overview of the Village's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Foxfire Village, 1 Town Hall Drive, Foxfire Village, North Carolina 27281.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
6/30/2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 1,358,168	$ 753,979	$ 2,112,147
Taxes receivables (net)	9,845	-	9,845
Accounts receivable (net)	-	21,606	21,606
Prepaid expenses	299	-	299
Due from other governments	49,408	890	50,298
Total current assets	1,417,720	776,475	2,194,195
Capital assets			
Land, non-depreciable improvements and construction in progress	1,745,724	191,498	1,937,222
Other capital assets, net of depreciation	259,746	906,923	1,166,669
Total capital assets	2,005,470	1,098,421	3,103,891
Total assets	$ 3,423,190	$ 1,874,896	$ 5,298,086
DEFERRED OUTFLOWS OF RESOURCES			
Assessments	39,158	5,038	44,196
Pension deferrals	53,402	6,600	60,002
Total deferred outflows of resources	92,560	11,638	104,198
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 44,933	$ 695	$ 45,628
Customer deposits	-	25,233	25,233
Compensated absences	9,803	1,695	11,498
Installment notes payable - current	128,128	$ 31,952	160,080
Total current liabilities	182,864	$ 59,575	242,439
Non-current liabilities			
Compensated absences	9,803	1,695	11,498
Installment notes payable	823,041	212,504	1,035,545
Net pension liability	61,578	7,610	69,188
Total pension liability	43,357	-	43,357
Total non-current liabilities	937,779	221,809	1,159,588
Total liabilities	$ 1,120,643	$ 281,384	$ 1,402,027
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	886	-	886
Pension deferrals-LEO	1,587	-	1,587
Pension deferrals-LGERS	4,907	606	5,513
Total deferred inflows of resources	7,380	606	7,986
NET POSITION			
Net investments in capital assets	$ 1,332,960	877,327	2,210,287
Restricted for:			
Stabilization by State Statute	88,566	-	88,566
Future well reserve	-	186,076	186,076
Unrestricted	966,201	541,141	1,507,342
Total net position	$ 2,387,727	$ 1,604,544	$ 3,992,271

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

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	$ 176,130	$ 7,535	$ -	$ 7,881	$ (160,714)	$ -	$ (160,714)
Public safety	358,065	451	-	-	(357,614)	-	(357,614)
Transportation	146,805	-	-	42,619	(104,186)	-	(104,186)
Cultural and recreational	62,268	17,410	28	-	(44,830)	-	(44,830)
Outside services	7	-	-	-	(7)	-	(7)
Interest on long-term debt	39,258	-	-	-	(39,258)	-	(39,258)
Total governmental activities	782,533	25,396	28	50,500	(706,609)	-	(706,609)
Business-type activities							
Water and sewer	165,606	239,509	-	-	-	73,903	73,903
Total primary government	$ 948,139	$ 264,905	$ 28	$ 50,500	(706,609)	73,903	(632,706)

	Governmental Activities	Business-type Activities	Total
General revenues			
Taxes			
Property taxes, levied for general purposes	626,421	-	626,421
Grants and contributions, not restricted to specific programs	340,269	-	340,269
Unrestricted investment earnings	367	212	579
Miscellaneous	7,000	232	7,232
Total general revenues and transfers	974,057	444	974,501
Change in net position	267,448	74,347	341,795
Net position, beginning, as previously reported	2,160,368	1,530,197	3,690,565
Restatement (See Note 6)	(40,089)	-	(40,089)
Net position, beginning, restated	2,120,279	1,530,197	3,650,476
Net position, ending	$ 2,387,727	$ 1,604,544	$ 3,992,271

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	Major Fund General
ASSETS	
Cash and cash equivalents	$ 1,358,168
Receivables, net	
Taxes	9,845
Prepaid expenses	299
Due from other governments	49,408
Total assets	$ 1,417,720
DEFERRED OUTFLOWS OF RESOURCES	
Assessments	39,158
Total deferred outflows of resources	39,158
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable and accrued liabilities	$ 44,933
Total liabilities	44,933
DEFERRED INFLOWS OF RESOURCES	
Tax Receivable	9,845
Prepaid taxes	886
Total deferred inflows of resources	10,731
Fund balances	
Restricted	
Stabilization by State Statute	88,566
Committed	
Capital improvements	441,179
Police vehicle	10,000
K-9	2,000
Streets	90,000
Debt service	200,019
Assigned	
Streets-future debt	35,928
Working capital/fund balance policy	393,300
Unassigned	140,222
Total fund balances	1,401,214
Total liabilities, deferred inflows / outflows of resources and fund balances	$ 1,456,878
Reconciliation of fund balance as reported in the balance sheet - governmental funds with net position - governmental activities	
Fund balance as reported in the balance sheet - governmental funds	$ 1,401,214
Amounts reported for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	2,005,470
Net pension liability	(61,578)
Total pension liability	(43,357)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	53,402
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	9,845
Compensated absences not expected to be materially liquidated with expendable available resources	(19,606)
Long-term liabilities, principally installment purchases and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds	(951,169)
Pension related deferrals	(6,494)
Net position of governmental activities	$ 2,387,727

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	Major Fund
	General
REVENUES	
Ad valorem taxes	$ 626,624
Unrestricted intergovernmental	340,269
Restricted intergovernmental	42,619
Permits and fees	7,535
Sales and services	17,889
Investment earnings	367
Miscellaneous	14,881
Total revenues	1,050,184
EXPENDITURES	
Current	
General government	194,673
Public safety	336,511
Transportation	146,805
Cultural and recreational	58,177
Outside services	7
Debt service	
Princpal retirement	130,217
Interest and other charges	39,258
Total expenditures	905,648
Net change in fund balances	144,536
Fund balances, beginning	1,256,678
Fund balances - ending	$ 1,401,214

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

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

Net changes in fund balances - total governmental funds		$ 144,536
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal		
	Capital outlay	27,342
	Depreciation	(27,060)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		14,110
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
	Taxes including interest and penalties	(203)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
	Compensated absences	(1,253)
	Pension expense	(15,386)
	LEO expense	(4,855)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		130,217
Total change in net position of governmental activities		$ 267,448

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2017

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	$ 597,000	$ 597,000	$ 626,624	$ 29,624
Unrestricted intergovernmental	306,000	306,100	340,269	34,169
Restricted intergovernmental	42,000	42,000	42,619	619
Permits and fees	5,000	5,000	7,535	2,535
Sales and services	18,200	18,300	17,889	(411)
Investment earnings	900	200	367	167
Miscellaneous	-	500	14,881	14,381
Total revenues	969,100	969,100	1,050,184	81,084
EXPENDITURES				
Current				
General government	191,320	206,820	194,673	12,147
Public safety	339,620	356,620	336,511	20,109
Transportation	165,700	255,700	146,805	108,895
Cultural and recreational	85,050	85,050	58,177	26,873
Outside services	710	710	7	703
Debt service				
Principal retirement	139,200	139,200	130,217	8,983
Interest and other charges	35,500	35,500	39,258	(3,758)
Total expenditures	957,100	1,079,600	905,648	173,952
Revenues over (under) expenditures	12,000	(110,500)	144,536	255,036
Other financing sources (uses)				
Transfer to capital reserve	(50,000)	(250,000)	-	(250,000)
Total other financing sources (uses)	(50,000)	(250,000)	-	100,000
Fund balance appropriated	38,000	360,500	-	360,500
Net change in fund balance	$ -	$ -	144,536	$ 144,536
Fund balances - beginning			1,256,678	
Fund balances - ending			$ 1,401,214	

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

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2017

	Enterprise Fund
	Water and Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	$ 753,979
Accounts receivable (net)	21,606
Assessments	5,038
Due from other governments	890
Total current assets	781,513
Noncurrent assets	
Capital assets	
Land, non-depreciable improvements and construction in progress	191,498
Other capital assets, net of depreciation	906,923
Total capital assets, net	1,098,421
Total assets	$ 1,879,934
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferral	6,600
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	$ 695
Customer deposits	25,233
Compensated absences payable - current	1,695
Net pension liability	7,610
Notes payable - current	31,952
Total current liabilities	67,185
Noncurrent liabilities	
Other noncurrent liabilities	
Compensated absences payable - noncurrent	1,695
Notes payable - noncurrent	212,504
Total noncurrent liablilities	214,199
Total liabilities	281,384
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	606
Total deferred inflows of resources	606
NET POSITION	
Net investment in capital assets	824,471
Restricted Future well reserve	186,076
Unrestricted	593,997
Total net position	$ 1,604,544

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2017

	Enterprise Fund Water and Sewer Fund
OPERATING REVENUES	
Charges for services	$ 229,359
Water and sewer taps	10,150
Total operating revenues	239,509
OPERATING EXPENSES	
Water treatment and distribution	103,819
Depreciation and amortization	51,099
Total operating expenses	154,918
Operating income	84,591
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	212
Miscellaneous revenue	232
Interest and other charges	(10,688)
Total nonoperating revenues (expenses), net	(10,244)
Change in net position	74,347
Total net position, beginning	1,530,197
Total net position, ending	$ 1,604,544

	Business-Type Activities
	Enterprise Fund
	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 241,541
Cash paid for goods and services	(55,774)
Cash paid to or on behalf of employees for services	(49,374)
Customer deposits received	4,560
Customer deposits returned	(3,560)
Net cash provided by operating activities	137,393
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on bonds, notes and capital leases	(35,183)
Interest paid on bonds, notes and capital leases	(10,688)
Acquisition and construction of capital assets	(71,569)
Miscellaneous revenue	232
Net cash (used) by capital and related financing activities	(117,208)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	212
Net increase in cash and cash equivalents	20,397
Balances, beginning	733,582
Balances, ending	$ 753,979

	Business-Type Activities
	Enterprise Fund
	Water and Sewer Fund
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 84,591
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation	51,099
Changes in assets and liabilities	
Decrease in accounts receivable	2,240
(Increase) in due from other governments	(62)
Decrease in prepaid items	75
(Decrease) in accounts payable and accrued liabilities	(2,186)
Increase in customer deposits	1,000
Increase in compensated absences payable	32
(Increase) Decrease in deferred outflows of resources-pensions	(5,676)
Increase in net pension liability	6,561
Increase (Decrease) in deferred inflows of resources-pensions	(281)
Total adjustments	52,802
Net cash provided by operating activities	$ 137,393

NOTES TO THE FINANCIAL STATEMENTS

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statement themselves. The notes supplement the financial statements, and are an integral part thereof, and are intended to be read in conjunction with the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Village’s funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Village reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Village. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and recreation services.

The Village reports the following major enterprise fund:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The Village considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2016 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

C. Measurement Focus and Basis of Accounting *(Continued)*

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Village are recognized as revenue. Sales taxes are considered a shared revenue for Foxfire Village because the tax is levied by Moore County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Village funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Village’s policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

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

E. Statement of Cash Flows

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

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

Deposits and Investments

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

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

Cash and Cash Equivalents

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Village levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2016.

Allowances for Doubtful Accounts

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: Buildings, improvements, furniture and equipment, and vehicles, $5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2016 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2016 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure capitalization cost is $100,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings	50
Infrastructure	30
Improvements	20
Vehicles	4
Furniture and equipment	10
Computer equipment	3

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Village has two items that meet this criterion, assessments and contributions made to the pension plan in the 2017 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Village has several items that meet the criterion for this category - prepaid taxes, taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Long-Term Obligations

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

Compensated Absences

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

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

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Committed fund balance – Capital improvements portion of fund balance that can only be used for capital improvement purposes. Any change or removal of specific purpose requires majority action by the governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

Working capital/Fund Balance Policy – In 2017, the Village Council adopted a resolution establishing a fund balance policy that the Village should maintain a minimum fund balance of 35 to 40 percent of budgeted general fund expenses. As outlined in the Fund Balance Policy, funds exceeding 40 percent of the next year's budgeted expenditures shall be transferred to the Capital Reserve fund, or another restricted fund, at the discretion of the Council.

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

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

G. Other

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

H. Pensions

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

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

All the deposits of the Village are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Village's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Village, these deposits are considered to be held by the Village's agents in their names. The amount of the pledged collateral is based on an approved averaging method for noninterest bearing deposits and the actual current balance for interest-bearing deposits.

NOTE 2 - DETAIL NOTES ON ALL FUNDS *(Continued)*

A. Assets (Continued)

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Village or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Village under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows.

However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Village has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Village complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Village has no formal policy regarding custodial credit risk for deposits.

At June 30, 2017, the Village's deposits had a carrying amount of $2,112,147 and a bank balance of $2,129,867. Of the bank balance, $250,000 was covered by federal depository insurance and $1,879,867 was covered by collateral held under the pooling method.

Receivables

Due from Other Governmental Agencies
At June 30, 2017, funds due from other governmental agencies consisted of the following:

Governmental Activities	General Fund	Enterprise Fund
State:		
Local option sales tax	$ 40,506	$ -
Sales and gas tax refunds	4,822	890
Moore County	4,080	-
Total	$ 49,408	$ 890

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

Capital Assets
Capital asset activity for the year ended June 30, 2017, was as follows:

Governmental activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land	$1,723,436	$ -	$ -	$ 1,723,436
Construction in progress	-	22,288	-	22,288
Total capital assets not being depreciated	1,723,436	22,288	-	1,745,724
Capital assets being depreciated				
Buildings	287,390	-	-	287,390
Other improvements	170,924	-	-	170,924
Equipment	92,419	5,054	6,014	91,459
Vehicles and motorized equipment	118,128	-	-	118,128
Total capital assets being depreciated	668,861	5,054	6,014	667,901
Less accumulated depreciation				
Buildings	131,842	7,644	-	139,486
Other improvements	74,956	7,048	-	82,004
Equipment	92,330	88	6,014	86,404
Vehicles and motorized Equipment	87,981	12,280	-	100,261
Total accumulated depreciation	$ 387,109	$ 27,060	$ 6,014	408,155
Total capital assets being depreciated, net	281,752			259,746
Governmental activity capital assets, net	$2,005,188			$2,005,470

NOTE 2 - DETAIL NOTES ON ALL FUNDS *(Continued)*

A. Assets (Continued)

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

General government	$ 1,216
Public safety	16,699
Cultural and recreational	9,145
Total depreciation expense	$27,060

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities				
Capital assets not being depreciated				
Land	$ 191,498	$ -	$ -	$ 191,498
Total capital assets not being depreciated	191,498	-	-	191,498
Capital assets being depreciated				
Plant and distribution system	1,781,254	56,695	-	1,837,949
Vehicles and motorized equipment	14,219	-	14,219	-
Other equipment	115,502	14,874	-	130,376
Total capital assets being depreciated	1,910,975	71,569	14,219	1,968,325
Less accumulated depreciation				
Plant and distribution system	928,994	41,440	-	970,434
Vehicles and motorized equipment	14,219	-	14,219	-
Other equipment	81,309	9,659	-	90,968
Total accumulated depreciation	1,024,522	$ 51,099	$ -	1,061,402
Total capital assets being depreciated, net	886,453			906,923
Business-type activity capital assets, net	$ 1,077,951			$ 1,098,421

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

NOTE 2 - DETAIL NOTES ON ALL FUNDS *(Continued)*

B. Liabilities (Continued)

1. Pension Plan Obligations *(Continued)*

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Foxfire Village employees are required to contribute 6% of their compensation. Employer contributions are actuarily determined and set annually by the LGERS Board of Trustees. The Foxfire Village's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.25% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from Foxfire Village were $15,612 for the year ended June 30, 2017.

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

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

At June 30, 2017, the Village reported a liability of $69,188 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Village's proportion of the net pension asset was based on a projection of the Village's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension

NOTE 2 - DETAIL NOTES ON ALL FUNDS *(Continued)*

B. Liabilities (Continued)

1. Pension Plan Obligations *(Continued)*

plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Village's proportion was 0.0326%, which was an increase of 0.0003% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the Village recognized pension expense of $17,288. At June 30, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,300	$ 2,424
Changes of assumptions	4,739	-
Net difference between projected and actual earnings on pension plan investments	38,252	-
Changes in proportion and differences between Village contributions and proportionate share of contributions	99	3,089
Village contributions subsequent to the measurement date	15,612	-
Total	$ 60,002	$ 5,513

$15,612 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	$ 5,151
2018	5,161
2019	17,553
2020	11,012
2021	-
Thereafter	-
Total	$ 38,877

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

NOTE 2 - DETAIL NOTES ON ALL FUNDS *(Continued)*

B. Liabilities (Continued)

1. Pension Plan Obligations *(Continued)*

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

NOTE 2 - DETAIL NOTES ON ALL FUNDS *(Continued)*

B. Liabilities (Continued)

1. Pension Plan Obligations *(Continued)*

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Foxfire Village's proportionate share of the net pension liability (asset)	$ 164,216	$ 69,188	$ (10,186)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

Plan Description

Foxfire Village, NC administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Village's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Village are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	3
Total	3

NOTE 2 - DETAIL NOTES ON ALL FUNDS *(Continued)*

B. Liabilities (Continued)

1. Pension Plan Obligations *(Continued)*

b. Law Enforcement Officers Special Separation Allowance *(Continued)*

Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions

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

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

At June 30, 2017, the Village reported a total pension liability of $43,357. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Village recognized pension expense of $4,855.

NOTE 2 - DETAIL NOTES ON ALL FUNDS *(Continued)*

B. Liabilities (Continued)

1. Pension Plan Obligations *(Continued)*

b. Law Enforcement Officers Special Separation Allowance *(Continued)*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	1,587
Benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	$ -	$ 1,587

$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 218
2019	218
2020	218
2021	218
2022	218
Thereafter	497

$0 paid as benefits came due and $0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Village's total pension liability to changes in the discount rate. The following presents the Village's total pension liability calculated using the discount rate of 3.86 percent, as well as what the Village's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	$ 49,852	$ 43,357	$ 37,606

NOTE 2 - DETAIL NOTES ON ALL FUNDS *(Continued)*

B. Liabilities (Continued)

1. Pension Plan Obligations *(Continued)*

b. Law Enforcement Officers Special Separation Allowance *(Continued)*

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	2017
Beginning balance	$ 40,089
Service Cost	3,642
Interest on the total pension liability	1,431
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(1,805)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	$ 43,357

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Village to contribute each month an amount equal to five percent of law enforcement officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were $6,741, which consisted of $5,246 from the Village and $1,495 from law enforcement officers.

The Village has also elected for all permanent full-time employees not engaged in law enforcement to be covered under the Supplemental Retirement Income Plan. The Village contributes 5% of employee's monthly compensation to the plan, and the employees may make voluntary contributions. Total contributions for the year ended June 30, 2017 for employees were $7,317, which consisted of $4,917 from the Village and $2,400 from employees.

NOTE 2 - DETAIL NOTES ON ALL FUNDS *(Continued)*

B. Liabilities (Continued)

2. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Assessments (General)	$ 39,158
Assessments (Business Type)	5,038
Pension deferrals (General)	53,402
Pension deferrals (Business Type)	6,600
Total	$ 104,198

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

Prepaid Tax, net (General)	886
Pension deferrals (General)	4,907
Pension on deferral (Business Type)	606
Total	$ 6,399

4. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Village obtains general liability, auto liability, police professional and public official's liability coverage of $3 million per occurrence, property coverage up to $1,503,288 and workers' compensation and employee benefit liability coverage up to $1 million. No flood insurance is held by the Village since no Village property is in a flood plain.

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

The Village carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

NOTE 2 - DETAIL NOTES ON ALL FUNDS *(Continued)*

B. Liabilities (Continued)

5. Long-Term Obligations

a. Promissory Note Payable – Park facility debt

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

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

Annual requirements to retire this debt are as follows:

Year Ending June 30	Principle	Interest	Total
2018	$ 19,129	$ 1,866	$ 20,995
2019	19,584	1,411	20,995
2020	20,044	951	20,995
2021	20,424	480	20,904
Total	$ 79,181	$ 4,708	$ 83,889

b. Private placement installment purchase contract – Paving/Utilities

On April 3,2009, the Village executed a financing agreement and deed of trust with Branch Banking and Trust Company to finance the Woodland Circle street paving and water extension project. The note was refinanced on April 13, 2017 with First Bank, requiring 7 annual principal payments of $118,477 plus interest at the annual rate of 2.60%. The scheduled date for final payment is April, 2025. The Deed of Trust (Mortgaged Property) is described in the financing agreement as all the Village's right title and interest in the Woodland Circle extension from approximately Dogwood Court to the intersection of Lowell Court and Eagle Drive, including approximately 7,122 linear feet of residential subdivision roadway and associated storm drains and approximately 7,080 linear feet of waterline.

Requirements to retire this debt are as follows:

Year End	Governmental Activities			Business Type Activities			Total	
June 30	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
2018	$ 108,999	$ 22,672	$ 131,671	$ 9,478	$ 1,971	$ 11,449	$ 118,477	$ 24,643
2019	108,999	19,838	128,837	9,478	1,725	11,203	118,477	21,563
2020	108,999	17,004	126,003	9,478	1,479	10,957	118,477	18,483
2021	108,999	14,170	123,169	9,478	1,232	10,710	118,477	15,402
2022	108,999	11,335	120,334	9,478	986	10,464	118,477	12,321
Thereafter	326,993	17,004	343,997	28,435	1,479	29,914	355,428	18,483
Total	$ 871,988	$ 102,023	$ 974,011	$ 75,825	$ 8,872	$ 84,697	$ 947,813	$ 110,895

NOTE 2 - DETAIL NOTES ON ALL FUNDS *(Continued)*

B. Liabilities (Continued)

5. Long-Term Obligations *(Continued)*

c. Promissory Note Payable – Water and Well Project

On July 23, 2008, the Village executed a promissory note payable to BB&T to finance the Hoffman road well project. Effective July 1, 2017 the Village refinanced this note with First Bank and the following terms are noted:

The note requires seven annual payments of $26,448 including interest with a final payment of $25,553 at a fixed rate of 2.35%, and is secured by a first lien security interest on 2643 Hoffman Road well site and a UCC filing on all pipes, valves, and fittings associated with the project. The scheduled date for final repayment is August 1, 2023.

Annual requirements to retire this debt are as follows:

Year Ending June 30:	Principal	Interest	Total
2018	$ 22,474	$ 3,974	$ 26,448
2019	23,013	3,435	26,448
2020	23,554	2,894	26,448
2021	24,108	2,340	26,448
2022	24,674	1,774	26,448
Thereafter	50,808	1,794	52,602
Total	$ 168,631	$16,211	$ 184,842

d. Changes in long-term liabilities

The following is a summary of changes in the Village's long-term debt for the year ended June 30, 2017:

	Bal. July 1, 2016	Increase	Decrease	Bal. June 30, 2017	Current Portion
Governmental Activities:					
Village Green Obligation	$ 100,000	$ -	$ 20,819	$ 79,181	$ 19,129
Paving/Utilities	981,386	-	109,398	871,988	108,999
Net pension liability (LGERS)	12,235	49,343	-	61,578	-
Total pension liability (LEO)	40,089	3,268	-	43,357	-
Compensated absences	18,353	9,382	8,129	19,606	9,803
Total	$1,111,974	$58,725	$138,346	$ 1,032,353	$ 137,931
Business-Type Activities:					
Water Well Project	$ 194,736	$ -	$ 26,105	$ 168,631	$ 22,474
Paving/Utilities	84,903	-	9,078	75,825	9,478
Net pension liability (LGERS)	1,049	6,561	-	7,610	-
Compensated absences	3,358	1,428	1,396	3,390	1,695
Total	$ 284,046	$ 7,989	$ 36,579	$ 255,456	$ 33,347
Total long-term debt	$1,396,020	$ -	$ -	$ 1,396,020	$ 184,204

NOTE 2 - DETAIL NOTES ON ALL FUNDS *(Continued)*

B. Liabilities (Continued)

6. Legal Debt Margin

At June 30, 2017, Foxfire Village has a legal debt margin (maximum borrowing ability) of $12,205,757.

7. Description of Leasing Agreements

The Village leases its Village Hall facilities under an operating lease. The lease commenced on January 1, 2010 and will continue in effect through December 31, 2017. Upon expiration of the lease term, the Village has the right to extend the lease for additional years.

Annual rent for this lease agreement is $9,150 payable in monthly installments to be adjusted every lease year anniversary by $25 per month. Rent expense for the year ended June 30, 2017 was $9,150.

NOTE 3 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. Federal and State Assisted Programs

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

NOTE 4 – NET INVESTMENT IN CAPITAL ASSETS

	Governmental	Business-type
Capital assets	$ 2,005,470	$ 1,098,421
less: long-term debt		
Village Green	79,181	-
Well Water Project	-	168,631
Paving Utility Debt *	603,329	52,463
Net investment in capital assets	$ 1,332,960	$ 877,327
Current year debt	$ 871,988	$ 75,825
	x 69.19%	x 69.19%
	$ 603,329	$ 52,463

*Initial Debt	$ 1,892,345
Fixed asset component	1,309,421
Assessment receivable component	582,924
Debt percentage related to fixed assets	69.19%

NOTE 5 – FUND BALANCE

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

Total fund balance – General Fund	$1,401,214
Less:	
Stabilization by State Statute	88,566
Capital Improvements	441,179
Police vehicle	10,000
K-9	2,000
Streets	90,000
Debt service	200,019
Streets future debt	35,928
Working Capital/Fund Balance Policy	393,300
Remaining Fund Balance	140,222

NOTE 6 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Village implemented Governmental Accounting Standards Board (GASB) No. Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, in the fiscal year ending June 30, 2017. The implementation of the statement required the Village to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Village to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased $40,089.

Required Supplemental Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

Local Government Employees' Retirement System

	2017	2016	2015	2014
Foxfire Village's proportion of the net pension liability (asset) (%)	0.00326%	0.00296%	0.00347%	0.00350%
Foxfire Village's proportion of the net pension liability (asset) ($)	$ 69,188	$ 13,284	$ (20,464)	$ 42,188
Foxfire Village's covered-employee payroll	$ 176,882	$ 180,208	$ 182,220	$ 182,502
Foxfire Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.12%	7.83%	(11.36%)	23.15%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

Local Government Employees' Retirement System

	2017	2016	2015	2014
Contractually required contribution	$ 15,612	$ 11,690	$ 7,889	$ 5,884
Contributions in relation to the contractually required contribution	15,612	11,690	7,889	5,884
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 203,960	$ 176,882	$ 180,208	$ 182,220
Contributions as a percentage of covered-employee payroll	7.64%	6.60%	4.38%	3.23%

FOXFIRE VILLAGE, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
JUNE 30, 2017

		2017
Beginning balance	$	40,089
Service cost		3,642
Interest on the total pension liability		1,431
Changes of benefit terms		-
Differences between expected and actual experience in the measurement of the total pension liability		-
Changes of assumptions or other inputs		(1,805)
Benefits payments		-
Other changes		-
Ending balance of the total pension liability	$	43,357

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
JUNE 30, 2017

	2017
Total pension liability	$ 43,357
Covered Payroll	133,174
Total pension liability as a percentage of covered payroll	32.56%

Notes to the schedules:

The Village of Foxfire has no assets accumulated in a trut that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

COMBINING AND INDIVIDUAL FUND

FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

General Fund – This fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes			
Current year	$ -	$ 621,369	$ -
Prior years	-	3,604	-
Penalties and interest	-	1,651	-
Total	597,000	626,624	29,624
Unrestricted intergovernmental			
Local option sales tax	-	251,347	-
Utility franchise tax	-	53,897	-
Telecommunications tax	-	4,268	-
Video franchise fee	-	25,709	-
Tax refunds	-	329	-
Beer and wine tax	-	4,599	-
ABC Profit distribution	-	120	-
Total	306,100	340,269	34,169
Restricted intergovernmental			
Powell Bill allocation	42,000	42,619	619
Permits and fees			
Building permits	5,000	7,535	2,535
Sales and services			
Pool fees	-	17,225	-
Foxfire merchandise	-	28	-
Park fees	-	185	
Arrest fees	-	451	-
Total	18,300	17,889	(411)
Investment earnings	200	367	167
Miscellaneous			
Grants and contributions	-	7,881	-
Other	-	7,000	-
Total	500	14,881	14,381
Total revenues	969,100	1,050,184	81,084

	2017		
	Budget	Actual	Variance Positive (Negative)
Expenditures			
General Government			
General administration			
Salaries and employee benefits	-	100,219	-
Other operating expenditures	-	72,166	-
Capital outlay	-	22,288	-
Total general government	206,820	194,673	12,147
Public Safety			
Police			
Salaries and employee benefits	-	146,379	-
Other operating expenditures	-	53,349	-
Total	219,820	199,728	20,092
Fire			
Other operating expenditures	-	136,783	-
Total	136,800	136,783	17
Total public safety	356,620	336,511	20,109
Transportation			
Streets and highways			
Other operating expenditures	-	146,805	-
Total transportation	255,700	146,805	108,895
Cultural and recreation			
Salaries and employee benefits	-	15,866	-
Other operating expenditures	-	37,257	-
Capital outlay	-	5,054	-
Total cultural and recreation	85,050	58,177	26,873
Outside Services			
Other operating expenditures	710	7	703
Total outside services	710	7	703

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Debt service			
Principal retirement	-	130,217	-
Interest and fees	-	39,258	-
Total debt service	174,700	169,475	5,225
Total expenditures	1,079,600	905,648	173,952
Revenues over (under) expenditures	(110,500)	144,536	(255,036)
Other financing sources (uses)			
Transfer to capital reserve	(250,000)	-	(250,000)
Total other financing sources (uses)	(250,000)	-	(250,000)
Fund balance appropriated	360,500	-	360,500
Net change in fund balance	$ -	144,536	$ 144,536
Fund balance, beginning		1,256,678	
Fund balance, ending		$ 1,401,214	

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Sewer Fund - This fund is used to account for the City's water and sewer operations.

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services			
Water sales	$ -	$ 229,359	$ -
Water taps	-	10,150	-
Total	233,600	239,509	5,909
Nonoperating revenues			
Interest earnings	-	212	-
Miscellaneous	-	232	-
Total	2,300	444	(1,856)
Total revenues	235,900	239,953	4,053
Expenditures			
Water treatment and distribution			
Salaries and employee benefits	-	40,914	-
Other operating expenditures	-	62,269	-
Total	221,850	103,183	118,667
Capital outlay	-	71,569	(71,569)
Debt service			
Principal retirement	-	35,183	-
Interest and fees	-	10,688	-
Total	47,050	45,871	1,179
Total expenditures	268,900	220,623	48,277
Revenues over (under) expenditures	(33,000)	19,330	52,330
Other financing sources (uses)			
Transfer to capital reserve fund	(25,000)	-	25,000
Total other financing resources	(25,000)	-	25,000
Fund balance appropriated	58,000	-	(58,000)
Revenues and other sources over expenditures and other uses	$ -	$ 19,330	$ 19,330

	2017		
	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over expenditures		$ 19,330	
Reconciling items:			
Principal retirement		35,183	
Depreciation		(51,099)	
Capital outlay		71,569	
Increase in accrued vacation pay		(32)	
Increase in deferral outflows of resources - pensions		5,676	
(Increase) in net pension liability		(6,561)	
Decrease in deferral inflows of resources - pensions		281	
Total reconciling items		55,017	
Change in net position		$ 74,347	

Other Schedules

This section includes additional information on property taxes.

- ***Schedule of Ad Valorem Taxes Receivable***
- ***Analysis of Current Tax Levy***

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

June 30, 2017

Fiscal Year	Uncollected Balance June 30, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	$ -	$ 624,954	$ 621,369	$ 3,585
2015-2016	4,808	-	3,421	1,387
2014-2015	1,233	-	56	1,177
2013-2014	879	-	56	823
2012-2013	892	-	96	796
2011-2012	1,024	-	52	972
2010-2011	467	-	52	415
2009-2010	388	-	52	336
2008-2009	47	-	-	47
2007-2008	123	-	-	123
2006-2007	187	-	3	184
	$ 10,048	$ 624,954	$ 625,157	9,845
Less: Allowance for uncollectible accounts				
General Fund				-
Ad valorem taxes receivable - net				$ 9,845
Reconcilement with revenues:				
Taxes - ad valorem - General Fund				$ 626,624
Release of prior year taxes				184
Subtotal				626,808
Less interest collected				(1,651)
Total collections and credits				$ 625,157

ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
6/30/2017

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current year's rate	$ 164,470,789	$.38	$ 624,989	$ 576,126	$ 48,863
Penalties	-		-	-	-
Total	164,470,789		624,989	576,126	48,863
Abatements:	(9,211)	$.38	(35)	(35)	-
Total property valuation	$ 164,461,579				
Net levy			624,954	576,091	48,863
Uncollected taxes at June 30, 2017			3,585	3,585	-
Current year's taxes collected			$ 621,369	$ 572,506	$ 48,863
Current levy collection percentage			99.43%	99.38%	100.00%