
Town of Arapahoe

Arapahoe, North Carolina

Audit Report

June 30, 2019

TOWN OF ARAPAHOE

ARAPAHOE, NORTH CAROLINA

TOWN OFFICIALS

Mayor

Frank Brinson

Town Commissioners

Annie Flowers

Betty Ganues Hill

Chris Ireland

Tommy Murray

Brandi Robertson

Town Finance Clerk

Kacy Forbes

Town of Arapahoe, North Carolina
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June 30, 2019

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LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Arapahoe, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Arapahoe, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Member:

American Institute of Certified Public Accountants, NC Association of Certified Public Accountants
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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, each major fund, and the aggregate remaining funds of the Town of Arapahoe, North Carolina as of June 30, 2019, and the respective changes in financial position, and cash flows, where appropriate, thereof and the respective budgetary comparison of 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 4 through 10 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 36 and 37, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The 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 the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Larry E. Carpenter, CPA, PA

Greenville, NC
October 28, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Arapahoe, we offer readers of the Town of Arapahoe's financial statements this narrative overview and analysis of the financial activities of the Town of Arapahoe for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

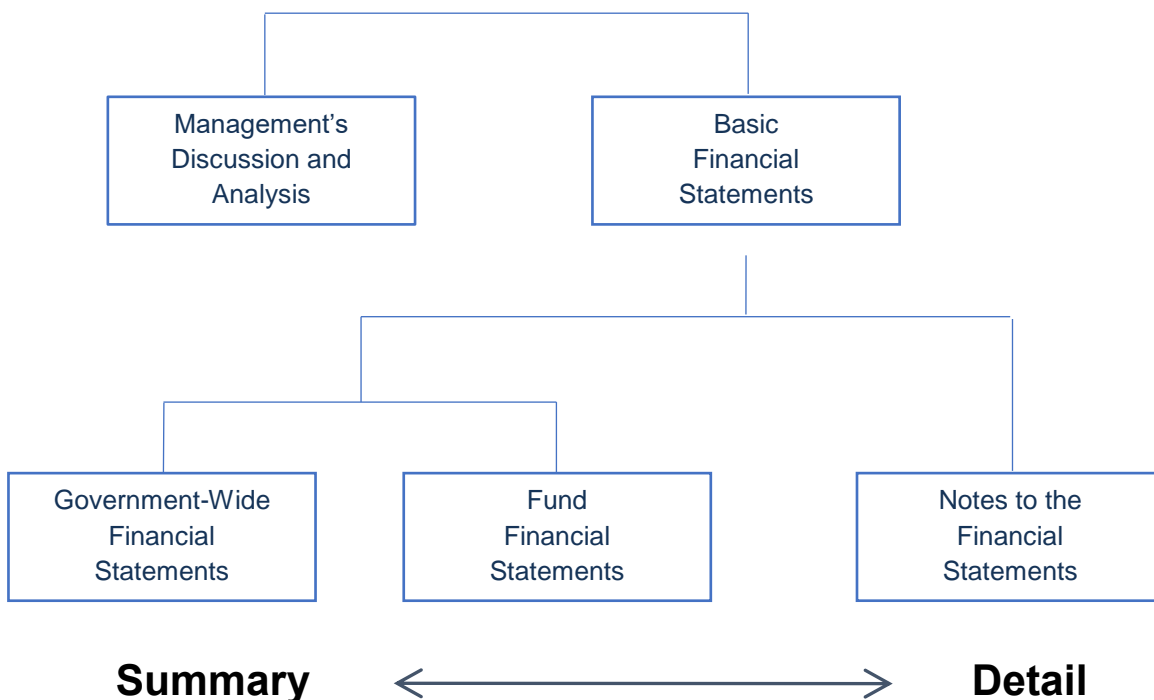
- The assets and deferred outflows of resources of the Town of Arapahoe exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$94,041 (*net position*).
- The government's total net position increased by \$1,211, primarily due to an increase in the governmental activities net position.
- As of the close of the current fiscal year, the Town of Arapahoe's governmental funds reported ending fund balances of \$84,775 with a net change of \$2,354 in fund balance. Approximately 100.00% percent of this total amount, or \$84,775, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$84,775, or 354.22% percent of total general fund expenditures for the fiscal year.
- The Town of Arapahoe has no debt.

Overview of the Financial Statements

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

Components of the Annual Financial Report

Figure 1:



Basic Financial Statements

The first two statements (Exhibits A-1 and A-2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town of Arapahoe's financial status. The next statements (Exhibits A-3 through A-7) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town of Arapahoe's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 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 Town of Arapahoe's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide financial statements

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

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

The government-wide statements consist of the governmental activities. The governmental activities include most of the Town of Arapahoe's basic services such as public safety, cultural and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

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

Fund financial statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Arapahoe, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town of Arapahoe's budget ordinance. The Town of Arapahoe only has one governmental fund.

Governmental Funds: Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town of Arapahoe'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 that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town of Arapahoe's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Arapahoe adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town of Arapahoe, the management of the Town of Arapahoe, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town of Arapahoe to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town of Arapahoe complied with the budget ordinance and whether or not the Town of Arapahoe 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 Town Council; 2) the final budget as amended by the Town Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 18 of this report.

Town of Arapahoe's Net Position

Figure 2

	Governmental Activities	
	2019	2018
Current and other assets	\$ 85,027	\$ 82,724
Pension assets		
Capital assets	9,266	10,409
Deferred outflows of resources	-	-
Total assets and deferred outflows of resources	<u>94,293</u>	<u>93,133</u>
Current liabilities	252	303
Noncurrent liabilities	-	-
Deferred inflows of resources	-	-
Total liabilities and deferred inflow of resources	<u>252</u>	<u>303</u>
Net investment in capital assets	9,266	10,409
Restricted	-	-
Unrestricted	84,775	82,421
Total net position	<u>\$ 94,041</u>	<u>\$ 92,830</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Arapahoe exceeded liabilities by \$94,041 as of June 30, 2019. The Town of Arapahoe's net position increased by \$1,211 for the fiscal year ended June 30, 2019. However, the largest portion, \$9,266 or 9.85%, reflects the Town of Arapahoe's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Arapahoe uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Arapahoe'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 \$84,775 is unrestricted.

Town of Arapahoe's Changes in Net Position

Figure 3

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Operating grants and contributions	-	-
General revenues:		
Other taxes	20,478	21,122
Unrestricted intergovernmental	-	-
Investment earnings	-	29
Other	5,880	90
Total revenues	<u>26,358</u>	<u>21,241</u>
Expenses:		
General government	18,310	19,372
Public safety	-	1,143
Transportation	4,943	3,966
Environmental protection	-	-
Culture and recreation	1,894	-
Total expenses	<u>25,147</u>	<u>24,481</u>
Increase in Net Position before transfers	1,211	(3,240)
Transfers	-	-
Increase (decrease) in Net Position	1,211	(3,240)
Net Position, July 1	92,830	96,070
Net Position, June 30	<u>\$ 94,041</u>	<u>\$ 92,830</u>

Governmental activities: Governmental activities increased the Town net position by \$1,211.

Financial Analysis of the Town's Funds

As noted earlier, the Town of Arapahoe uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town of Arapahoe's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Arapahoe'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 the Town of Arapahoe. At the end of the current fiscal year, the Town of Arapahoe's fund balance available in the General Fund was \$84,775, while total fund balance reached \$84,775. 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 354.22%

of total General Fund expenditures.

At June 30, 2019, the governmental funds of the Town of Arapahoe reported a fund balance of \$84,775 with a net increase in fund balance of \$2,354.

General Fund Budgetary Highlights

During the fiscal year, the Town of Arapahoe 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.

Capital Assets

Capital assets. The Town of Arapahoe's investment in capital assets for its governmental and business—type activities as of June 30, 2019, totaled \$9,266 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital assets transactions during the year included the following:

Town of Arapahoe's Capital Assets
(Net of Accumulated Depreciation)

Figure 4

	Governmental Activities	
	2019	2018
Land	\$ 7,000	\$ 7,000
Buildings	1,539	1,539
Equipment	24,696	24,696
Furniture	-	-
Vehicles and motorized equipment	-	-
Subtotal	33,235	33,235
Accumulated depreciation	(23,969)	(22,826)
Capital assets, net	<u>\$ 9,266</u>	<u>\$ 10,409</u>

The Town of Arapahoe has no long-term debt, and none is authorized. North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: No tax was levied for fiscal year ending June 30, 2020.

Requests for Information

This report is designed to provide an overview of the Town of Arapahoe'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

Town Clerk
Town of Arapahoe
P. O. Box 85
Arapahoe, North Carolina 28510

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Arapahoe, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government
	Governmental Activities
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 85,027
Total Current Assets	85,027
<i>Noncurrent Assets</i>	
Land and other nondepreciable assets	7,000
Other capital assets, net of depreciation	2,266
Total Assets	94,293
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Deferred Outflows of Resources	--
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable and accrued liabilities	252
Total Current Liabilities	252
<i>Noncurrent Liabilities</i>	
Total Liabilities	252
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
Total Deferred Inflows of Resources	--
NET POSITION	
Net investment in capital assets	9,266
<i>Unrestricted</i>	84,775
Total Net Position	\$ 94,041

The accompanying notes are an integral part of this financial statement.

**Town of Arapahoe, North Carolina
Statement of Activities
For the Year Ended June 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary Government					
Governmental Activities:					
General government	\$ 18,310	\$ --	\$ --	\$ --	\$ (18,310)
Transportation	4,943	--	--	--	(4,943)
Cultural and recreational	1,894	--	--	--	(1,894)
Total Primary Government	\$ 25,147	\$ --	\$ --	\$ --	\$ (25,147)

General Purpose Revenues and Transfers:

Revenues

Unrestricted intergovernmental	20,478
Miscellaneous Income	1,667
Insurance recovery	4,213

Total General Revenues and Transfers 26,358

Change in Net Position **1,211**

Net Position at Beginning of Period 92,830

Net Position at End of Period **\$ 94,041**

The accompanying notes are an integral part of this financial statement.

FUND FINANCIAL STATEMENTS

**Town of Arapahoe, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019**

	Major Fund
	General Fund
ASSETS	
Cash and cash equivalents	\$ 85,027
<i>Total Assets</i>	85,027
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
<i>Total Assets and Deferred Outflows of Resources</i>	\$ 85,027
LIABILITIES	
Accounts payable and accrued liabilities	\$ 252
<i>Total Liabilities</i>	252
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	252
FUND BALANCE	
Unassigned	84,775
<i>Total Fund Balance</i>	84,775
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 85,027

The accompanying notes are an integral part of this financial statement.

Town of Arapahoe, North Carolina
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Amounts reported for governmental activities in the Statement of Net Position are difference because:

Total Fund Balance - Governmental Funds	\$	84,775
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		9,266
		9,266
Total Net Position-Governmental Funds	\$	<u>94,041</u>

Town of Arapahoe, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	<u>Major Fund</u>
	<u>General Fund</u>
Revenues	
Unrestricted intergovernmental	\$ 20,478
Miscellaneous Income	1,667
Total Revenues	<u>22,145</u>
Expenditures	
General government	17,167
Transportation	4,943
Cultural and recreational	1,894
Total Expenditures	<u>24,004</u>
Excess of Revenues Over	
(Under) Expenditures	<u>(1,859)</u>
Other Financing Sources (Uses)	
Insurance recovery	4,213
Net Other Financing Sources (Uses)	<u>4,213</u>
Net Change in Fund Balance	2,354
<i>Fund Balance at Beginning of Period</i>	<u>82,421</u>
Fund Balance at End of Period	\$ <u>84,775</u>

The accompanying notes are an integral part of this financial statement.

Town of Arapahoe, North Carolina
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2019

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

Total Net Change in Fund Balances - Governmental Funds	\$	2,354
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(1,143)
Changes in Net Position-Governmental Funds	\$	<u>1,211</u>

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

Town of Arapahoe, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Unrestricted intergovernmental	\$ 20,500	\$ 20,500	\$ 20,478	\$ (22)
Miscellaneous income	500	500	1,667	1,167
Investment earnings	35	35	--	(35)
Total Revenues	21,035	21,035	22,145	1,110
Other Financing Sources				
Insurance recovery	--	--	4,213	4,213
Total Revenues and Other Financing Sources	21,035	21,035	26,358	5,323
Expenditures				
General government	24,905	24,905	17,167	7,738
Transportation	5,000	5,000	4,943	57
Cultural and recreational	4,500	4,500	1,894	2,606
Total Expenditures	34,405	34,405	24,004	10,401
Other Financing Uses				
Appropriations	(13,370)	(13,370)	--	(13,370)
Total Expenditures and Other Financing Uses	21,035	21,035	24,004	(2,969)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	--	2,354	2,354
Net Change in Fund Balance	\$ --	\$ --	2,354	\$ 2,354
<i>Fund Balance at Beginning of Period</i>			82,421	
Fund Balance at End of Period			\$ 84,775	

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

Notes To The Financial Statements

Town of Arapahoe
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Arapahoe conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Arapahoe is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the financial information of the Town.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the Town of Arapahoe's funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The Town of Arapahoe reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town of Arapahoe. 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 and street maintenance and construction).

Town of Arapahoe
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

C. Measurement Focus and Basis of Accounting

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

Government-wide Financial Statements. The government-wide fund financial statements are reported using the economic resources measurement focus. The government-wide 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 Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

The Town of Arapahoe considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for 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, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Arapahoe because the tax is levied by Beaufort County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant

Town of Arapahoe
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town of Arapahoe's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town of Arapahoe's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. The Town Manager has the authority to amend appropriations within departments. All other amendments must be approved by the governing board.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)], authorizes the Town of Arapahoe to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town of Arapahoe's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The Town of Arapahoe's 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.

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Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town of Arapahoe levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town of Arapahoe has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town of Arapahoe's General Fund, ad valorem tax revenues are reported net of such discounts.

4. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

5. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Assets Class	Estimated Useful Lives
Infrastructure	30 years
Buildings	20-40 years
Improvements	10-20 year
Vehicles	5 years
Furniture and equipment	5-10 years

6. 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

Town of Arapahoe
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Town of Arapahoe has no items that meets this criterion. 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 them.

7. Net Position/Fund Balances

Net Position

Net position in government-wide 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 five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance — This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town of Arapahoe does not have any nonspendable fund balances for the governmental fund types.

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 — portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Arapahoe's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or otherwise revise the limitation.

Assigned Fund Balance — portion of fund balance that the Town of Arapahoe intends to use for specific purposes.

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

Town of Arapahoe
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

NOTE II—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Significant Violations of Finance-Related Legal and Contractual Provisions

- 1. Noncompliance with North Carolina General Statutes**
NONE
- 2. Contractual Violations**
NONE
- 3. Deficit in Fund Balance or Net Position of Individual Funds**
NONE
- 4. Excess of Expenditures over Appropriations**
NONE

NOTE III—DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

All the deposits of the Town of Arapahoe are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town of Arapahoe'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 Town of Arapahoe these deposits are considered to be held by the Town of Arapahoe's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town of Arapahoe or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town of Arapahoe under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town of Arapahoe has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town of Arapahoe complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$85,027 and a bank balance of \$85,812. Of the bank balance, \$85,812 was covered by federal depository insurance.

Town of Arapahoe
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

2. Capital Assets

Governmental Capital Assets

A summary of changes in the Town's capital assets used in governmental activities follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Total capital assets not being depreciated	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>7,000</u>
 Capital assets being depreciated:				
Buildings	1,539	-	-	1,539
Equipment	24,696	-	-	24,696
Total capital assets being depreciated	<u>26,235</u>	<u>-</u>	<u>-</u>	<u>26,235</u>
 Less accumulated depreciation for:				
Buildings	1,539	-	-	1,539
Equipment	21,287	1,143	-	22,430
Total accumulated depreciation	<u>22,826</u>	<u>\$ 1,143</u>	<u>\$ -</u>	<u>23,969</u>
Total capital assets being depreciated, net	<u>3,409</u>			<u>2,266</u>
Governmental activity capital assets, net	<u>\$ 10,409</u>			<u>\$ 9,266</u>

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

Governmental Activities:	
General government	<u>\$ 1,143</u>
Total	<u>\$ 1,143</u>

Town of Arapahoe
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

B. Liabilities

1. Fund Balance

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

Total Fund Balance-General Fund	\$ 84,775
Less:	
Stabilization by State Statute	-
Streets-Powell Bill	-
Prepays	-
Working Capital / Fund Balance Policy	-
Remaining Fund Balance	84,775

2. Risk Management

The Town of Arapahoe is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town of Arapahoe carries commercial coverage for risks off loss due to fire, theft and natural occurrences in the amount of \$75,000 for property and building and \$6,000 for the contents of the building. 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.

The Town does not carry flodd insurance, as the Town is not located in a flood plain.

In accordance with G.S. 159-29, the Town's employees that have access to \$1 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$75,000.

NOTE IV —RELATED PARTY TRANSACTIONS

Federal and State Assisted Programs

A Town council member provides lawn care maintenance for the Town. The total expense of lawn care for the year ending June 30, 2019 was \$650.

NOTE V —SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 28, 2019 the date the financial statements were available to be issued.

OTHER SCHEDULES

Schedule 1

**Town of Arapahoe, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Unrestricted Intergovernmental Revenues			
Beer and wine tax		2,502	
Utility franchise tax		13,548	
Cable franchise fee		-	
Video programming		2,330	
Telecommunications franchise tax		2,098	
Total	<u>20,500</u>	<u>20,478</u>	<u>(22)</u>
Investment Earnings			
Interest		-	
Total	<u>35</u>	<u>-</u>	<u>(35)</u>
Other Revenues			
Insurance Recovery		4,213	
Miscellaneous		1,667	
Total	<u>500</u>	<u>5,880</u>	<u>5,380</u>
Total Revenue	<u>\$ 21,035</u>	<u>\$ 26,358</u>	<u>\$ 5,323</u>
Expenditures			
General Government			
Salaries and benefits		4,038	
Professional services		237	
Insurance & bonds		6,046	
Lawn Care		710	
Bank Charges		40	
Supplies		172	
Dues		218	
Other operating expenses		5,706	
Total General Government	<u>24,905</u>	<u>17,167</u>	<u>7,738</u>

Schedule 1
Continued

Town of Arapahoe, North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation			
Street lights		4,943	
Total	<u>5,000</u>	<u>4,943</u>	<u>57</u>
Cultural and Recreational			
Decorations		1,894	
Total	<u>4,500</u>	<u>1,894</u>	<u>2,606</u>
Total Expenditures	<u>34,405</u>	<u>24,004</u>	<u>10,401</u>
Revenue over (under) expenditures	<u>(13,370)</u>	<u>2,354</u>	<u>(27,742)</u>
Fund balance appropriated	<u>(82,395)</u>		<u>(82,395)</u>
Net change in fund balance	<u>\$ -</u>	<u>2,354</u>	<u>\$ 2,354</u>
Fund balance - July 1		<u>82,421</u>	
Fund balance - June 30		<u>\$ 84,775</u>	