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**Town of Arapahoe**

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**Arapahoe, North Carolina**

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**Audit Report**

**June 30, 2020**

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# 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, 2020

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# LARRY E. CARPENTER, CPA, PA

CERTIFIED PUBLIC ACCOUNTANT

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## **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, 2020, 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  
AICPA – Governmental Audit Quality Center

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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, 2020, 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 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  
August 10, 2020

## **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, 2020. 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 \$92,624 (*net position*).
- The government's total net position decreased by \$1,417, 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 \$84,501 with a net decrease of \$274 in fund balance. Approximately 100.00% percent of this total amount, or \$84,501, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$84,501, or 396.77% percent of total general fund expenditures for the fiscal year.
- The Town of Arapahoe has no debt.

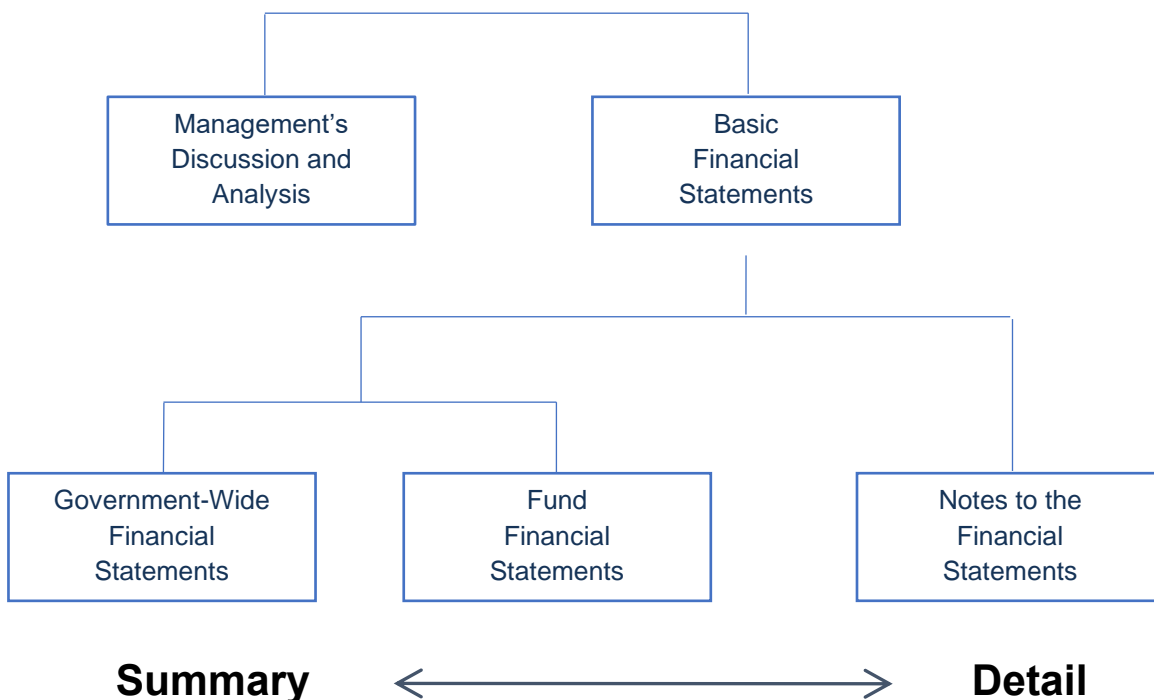
### ***Overview of the Financial Statements***

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

	<b>Governmental Activities</b>	
	<b>2020</b>	<b>2019</b>
Current and other assets	\$ 84,639	\$ 85,027
Pension assets		
Capital assets	8,123	9,266
Deferred outflows of resources	-	-
Total assets and deferred outflows of resources	<u>92,762</u>	<u>94,293</u>
Current liabilities	-	252
Noncurrent liabilities	138	-
Deferred inflows of resources	-	-
Total liabilities and deferred inflow of resources	<u>138</u>	<u>252</u>
Net investment in capital assets	8,123	9,266
Restricted	-	-
Unrestricted	84,501	84,775
Total net position	<u>\$ 92,624</u>	<u>\$ 94,041</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 \$92,624 as of June 30, 2020. The Town of Arapahoe's net position decreased by \$1,417 for the fiscal year ended June 30, 2020. However, the largest portion, \$8,123 or 8.77%, 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 \$84,501 is unrestricted.

**Town of Arapahoe's Changes in Net Position**  
**Figure 3**

	<b>Governmental</b>	
	<b>Activities</b>	
	<u>2020</u>	<u>2019</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ -	\$ -
Operating grants and contributions	-	-
General revenues:		
Other taxes	20,126	20,478
Unrestricted intergovernmental	-	-
Investment earnings	-	-
Other	897	5,880
Total revenues	<u>21,023</u>	<u>26,358</u>
<b>Expenses:</b>		
General government	17,271	18,310
Public safety	-	-
Transportation	4,544	4,943
Environmental protection	-	-
Culture and recreation	625	1,894
Total expenses	<u>22,440</u>	<u>25,147</u>
Increase in Net Position before transfers	(1,417)	1,211
Transfers	<u>-</u>	<u>-</u>
Increase (decrease) in Net Position	(1,417)	1,211
Net Position, July 1	94,041	92,830
Net Position, June 30	<u>\$ 92,624</u>	<u>\$ 94,041</u>

**Governmental activities:** Governmental activities decreased the Town net position by \$1,417.

### 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,

*Management's Discussion and Analysis*  
*Town of Arapahoe*

the Town of Arapahoe's fund balance available in the General Fund was \$84,501, while total fund balance reached \$84,501. 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, 2020, the governmental funds of the Town of Arapahoe reported a fund balance of \$84,501 with a net decrease in fund balance of \$274.

**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 activities as of June 30, 2020, totaled \$8,123 (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**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Land	\$ 7,000	\$ 7,000
Buildings	1,539	1,539
Equipment	<u>24,696</u>	<u>24,696</u>
Subtotal	33,235	33,235
Accumulated depreciation	<u>(25,112)</u>	<u>(23,969)</u>
Capital assets, net	<u>\$ 8,123</u>	<u>\$ 9,266</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, 2020**

	<b>Primary Government</b>
	<b>Governmental Activities</b>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 84,639
<b>Total Current Assets</b>	<b>84,639</b>
<i>Noncurrent Assets</i>	
Land and other nondepreciable assets	7,000
Other capital assets, net of depreciation	1,123
<b>Total Assets</b>	<b>92,762</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Aggregated deferred outflows	--
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Accounts payable and accrued liabilities	138
<b>Total Current Liabilities</b>	<b>138</b>
<i>Noncurrent Liabilities</i>	
<b>Total Liabilities</b>	<b>138</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Aggregated deferred inflows	--
<b>Total Deferred Inflows of Resources</b>	<b>--</b>
<b>NET POSITION</b>	
Net investment in capital assets	8,123
<i>Unrestricted</i>	84,501
<b>Total Net Position</b>	<b>\$ 92,624</b>

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, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue
					Governmental Activities
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
General government	17,271	--	--	--	(17,271)
Transportation	\$ 4,544	\$ --	\$ --	\$ --	\$ (4,544)
Cultural and recreational	625	--	--	--	(625)
<b>Total Primary Government</b>	<b>\$ 22,440</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ (22,440)</b>
<b>General Purpose Revenues:</b>					
<b>Revenues</b>					
Unrestricted intergovernmental					20,126
Miscellaneous Income					897
<b>Total General Revenues</b>					<b>21,023</b>
<b>Change in Net Position</b>					<b>(1,417)</b>
<i>Net Position at Beginning of Period</i>					94,041
<b>Net Position at End of Period</b>					<b>\$ 92,624</b>

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, 2020**

	<b>Major Fund</b>
	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 84,639
<b>Total Assets</b>	<b>84,639</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Aggregated deferred outflows	--
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 84,639</b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 138
<b>Total Liabilities</b>	138
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Aggregated deferred inflows	--
<b>Total Liabilities and Deferred Inflows of Resources</b>	138
<b>FUND BALANCE</b>	
Unassigned	84,501
<b>Total Fund Balance</b>	84,501
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 84,639</b>

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, 2020**

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

Total Fund Balance - Governmental Funds	\$	84,501
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		8,123
		8,123
<b>Total Net Position-Governmental Funds</b>	<b>\$</b>	<b><u>92,624</u></b>

**Town of Arapahoe, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

	<u>Major Fund</u>
	<u>General Fund</u>
<b>Revenues</b>	
Unrestricted intergovernmental	\$ 20,126
Miscellaneous Income	897
<b><i>Total Revenues</i></b>	<u>21,023</u>
<b>Expenditures</b>	
General government	16,128
Transportation	4,544
Cultural and recreational	625
<b><i>Total Expenditures</i></b>	<u>21,297</u>
<b><i>Net Change in Fund Balance</i></b>	<b>(274)</b>
<i>Fund Balance at Beginning of Period</i>	<u>84,775</u>
<b><i>Fund Balance at End of Period</i></b>	<b>\$ 84,501</b>

*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, 2020**

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

Total Net Change in Fund Balances - Governmental Funds	\$	(274)
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)
<b>Changes in Net Position-Governmental Funds</b>	<b>\$</b>	<b><u>(1,417)</u></b>

*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, 2020**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Unrestricted intergovernmental	\$ 21,000	\$ 21,000	\$ 20,126	\$ (874)
Miscellaneous income	--	--	897	897
Investment earnings	35	35	--	(35)
<b>Total Revenues</b>	<u>21,035</u>	<u>21,035</u>	<u>21,023</u>	<u>(12)</u>
<b>Other Financing Sources</b>				
<b>Total Revenues and Other Financing Sources</b>	<u>21,035</u>	<u>21,035</u>	<u>21,023</u>	<u>(12)</u>
<b>Expenditures</b>				
General government	24,905	24,905	16,128	8,777
Transportation	5,000	5,000	4,544	456
Cultural and recreational	4,500	4,500	625	3,875
<b>Total Expenditures</b>	<u>34,405</u>	<u>34,405</u>	<u>21,297</u>	<u>13,108</u>
<b>Other Financing Uses</b>				
Appropriations	(13,370)	(13,370)	--	(13,370)
<b>Total Expenditures and Other Financing Uses</b>	<u>21,035</u>	<u>21,035</u>	<u>21,297</u>	<u>(262)</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>				
<b>Net Change in Fund Balance</b>	<u>\$ --</u>	<u>\$ --</u>	<u>(274)</u>	<u>(274)</u>
<i>Fund Balance at Beginning of Period</i>			84,775	
<b><i>Fund Balance at End of Period</i></b>			<u>\$ 84,501</u>	

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, 2020

**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 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 state grants, and various other taxes and licenses. (The primary expenditures are for general government, street maintenance, construction cultural and recreation).

**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

Town of Arapahoe  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2020

transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, and donations. 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. 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 Pamlico 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 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. 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. 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.

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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.

**3. 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:

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

**4. 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. 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

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For the Fiscal Year Ended June 30, 2020

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.

**5. 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.

*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, 2020, the Town's deposits had a carrying amount of \$84,639 and a bank balance of \$85,446. Of the bank balance, \$85,446 was covered by federal depository insurance.

***2. Capital Assets***

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**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>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Total capital assets not being depreciated	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>7,000</u>
<b>Capital assets being depreciated:</b>				
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>
<b>Less accumulated depreciation for:</b>				
Buildings	1,539	-	-	1,539
Equipment	22,430	1,143	-	23,573
Total accumulated depreciation	<u>23,969</u>	<u>\$ 1,143</u>	<u>\$ -</u>	<u>25,112</u>
Total capital assets being depreciated, net	<u>2,266</u>			<u>1,123</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 9,266</u>			<u>\$ 8,123</u>

**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:

<b>Total Fund Balance-General Fund</b>	<b>\$ 84,501</b>
Less:	
Stabilization by State Statute	-
Streets-Powell Bill	-
Prepays	-
Working Capital / Fund Balance Policy	-
Remaining Fund Balance	84,501

**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.

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The Town does not carry flood 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, 2020 was \$650.

**NOTE V —SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 10, 2020 the date the financial statements were available to be issued.



## **OTHER SCHEDULES**

**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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
<b>Unrestricted Intergovernmental Revenues</b>			
Beer and wine tax		2,529	
Utility franchise tax		17,597	
Total	<u>21,000</u>	<u>20,126</u>	<u>(874)</u>
<b>Investment Earnings</b>			
Interest		-	
Total	<u>35</u>	<u>-</u>	<u>(35)</u>
<b>Other Revenues</b>			
Miscellaneous		897	
Total	<u>-</u>	<u>897</u>	<u>897</u>
<b>Total Revenue</b>	<b><u>\$ 21,035</u></b>	<b><u>\$ 21,023</u></b>	<b><u>\$ (12)</u></b>
<b>Expenditures</b>			
<b>General Government</b>			
Salaries and benefits		3,391	
Professional services		5,500	
Insurance & bonds		4,492	
Lawn Care		650	
Utilities		924	
Supplies		457	
Other operating expenses		714	
<b>Total General Government</b>	<u>24,905</u>	<u>16,128</u>	<u>8,777</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, 2020**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Transportation</b>			
Street lights		4,544	
Total	5,000	4,544	456
 <b>Cultural and Recreational</b>			
Operating expenses		625	
Total	4,500	625	3,875
 Total Expenditures	34,405	21,297	13,108
 Revenue over (under) expenditures	(13,370)	(274)	
 Fund balance appropriated	13,370		13,370
 Net change in fund balance	\$ -	(274)	\$ (274)
 Fund balance - July 1		84,775	
Fund balance - June 30		\$ 84,501	