

REVIEWED

By SLGFD at 8:24 am, Mar 17, 2022



**CHIMNEY ROCK VILLAGE,
NORTH CAROLINA**

Financial Statements and
Supplementary Information

Year Ended June 30, 2020

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

MAYOR

Peter O'Leary

MAYOR PRO TEM

April Schick

COUNCIL MEMBERS

Bruce Godzik
Joseph Meliski
Bill Robson

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Chimney Rock Village, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Chimney Rock Village, North Carolina'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Chimney Rock Village, 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 for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Chimney Rock Village, 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.

To the Honorable Mayor
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Supplementary and Other Information (continued)

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

A handwritten signature in black ink that reads "CARTER, P.C." in a stylized, cursive script.

Asheville, North Carolina
February 17, 2022

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

Management's Discussion and Analysis

As management of Chimney Rock Village, North Carolina (the Village), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village 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 Village's financial statements, which follow this narrative.

Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the fiscal year by \$3,326,518 (*net position*).
- The government's total net position increased by \$167,830, primarily due to increased revenues from increased ad valorem tax rates, increased water rates, and increased daily parking rates.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$425,647, with a net increase in fund balance of \$113,397. Approximately 0.6% of this total amount, or \$2,697, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$250,286, or 83.3%, of total general fund expenditures for the fiscal year.
- The Village's total debt decreased by \$22,408 (6.42%) during the current fiscal year. The key factor in this decrease were scheduled principal repayments. The Village also made advance principal payments in the amount of \$879 each month.

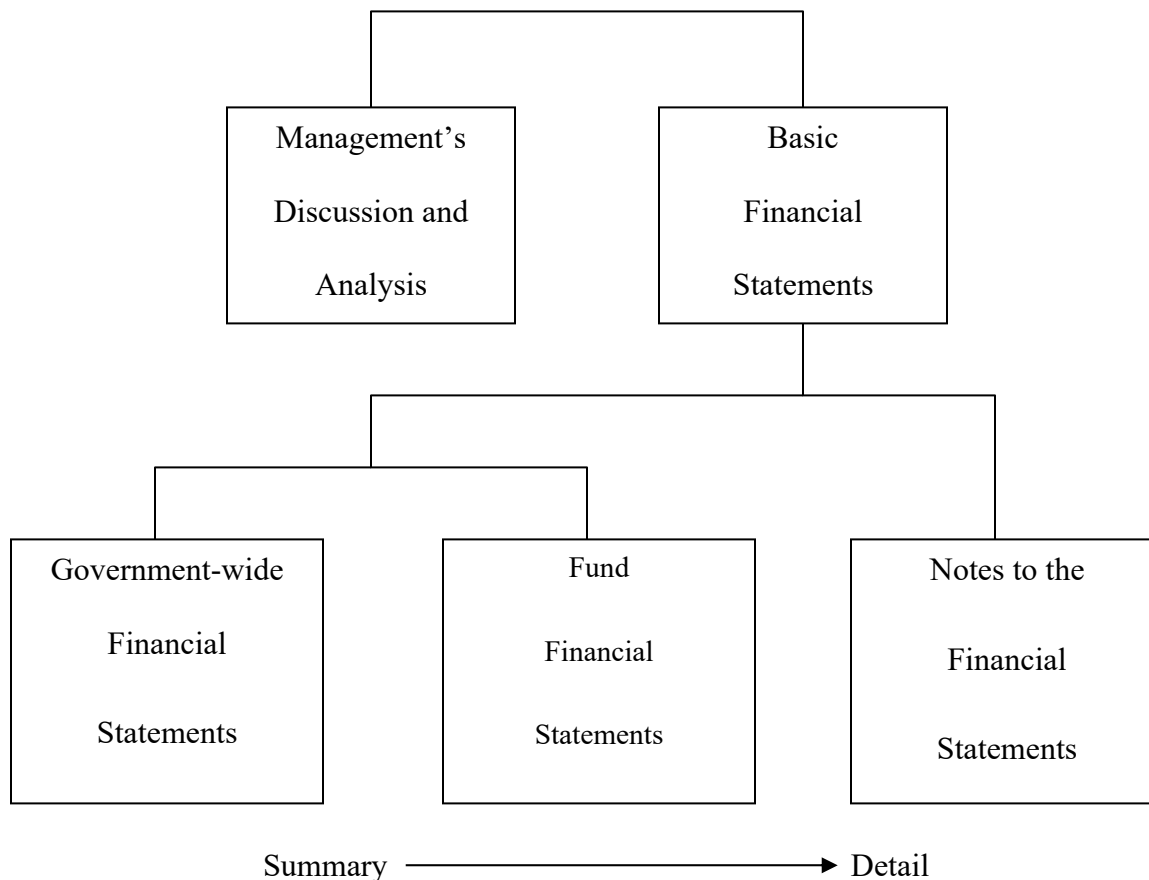
Overview of the Financial Statements

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

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Village's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Village's basic services such as public health and safety, environmental protection, culture and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Village charges customers to provide. These include the water services offered by the Village.

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

Fund Financial Statements

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

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

The Village adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Village, the management of the Village, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the Village to obtain funds from identified sources to finance these current period activities.

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

The budgetary statement provided for the General Fund demonstrates how well the Village complied with the budget ordinance and whether the Village succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the 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.

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 of this report.

Interdependence with Other Entities - The Village depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Village is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

**Chimney Rock Village's Net Position
Figure 2**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 522,790	\$ 319,934	\$ 183,827	\$ 176,459	\$ 706,617	\$ 496,393
Capital assets	<u>1,211,669</u>	<u>1,114,992</u>	<u>1,827,822</u>	<u>1,902,162</u>	<u>3,039,491</u>	<u>3,017,154</u>
Total assets	<u>1,734,459</u>	<u>1,434,926</u>	<u>2,011,649</u>	<u>2,078,621</u>	<u>3,746,108</u>	<u>3,513,547</u>
Long-term liabilities outstanding	313,639	336,946			313,639	336,946
Other liabilities	<u>105,951</u>	<u>14,943</u>		<u>2,970</u>	<u>105,951</u>	<u>17,913</u>
Total liabilities	<u>419,590</u>	<u>351,889</u>		<u>2,970</u>	<u>419,590</u>	<u>354,859</u>
Net position:						
Net investment in capital assets	885,240	766,155	1,827,822	1,902,162	2,713,062	2,668,317
Restricted	2,697	3,733			2,697	3,733
Unrestricted	<u>426,932</u>	<u>313,149</u>	<u>183,827</u>	<u>173,489</u>	<u>610,759</u>	<u>486,638</u>
Total net position	<u>\$1,314,869</u>	<u>\$1,083,037</u>	<u>\$2,011,649</u>	<u>\$2,075,651</u>	<u>\$3,326,518</u>	<u>\$3,158,688</u>

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Village exceeded liabilities by \$3,326,518 as of June 30, 2020. The Village's net position increased by \$167,830 for the fiscal year ended June 30, 2020. However, the largest portion reflects the Village's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Village's net position, \$2,697, represents resources that are subject to external restrictions on how they may be used.

Several particular aspects of the Village's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.07%. The statewide average in fiscal year 2020 was 99.07%.
- Increased grant revenues due to receipt of a new grant to assist with the Riverwalk project.
- Continued low cost of debt due to the Village's high credit rating.

Chimney Rock Village's Changes in Net Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program revenues:						
Charges for services	\$ 113,274	\$ 78,539	\$ 68,950	\$ 55,280	\$ 182,224	\$ 133,819
Operating grants and contributions		9,165				9,165
Capital grants and contributions	108,356				108,356	
General revenues:						
Property taxes	83,024	69,427			83,024	69,427
Other taxes	92,638	76,288			92,638	76,288
Other	15,943	10,595	1,968	3,424	17,911	14,019
Total revenues	<u>413,235</u>	<u>244,014</u>	<u>70,918</u>	<u>58,704</u>	<u>484,153</u>	<u>302,718</u>
Expenses:						
General government	81,913	101,669			81,913	101,669
Public health and safety	21,195	15,922			21,195	15,922
Environmental protection	22,680	22,680			22,680	22,680
Cultural and recreation	46,304	32,658			46,304	32,658
Transportation	9,311	9,862			9,311	9,862
Water			134,920	141,411	134,920	141,411
Total expenses	<u>181,403</u>	<u>182,791</u>	<u>134,920</u>	<u>141,411</u>	<u>316,323</u>	<u>324,202</u>
Change in net position before transfers	231,832	61,223	(64,002)	(82,707)	167,830	(21,484)
Transfers		19,724		(19,724)		
Change in net position	231,832	80,947	(64,002)	(102,431)	167,830	(21,484)
Net position, July 1	<u>1,083,037</u>	<u>1,002,090</u>	<u>2,075,651</u>	<u>2,178,082</u>	<u>3,158,688</u>	<u>3,180,172</u>
Net position, June 30	<u>\$1,314,869</u>	<u>\$1,083,037</u>	<u>\$2,011,649</u>	<u>\$2,075,651</u>	<u>\$3,326,518</u>	<u>\$3,158,688</u>

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

Governmental activities. Governmental activities increased the Village's net position by \$231,832, accounting for most of the total growth in the net position of the Village. The increase in net position was primarily the result of maintaining parking lot revenues, increased sales tax collections, and a concerted effort to control costs and manage expenditures. Management believes healthy investment in the Village will result in additional revenues. Increased efforts to maximize tax collections also contributed to the favorable net position.

Business-type activities. Business-type activities decreased the Village's net position by \$64,002. This decrease is primarily a result of depreciation expense and unexpected repairs during the current fiscal year.

Financial Analysis of Village's Funds

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

Governmental Funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Village's financing requirements.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, the Village's fund balance available in the General Fund was \$250,286, while total fund balance reached \$425,647. The Village currently has an available fund balance of 83.3% of general fund expenditures and total fund balance represents 141.7% of the same amount.

At June 30, 2020, the governmental funds of the Village reported a combined fund balance of \$425,647, with a net increase in fund balance of \$113,397. Included in this change in fund balance is an increase in fund balance in the General Fund.

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

Revenues were consistent with budgeted amounts. Expenditures were not held in check to comply with the Village's budgetary requirements, see Note 2.

Proprietary Funds. The Village's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$183,827. The total change in net position for the Water Fund was a decrease of \$64,002. The change in net position in the Water Fund is primarily a result of depreciation expense and unexpected repairs.

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

Capital Asset and Debt Administration

Capital assets. The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$3,039,491 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following:

- Purchase of land to be used for the Riverwalk project for \$79,882.
- Surveying and other project costs for the Riverwalk project of \$28,474.
- Public restroom improvements of \$10,062.

Chimney Rock Village's Capital Assets (net of depreciation)

Figure 4

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 848,356	\$ 768,474	\$ 13,364	\$ 13,364	\$ 861,720	\$ 781,838
Construction in progress	28,474				28,474	
Systems			1,814,458	1,888,798	1,814,458	1,888,798
Improvements	49,705	44,947			49,705	44,947
Buildings and structures	268,670	281,440			268,670	281,440
Equipment and furniture	16,464	20,131			16,464	20,131
Total	<u>\$1,211,669</u>	<u>\$1,114,992</u>	<u>\$1,827,822</u>	<u>\$1,902,162</u>	<u>\$3,039,491</u>	<u>\$3,017,154</u>

Additional information on the Village's capital assets can be found in Note 3.A.4. of the Basic Financial Statements.

Long-term debt. As of June 30, 2020, the Village had total notes payable outstanding of \$326,429. All outstanding debt is secured by real property.

Chimney Rock Village's Outstanding Debt

Figure 5

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Notes payable	<u>\$ 326,429</u>	<u>\$ 348,837</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 326,429</u>	<u>\$ 348,837</u>

Chimney Rock Village's Outstanding Debt. The Village's total debt decreased by \$22,408 (6.42%) during the current fiscal year. The key factor in this decrease were scheduled principal repayments. The Village also made advance principal payments in the amount of \$879 each month.

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Village is \$4,558,156. The Village has no authorized but unissued debt at June 30, 2020.

Additional information regarding the Village's long-term debt can be found in Note 3.B.4. of this report.

Economic Factors and Next Year's Budgets and Rates

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

- Increased property values in the current fiscal year.
- Continued effort by the Village to limit excess costs.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities. The ad valorem tax levy is expected to remain the same at 14 cents per \$100 of valuation for the 2021 fiscal year. Parking fees are planned to remain \$5.00 per car per day in the Downtown Public Parking Lot. Keeping these rates steady is expected to keep budgeted general fund revenues consistent with 2020 budgeted revenues.

Budgeted expenditures in the General Fund are expected to remain consistent with 2020 expenditures to stay in line with revenue expectations.

Business-type Activities. The water rates in the Village will be increased in the fiscal year 2021 budget to begin long-range planning for repairs. The increased rates are expected to increase budgeted revenues by 25%. The Village expects no significant changes in budgeted expenses for the Water Fund.

Requests for Information

This report is designed to provide an overview of the Village's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Chimney Rock Village, P.O. Box 300, Chimney Rock, NC 28720. One can also call (828) 625-4456, visit our website www.chimneyrockvillage.com, or send an email to chimneyrockvillagegov@gmail.com for more information.

BASIC FINANCIAL STATEMENTS

CHIMNEY ROCK VILLAGE, NORTH CAROLINAStatement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 516,111	\$ 179,297	\$ 695,408
Taxes receivable (net)	3,982		3,982
Accounts receivable (net)	217	7,010	7,227
Internal balances	2,480	(2,480)	
Total current assets	<u>522,790</u>	<u>183,827</u>	<u>706,617</u>
Non-current assets:			
Capital assets (Note 3):			
Land, non-depreciable improvements, and construction in progress	876,830	13,364	890,194
Other capital assets, net of depreciation	<u>334,839</u>	<u>1,814,458</u>	<u>2,149,297</u>
Total capital assets	<u>1,211,669</u>	<u>1,827,822</u>	<u>3,039,491</u>
Total assets	<u>\$ 1,734,459</u>	<u>\$ 2,011,649</u>	<u>\$ 3,746,108</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,517	\$	\$ 1,517
Deferred revenue	91,644		91,644
Current portion of long-term liabilities	<u>12,790</u>		<u>12,790</u>
Total current liabilities	105,951		105,951
Long-term liabilities:			
Due in more than one year	<u>313,639</u>		<u>313,639</u>
Total liabilities	<u>\$ 419,590</u>	<u>\$</u>	<u>\$ 419,590</u>
Net position			
Net investment in capital assets	\$ 885,240	\$ 1,827,822	\$ 2,713,062
Restricted for:			
Stabilization by State Statute	2,697		2,697
Unrestricted	<u>426,932</u>	<u>183,827</u>	<u>610,759</u>
Total net position	<u>\$ 1,314,869</u>	<u>\$ 2,011,649</u>	<u>\$ 3,326,518</u>

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

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Govern- mental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 81,913	\$ 2,400	\$	\$	\$ (79,513)	\$	\$ (79,513)
Public health and safety	21,195				(21,195)		(21,195)
Environmental protection	22,680	22,152			(528)		(528)
Cultural and recreation	46,304	88,722		108,356	150,774		150,774
Transportation	9,311				(9,311)		(9,311)
Total governmental activities (See Note 1)	181,403	113,274		108,356	40,227		40,227
Business-type activities:							
Water	134,920	68,950				(65,970)	(65,970)
Total	\$ 316,323	\$ 182,224	\$	\$ 108,356	40,227	(65,970)	(25,743)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					83,024		83,024
Other taxes					92,638		92,638
Unrestricted investment earnings					5,483	1,968	7,451
Miscellaneous					10,460		10,460
Total general revenues					191,605	1,968	193,573
Change in net position					231,832	(64,002)	167,830
Net position, beginning					1,083,037	2,075,651	3,158,688
Net position, ending					\$ 1,314,869	\$ 2,011,649	\$ 3,326,518

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

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2020

	<u>Major Fund</u> <u>General</u> <u>Fund</u>
Assets	
Cash and cash equivalents	\$ 516,111
Receivables, net:	
Taxes	3,982
Accounts	217
Advance to other funds	<u>2,480</u>
Total assets	<u>\$ 522,790</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,517
Deferred revenues	<u>91,644</u>
Total liabilities	<u>\$ 93,161</u>
Deferred inflows of resources	<u>\$ 3,982</u>
Fund balances	
Restricted:	
Stabilization by State statute	\$ 2,697
Committed:	
Reserve	172,664
Unassigned	<u>250,286</u>
Total fund balances	<u>\$ 425,647</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Total fund balance, governmental funds	\$ 425,647
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	1,404,563
Accumulated depreciation	(192,894)
Earned revenues considered deferred inflows of resources in fund statements	3,982
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments the year)	<u>(326,429)</u>
Net position of governmental activities	<u>\$ 1,314,869</u>

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

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 June 30, 2020

	<u>Major Fund</u> <u>General</u> <u>Fund</u>
Revenues	
Ad valorem taxes	\$ 83,674
Other taxes	18,695
Unrestricted intergovernmental	38,772
Restricted intergovernmental	35,171
Permits and fees	113,274
Investment earnings	5,483
Miscellaneous	<u>118,816</u>
Total revenues	<u>413,885</u>
Expenditures	
Current:	
General government	69,100
Public health and safety	21,195
Environmental protection	22,680
Cultural and recreation	27,260
Transportation	7,956
Debt service:	
Principal retirement	22,408
Interest and other charges	11,471
Capital outlay	<u>118,418</u>
Total expenditures	<u>300,488</u>
Change in fund balance	113,397
Fund balances, beginning	<u>312,250</u>
Fund balances, ending	<u>\$ 425,647</u>

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

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds (continued)
 June 30, 2020

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net changes in fund balances - total governmental funds	\$ 113,397
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.	
Capital outlay expenditures which were capitalized	118,418
Depreciation expense for governmental assets	(21,741)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Principal payments on long-term debt	22,408
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	<u>(650)</u>
Total changes in net position of governmental activities	<u>\$ 231,832</u>

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

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	Budget		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final	Amounts	
Revenues				
Ad valorem taxes	\$ 82,350	\$ 83,460	\$ 83,674	\$ 214
Other taxes	18,320	18,675	18,695	20
Unrestricted intergovernmental	37,000	37,750	38,772	1,022
Restricted intergovernmental	35,275	35,150	35,171	21
Permits and fees	114,050	109,325	113,274	3,949
Investment earnings			5,483	5,483
Miscellaneous	11,400	106,400	118,816	12,416
Total revenues	<u>298,395</u>	<u>390,760</u>	<u>413,885</u>	<u>23,125</u>
Expenditures				
Current:				
General government	74,100	73,950	69,100	4,850
Public health and safety	21,500	20,000	21,195	(1,195)
Environmental protection	22,770	22,900	22,680	220
Cultural and recreation	31,000	29,000	27,260	1,740
Transportation	9,000	8,000	7,956	44
Debt service:				
Principal retirement			22,408	(22,408)
Interest and other charges	36,000	36,000	11,471	24,529
Capital Outlay	95,000	140,500	118,418	22,082
Contingency	5,000			
Total expenditures	<u>294,370</u>	<u>330,350</u>	<u>300,488</u>	<u>29,862</u>
Revenues over expenditures	<u>4,025</u>	<u>60,410</u>	<u>113,397</u>	<u>52,987</u>
Other financing sources (uses)				
Transfer to savings	(4,025)	(58,050)		58,050
Operating transfers out		(2,360)		2,360
Total other sources (uses)	<u>(4,025)</u>	<u>(60,410)</u>		<u>60,410</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	113,397	<u>\$ 113,397</u>
Fund balance, beginning			312,250	
Fund balance, ending			<u>\$ 425,647</u>	

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

CHIMNEY ROCK VILLAGE, NORTH CAROLINAStatement of Fund Net Position
Proprietary Fund
June 30, 2020

	Major Enterprise Fund <u>Water Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 179,297
Accounts receivable (net)	<u>7,010</u>
Total current assets	186,307
Capital assets, net of depreciation	<u>1,827,822</u>
Total assets	<u>\$ 2,014,129</u>
Liabilities	
Current liabilities:	
Due to other funds	<u>\$ 2,480</u>
Net position	
Net investment in capital assets	\$ 1,827,822
Unrestricted	<u>183,827</u>
Total net position	<u>\$ 2,011,649</u>

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

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Fund
 For the Year Ended June 30, 2020

	Major Enterprise Fund <u>Water Fund</u>
Operating revenues	
Water sales	\$ 66,950
Tap fees	<u>2,000</u>
Total operating revenues	<u>68,950</u>
Operating expenses	
Depreciation	74,340
Administration	15,000
Phone service - pumps	
Electricity	7,957
Testing and monitoring	3,227
Professional fees	23,850
Liability insurance	3,500
Permits	330
Supplies	1,557
Postage	229
Membership dues	280
Repairs	<u>4,650</u>
Total operating expenses	<u>134,920</u>
Operating loss	<u>(65,970)</u>
Nonoperating revenues (expenses)	
Investment earnings	<u>1,968</u>
Change in net position	(64,002)
Total net position, beginning	<u>2,075,651</u>
Total net position, ending	<u><u>\$ 2,011,649</u></u>

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

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2020

	Major Enterprise Fund <u>Water Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 67,301
Cash paid for goods and services	<u>(63,550)</u>
Net cash used by operating activities	<u>3,751</u>
Cash flows from noncapital financing activities	
Decrease in due to other funds	<u>(15)</u>
Cash flows from investing activities	
Interest	<u>1,968</u>
Net increase in cash and equivalents	5,704
Balance, beginning	<u>173,593</u>
Balance, ending	<u>\$ 179,297</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (65,970)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	74,340
Change in assets and liabilities:	
Decrease in accounts receivable	(1,649)
Decrease in accounts payable	<u>(2,970)</u>
Total adjustments	<u>69,721</u>
Net cash provided by operating activities	<u>\$ 3,751</u>

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

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

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

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Chimney Rock Village, North Carolina (the Village) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Village is a municipal corporation that is governed by a five-member council, one of which is named by the majority of Village Council to serve as Mayor. The Mayor serves in this position at the pleasure of Council.

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. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Village. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Village and for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific 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 specific program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Village's funds. Separate statements for each fund category - *governmental and proprietary* - are presented. The Village has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

Note 1 - Summary of Significant Accounting Policies (continued)

The Village reports the following major governmental fund:

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

The Village reports the following major enterprise fund:

Water Fund. This fund is used to account for the Village's water operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

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

The Village considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor 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 beer and wine tax, collected and held by the State at year-end on behalf of the Village are recognized as revenue. Sales taxes are considered a shared revenue for the Village because the tax is levied by Rutherford County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Village funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Village's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Village's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise 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 funds. All amendments must be approved by the governing members and the Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Note 1 - Summary of Significant Accounting Policies (continued)

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Village to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high-quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Village's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Village pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Village levies ad valorem taxes on property other than motor vehicles on July 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, 2019. As allowed by State law, the Village has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Village'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.

Note 1 - Summary of Significant Accounting Policies (continued)

5. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; improvements, substations, lines, and other plant and distribution systems, \$15,000; buildings and structures, \$20,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000; computer software, \$5,000; and computer equipment, \$500. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and structures	10-50
System	40
Improvements other than buildings	10-40
Equipment and furniture	8-13
Vehicles and motorized equipment	6
Computer equipment	3
Computer software	5

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 a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Village does not have any items that meet the criterion for this category. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Village has one item that meets the criterion for this category - property taxes receivable.

Note 1 - Summary of Significant Accounting Policies (continued)

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received or not, are reported as debt service expenditures.

8. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of 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.

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

Note 1 - Summary of Significant Accounting Policies (continued)

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute." Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Chimney Rock Village'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 revise the limitation.

Committed for General Fund Reserve - portion of General Fund balance that is appropriated for the purpose of repairing, constructing, expanding or any other venture to establish additional parking, street access, public pedestrian passages, Riverwalk, Amphitheater, public common area development, sidewalks, and public restrooms.

Assigned Fund Balance - portion of fund balance that the Village intends to use for specific purposes.

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

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

Note 2 - Stewardship, Compliance, and Accountability

A. Budget Ordinance Violation

For the year ended June 30, 2020, the expenditures made in the Village's General Fund for Public Health and Safety exceeded authorized appropriations by \$1,195. This over expenditure is primarily related to professional fees.

Corrective Action Plan

Chimney Rock Village management has worked with the vendor and has received better reports regarding expenditures throughout the fiscal year to determine annual cost for various maintenance of the Village's Parking Lot Facilities, Amphitheater, Parks and Recreational areas. Due to a strong growing season there was additional maintenance required on Village public property.

B. Late Audit

The Village's audit for the fiscal year ended June 30, 2020 was due on January 31, 2021, but was not finalized until February 17, 2022. The primary reason for the delay in completing the audit was the availability of information.

Corrective Action Plan

Due to consistent delays on preparing required reports that accurately represent the financial activities of the Village, and with consultation of the Council and other professionals, the Village ultimately had to release the CPA at that time that was under contract to assist the Village with the accounting records. Unfortunately, the individual had a significant family event affecting their ability to complete necessary accounting work in a timely manner. The Village retains a CPA to assist with the accounting aspects of Village financial management. This contributes to management having a clear segregation of duties and greater oversight of the financial aspects of the Village. The Village is a very small municipality and having sufficient qualified persons to allow for the segregation of duties was addressed by the contractual employment of a professional certified public accounting firm. Currently, the Village has retained the services of Corliss & Solomon of Asheville, NC. Their work has allowed the Village to get accounting, reporting and other related aspects of the Village management nearly back up-to-date with an accurate representation.

Note 3 - Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Village are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Village's agent in the Village's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Village, these deposits are considered to be held by the Village's agent in the Village's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Village or the escrow agent.

Because of the inability to measure the exact amounts of collateral pledged for the Village under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Village has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Village complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Village's deposits had a carrying amount of \$206,124 and a bank balance of \$222,814. All of the bank balance was covered by federal depository insurance.

2. Investments

At June 30, 2020, the Village had \$489,284 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Village has no formal policy regarding credit risk.

3. Receivables - Allowance for Doubtful Accounts

The amount presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020, is net of a \$500 allowance for taxes receivable in the General Fund.

Note 3 - Detail Notes on All Funds (continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 768,474	\$ 79,882	\$	\$ 848,356
Construction in progress		28,474		28,474
Total capital assets not being depreciated	<u>768,474</u>	<u>\$ 108,356</u>	<u>\$</u>	<u>876,830</u>
Capital assets being depreciated:				
Improvements	90,093	\$ 10,062	\$	100,155
Buildings and structures	390,094			390,094
Equipment and furniture	<u>37,484</u>			<u>37,484</u>
Total capital assets being depreciated	<u>517,671</u>	<u>\$ 10,062</u>	<u>\$</u>	<u>527,733</u>
Less accumulated depreciation for:				
Improvements	45,146	\$ 5,304	\$	50,450
Buildings and structures	108,654	12,770		121,424
Equipment and furniture	<u>17,353</u>	<u>3,667</u>		<u>21,020</u>
Total accumulated depreciation	<u>171,153</u>	<u>\$ 21,741</u>	<u>\$</u>	<u>192,894</u>
Total capital assets being depreciated, net	<u>346,518</u>			<u>334,839</u>
Governmental activity capital assets, net	<u>\$ 1,114,992</u>			<u>\$ 1,211,669</u>

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

General government	\$ 1,342
Public health and safety	1,355
Cultural and recreation	<u>19,044</u>
Total depreciation expense	<u>\$ 21,741</u>

Note 3 - Detail Notes on All Funds (continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	<u>\$ 13,364</u>	<u>\$</u>	<u>\$</u>	<u>\$ 13,364</u>
Capital assets being depreciated:				
Water system	<u>2,973,578</u>	<u>\$</u>	<u>\$</u>	<u>2,973,578</u>
Less accumulated depreciation for:				
Water system	<u>1,084,780</u>	<u>\$ 74,340</u>	<u>\$</u>	<u>1,159,120</u>
Total capital assets being depreciated, net	<u>1,888,798</u>			<u>1,814,458</u>
Water fund capital assets, net	<u>\$ 1,902,162</u>			<u>\$ 1,827,822</u>

4. Land Rentals

The Village owns land and leases a portion of this land to an unrelated company under a lease agreement dated January 2016. The lease term is five years and requires monthly rentals of \$950. The agreement includes the option to renew the lease for up to four additional five-year terms with a ten percent rate increase from the prior term. The tenant has the option to cancel the lease with sixty-day written notice and a termination fee equal to four month's rent. The future rentals to be received under lease arrangements are \$5,700 for the year ending June 30, 2021.

B. Liabilities**1. Deferred Outflows and Inflows of Resources**

The Village has no deferred outflows of resources at June 30, 2020.

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable, net (General Fund)	<u>\$</u>	<u>\$ 3,982</u>

Note 3 - Detail Notes on All Funds (continued)

2. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Village carries commercial coverage for risks of loss. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Village does not carry flood insurance. The Village does not own any structures and the risk of loss due to flood is minimal.

In accordance with G.S. 159-29, individuals that have access to \$100 or more at any given time of the Village's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000.

3. Claims, Judgments, and Contingent Liabilities

The Village is periodically involved in legal actions and claims arising in the normal course of operations. The ultimate resolution of these actions is not expected to have a material adverse effect upon the financial position of the Village.

4. Long-Term Obligations

a. Governmental Notes Payable

In May 2017, the Village obtained loan assistance up to \$150,000 from Carolina Trust Bank for parking lot and restroom enhancements. In April 2018, the loan was refinanced and the Village obtained loan assistance up to \$350,000 from Carolina Trust Bank for the purchase of land, parking lot and restroom enhancements, and the construction of additional parking lots. During the year ended June 30, 2019, the loan was converted from revolving credit into a note payable. The loan requires monthly payments of \$2,121, including interest at 3.95%. The loan matures in May 2024 and is secured by real property.

Annual debt service requirements to maturity for long-term obligations are as follows:

<u>Years Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 12,790	\$ 12,664
2022	13,305	12,150
2023	13,840	11,614
2024	286,494	10,158
2025		
Total	<u>\$ 326,429</u>	<u>\$ 46,586</u>

Note 3 - Detail Notes on All Funds (continued)

b. Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Notes payable	<u>\$ 348,837</u>	<u>\$</u>	<u>\$ 22,408</u>	<u>\$ 326,429</u>	<u>\$ 12,790</u>

c. Long-Term Lease

In March 2009, the Village entered into an agreement with the State of North Carolina to lease 0.037 acres of land improved with a 504 square foot building located within the Village. The lease term is for 30 years with an annual rental of \$1 per year.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2020, consist of the following:

Due to the General Fund for the allocation of costs from the:

Water Fund \$ 2,480

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. There were no transfers between funds during the 2020 fiscal year.

D. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2020, consists of the following elements:

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	<u>\$ 1,211,669</u>	<u>\$ 1,827,822</u>
Less: long-term debt	<u>326,429</u>	
Net investment in capital assets	<u>\$ 885,240</u>	<u>\$ 1,827,822</u>

Note 3 - Detail Notes on All Funds (continued)

E. Fund Balance

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

Total fund balance - General Fund	\$ 425,647
Less:	
Stabilization by State Statute	2,697
Minimum fund balance policy	<u>97,690</u>
<u>Fund Balance Available for Appropriation</u>	<u>\$ 325,260</u>

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The Village did not have any outstanding encumbrances as of June 30, 2020.

Note 4 - Significant Effects of Subsequent Events

Management has evaluated subsequent events through February 17, 2022, which is the date the financial statements were available to be issued.

In August 2020, a flood damaged Village property near the river. The Village paid approximately \$26,000 to repair this damage.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes:			
Current year	\$ 77,230	\$ 78,065	\$ 835
Prior year	5,640	4,990	(650)
Interest	590	619	29
Total	<u>83,460</u>	<u>83,674</u>	<u>214</u>
Other taxes:			
Alcohol beverage tax	475	482	7
Utilities franchise tax	18,115	18,128	13
Solid waste disposal	85	85	
Total	<u>18,675</u>	<u>18,695</u>	<u>20</u>
Unrestricted intergovernmental:			
Local option sales tax	<u>37,750</u>	<u>38,772</u>	<u>1,022</u>
Restricted intergovernmental:			
Municipal tax district revenues	<u>35,150</u>	<u>35,171</u>	<u>21</u>
Permits and fees:			
Garbage collection fees	22,150	22,152	2
Public parking fees	85,000	88,722	3,722
Other fees and permits	2,175	2,400	225
Total	<u>109,325</u>	<u>113,274</u>	<u>3,949</u>
Investment earnings:			
Interest income		5,483	5,483
Miscellaneous:			
Cell tower lease revenue	11,400	11,400	
Other	95,000	107,416	12,416
Total	<u>106,400</u>	<u>118,816</u>	<u>12,416</u>
Total revenues	<u>390,760</u>	<u>413,885</u>	<u>23,125</u>
Expenditures			
General government:			
Management fees	34,000	30,553	3,447
Legal and professional	29,000	18,784	10,216
Other operating expenditures	10,950	19,763	(8,813)
Total general government	<u>\$ 73,950</u>	<u>\$ 69,100</u>	<u>\$ 4,850</u>

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (continued) For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Public health and safety:			
Professional fees	\$	\$ 1,946	\$ (1,946)
Law enforcement contributions		6,010	(6,010)
Public restrooms	20,000	13,239	6,761
Capital outlay	10,500	10,062	438
Total public health and safety	30,500	31,257	(757)
Environmental protection:			
Garbage collection fees	15,800	15,660	140
Recycling fees	7,100	7,020	80
Total environmental protection	22,900	22,680	220
Culture and recreation:			
Beautification	29,000	27,260	1,740
Capital outlay	130,000	108,356	21,644
Total culture and recreation	159,000	135,616	23,384
Transportation:			
Street lighting	8,000	7,956	44
Debt service:			
Principal retirement		22,408	(22,408)
Interest and other charges	36,000	11,471	24,529
Total debt service	36,000	33,879	2,121
Total expenditures	330,350	300,488	29,862
Revenues over expenditures	60,410	113,397	52,987
Other financing sources (uses)			
Installment purchase obligations issued	(58,050)		58,050
Transfer from water fund	(2,360)		2,360
Total other sources (uses)	(60,410)		60,410
Net change in fund balance	\$	113,397	\$ 113,397
Fund balances, beginning		312,250	
Fund balances, ending		\$ 425,647	

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

Water Fund Statement of Revenues and Expenditures Budget and Actual (Non-GAAP) For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues:			
Water sales	\$ 60,000	\$ 66,950	\$ 6,950
Tap fees	2,000	2,000	
Total operating revenues	62,000	68,950	6,950
Non-operating revenues:			
Investment earnings		1,968	1,968
Total revenues	62,000	70,918	8,918
Expenditures			
Operating expenditures:			
Administration	15,000	15,000	
Phone service - pumps	250		250
Electricity	8,000	7,957	43
Testing and monitoring	3,000	3,227	(227)
Professional fees	24,000	23,850	150
Liability insurance	3,500	3,500	
Permits	625	330	295
Supplies	1,250	1,557	(307)
Postage	250	229	21
Membership dues		280	(280)
Repairs	5,150	4,650	500
Total operating expenditures	61,025	60,580	445
Contingency	700		700
Total expenditures	61,725	60,580	1,145
Revenues over (under) expenditures	275	10,338	10,063
Other financing sources (uses)			
Transfers to other funds	(21,050)		21,050
Transfer from other funds	20,000		(20,000)
Total other financing sources (uses)	(1,050)		1,050
Revenues under expenditures and other financing sources (uses)	<u>\$ (775)</u>	10,338	<u>\$ 11,113</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(74,340)	
Change in net position		<u>\$ (64,002)</u>	

OTHER SCHEDULES

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$	\$ 79,768	\$ 77,481	\$ 2,287
2018-2019	2,207		1,831	376
2017-2018	743		408	335
2016-2017	488		148	340
2015-2016	379		114	265
2014-2015	314		82	232
2013-2014	244		77	167
2012-2013	307		77	230
2011-2012	222		81	141
2010-2011	117		8	109
2009-2010	111		111	
	<u>\$ 5,132</u>	<u>\$ 79,768</u>	<u>\$ 80,418</u>	4,482
Less: allowance for uncollectable accounts				
General Fund				<u>500</u>
Ad valorem taxes receivable - net				<u>\$ 3,982</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 83,674
Reconciling items:				
Interest collected				(619)
Taxes written off				<u>(2,637)</u>
Total collections and credits				<u>\$ 80,418</u>

CHIMNEY ROCK VILLAGE, NORTH CAROLINA

Analysis of Current Tax Levy Village-Wide Levy June 30, 2020

	<u>Village-Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current rate	\$57,237,594	.140	\$ 80,133	\$ 78,526	\$ 1,607
Exemption and releases	<u>(260,650)</u>		<u>(365)</u>	<u>(365)</u>	
Total property valuation	<u>\$56,976,944</u>				
Net levy			79,768	78,161	1,607
Unpaid (by taxpayer) taxes at June 30, 2020			<u>2,287</u>	<u>2,287</u>	
Current year's taxes collected			<u>\$ 77,481</u>	<u>\$ 75,874</u>	<u>\$ 1,607</u>
Current levy collection percentage			<u>97.13%</u>	<u>97.07%</u>	<u>100.00%</u>