

**GRANDFATHER VILLAGE**

NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2020

**GRANDFATHER VILLAGE**

**Mayor**

Robert V. Donovan

**Mayor Pro Tem**

Richard Norman

**Council Members**

David Jones

Chick Fuller

Andre T. Tennille

**Finance Officer**

Richard Foutz

**Grandfather Village, North Carolina**  
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# **Financial Section**

COMBS,  
  
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### INDEPENDENT AUDITOR'S REPORT

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

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Grandfather Village as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Grandfather Village's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Grandfather Village, North Carolina as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows 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 Management's Discussion and Analysis on pages 3 through 10 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 the 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 an opinion on the financial statements that collectively comprise the basic financial statements of Grandfather Village, North Carolina. The individual fund financial 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 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, 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.

*COMBS, TENNANT & CARPENTER, P.C.*

COMBS, TENNANT & CARPENTER, P.C.  
Certified Public Accountants  
Boone, NC

October 20, 2020

## Management's Discussion and Analysis

As management of Grandfather Village, we offer readers of Grandfather Village's financial statements this narrative overview and analysis of the financial activities of Grandfather 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

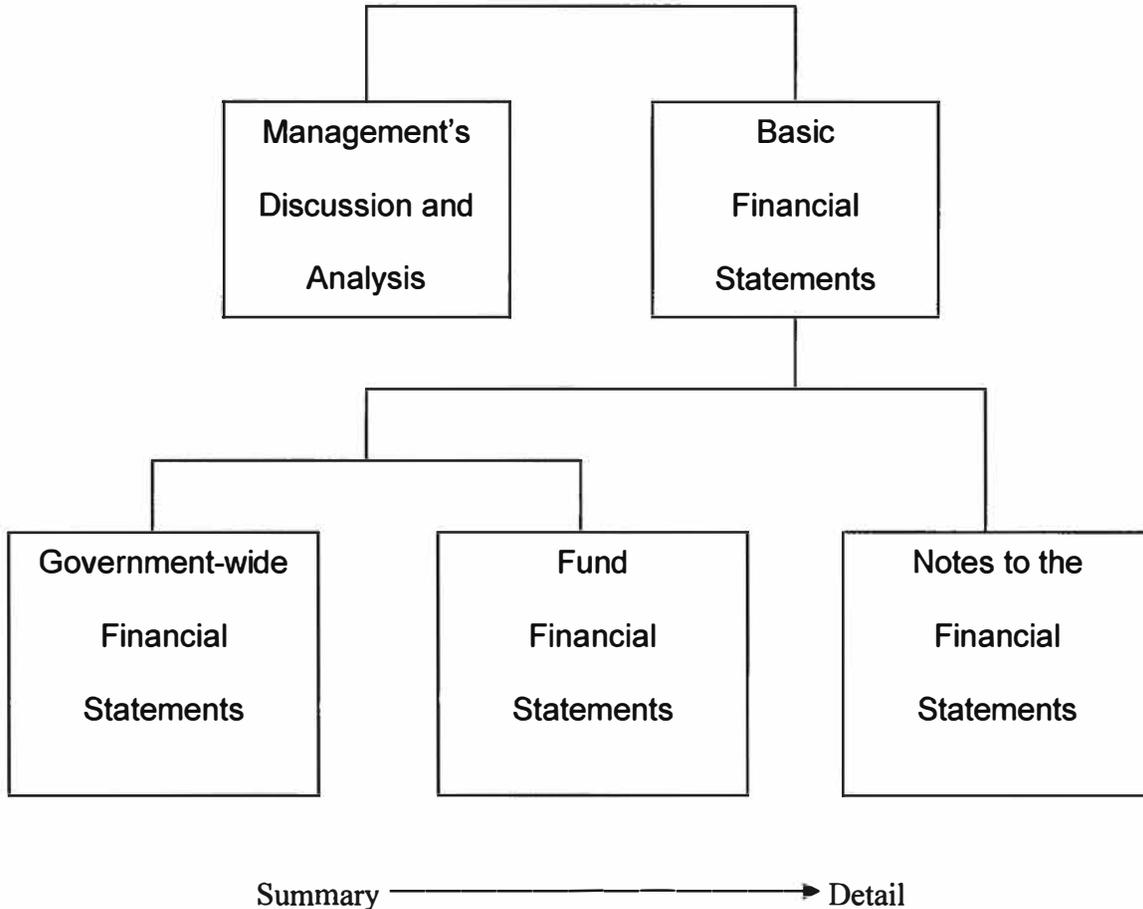
- The assets of Grandfather Village exceeded its liabilities at the close of the fiscal year by \$45,200 (*net position*).
- The government's total net position decreased by \$5,534.
- As of the close of the current fiscal year, Grandfather Village's governmental fund reported an ending fund balance of \$45,200, with a net decrease of \$5,534 in fund balance. Approximately 3.41 percent of this total amount, or \$1,544, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$38,646 or 76.55 percent of total general fund expenditure and transfers out for the fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Grandfather 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 Grandfather Village.

## 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 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Village's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Village's

individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

### **Government-Wide Financial Statements**

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

The two government-wide statements report the Village's net position and how 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 reflect the Village's governmental activities. These activities include the basic services provided by the Village including enforcement of the Village's zoning ordinance and general administration of the Village's business and services.

The government-wide financial statements are on 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. Grandfather 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 Grandfather Village can be divided into one category: governmental funds.

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

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

**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 17 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 government and other holders of publicly held U.S. Treasury Securities.

## Government-Wide Financial Analysis

### Grandfather Village's Net Position

**Figure 2**

	Governmental Activities		Total Primary Government	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Current and other assets	\$ 45,350	\$ 52,134	\$ 45,350	\$ 52,134
Total assets	45,350	52,134	45,350	52,134
Other liabilities	150	1,400	150	1,400
Total liabilities	150	1,400	150	1,400
Net Position:				
Restricted	1,544	1,850	1,544	1,850
Unrestricted	43,656	48,884	43,656	48,884
Total net position	\$ 45,200	\$ 50,734	\$ 45,200	\$ 50,734

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of Grandfather Village exceeded liabilities by \$45,200 as of June 30, 2020. The Village's net position decreased by \$5,534 for the fiscal year ended June 30, 2020. A portion of Grandfather Village's net position, \$1,544, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$43,656 is unrestricted.

**Grandfather Village Changes in Net Position  
Figure 3**

	Governmental Activities		Total	
	2020	2019	2020	2019
<b>Revenues:</b>				
<b>Program revenues:</b>				
Charges for services	\$ 4,500	\$ 5,000	\$ 4,500	\$ 5,000
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
<b>General revenues:</b>				
Grants and contributions not restricted to specific programs	40,222	39,785	40,222	39,785
Other	231	433	231	433
Total revenues	<u>44,953</u>	<u>45,218</u>	<u>44,953</u>	<u>45,218</u>
<b>Expenses:</b>				
General government	50,487	65,186	50,487	65,186
Zoning	-	-	-	-
Human services	-	-	-	-
Total expenses	<u>50,487</u>	<u>65,186</u>	<u>50,487</u>	<u>65,186</u>
Increase (decrease) in net position	(5,534)	(19,968)	(5,534)	(19,968)
Net position, July 1	<u>50,734</u>	<u>70,702</u>	<u>50,734</u>	<u>70,702</u>
Net position, June 30	<u>\$ 45,200</u>	<u>\$ 50,734</u>	<u>\$ 45,200</u>	<u>\$ 50,734</u>

**Governmental activities.** Governmental activities decreased the Village's net position by \$5,534. Key elements of this decrease are as follows:

- A decrease in charges for services

**Financial Analysis of the Village's Funds**

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

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

The general fund is the chief operating fund of Grandfather Village. At the end of the current fiscal year, Grandfather Village's fund balance available in the General Fund was \$43,656 while total fund balance reached \$45,200. The Governing Body of the Village has determined that the Village should maintain an available fund balance of 50% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Village. The Village currently has an available fund balance of 86.47% of general fund expenditures, while total fund balance represents 89.53% of the same amount.

At June 30, 2020, the governmental fund of Grandfather Village reported a combined fund balance of \$45,200, a 10.91 % decrease over last year.

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

Revenues were more than the budgeted amounts primarily because of an increase in utility franchise tax revenues.

### **Economic Factors and Next Year's Budgets and Rates**

The Village receives a substantial portion of its revenue from the distribution of tax revenues collected by the State of North Carolina. For the fiscal year ended June 30, 2020, these distributions represented 89.47% of total revenue. The budget of the year ending June 30, 2021 anticipates that revenues from the State will represent 86.45% of total revenue. The amount of these distributions from the State is dependent on the State economic and legislative factors.

### **Budget Highlights for the Fiscal Year Ending June 30, 2021**

**Governmental Activities:** General Fund revenues are anticipated to remain comparable with last year's actual revenue.

General Fund expenditures are anticipated to remain comparable with last year's actual expenditures.

**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:

Finance Officer  
Grandfather Village  
P.O. Box 368  
Linville, NC 28646

# **Basic Financial Statements**

**Grandfather Village, North Carolina**  
**Statement of Net Position**  
**June 30, 2020**

	<b>Primary Government</b>	
	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 43,806	\$ 43,806
Accounts receivable (net)	-	-
Due from other governments	1,544	1,544
Restricted cash and cash equivalents	-	-
Total current assets	45,350	45,350
Total assets	\$ 45,350	\$ 45,350
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 150	\$ 150
Due to primary government	-	-
Due to other governments	-	-
Long-term liabilities:		
Due within one year	-	-
Due in more than one year	-	-
Total liabilities	150	150
<b>NET POSITION</b>		
Restricted for:		
Stabilization by State Statute	1,544	1,544
Unrestricted	43,656	43,656
Total net position	\$ 45,200	\$ 45,200

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

**Grandfather Village, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2020**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Total
<b>Primary government:</b>						
Governmental Activities:						
General government	\$ 50,487	\$ -	\$ -	\$ -	\$ (50,487)	\$ (50,487)
Zoning	-	4,500	-	-	4,500	4,500
Human services	-	-	-	-	-	-
Total governmental activities (See Note 1)	\$ 50,487	\$ 4,500	\$ -	\$ -	(45,987)	(45,987)
General revenues:						
Taxes:						
Grants and contributions not restricted to specific programs					40,222	40,222
Unrestricted investment earnings					231	231
Miscellaneous					-	-
Total general revenues and transfers					40,453	40,453
Change in net position					(5,534)	(5,534)
Net position, beginning					50,734	50,734
Net position, ending					\$ 45,200	\$ 45,200

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

**Grandfather Village, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2020**

	<b>Major Fund</b>		<b>Total Governmental Funds</b>
	<b>General Fund</b>		
<b>ASSETS</b>			
Cash and cash equivalents	\$ 43,806	\$	43,806
Restricted cash	-	-	-
Accounts receivable (net)	-	-	-
Due from other governments	1,544	-	1,544
Total assets	<u>\$ 45,350</u>	<u>\$</u>	<u>45,350</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 150	\$	150
Due to other funds	-	-	-
Total liabilities	<u>150</u>	<u>\$</u>	<u>150</u>
Fund balances:			
Non Spendable			
Prepays	-	-	-
Restricted			
Stabilization by State Statute	1,544	-	1,544
Assigned			
Subsequent year's expenditures	5,010	-	5,010
Unassigned	38,646	-	38,646
Total fund balances	<u>45,200</u>	<u>\$</u>	<u>45,200</u>
Total liabilities and fund balances	<u>\$ 45,350</u>	<u>\$</u>	<u>45,350</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross capital assets at historical costs	\$ -	-	-
Accumulated Depreciation	-	-	-
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.			
Liabilities for earned revenues considered deferred inflows in fund statements.			
Net position of governmental activities		<u>\$</u>	<u>45,200</u>

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

## Exhibit 4

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

	<b>Major Fund</b>		<b>Total Governmental Funds</b>
	<b>General Fund</b>		
<b>REVENUES</b>			
Unrestricted intergovernmental	\$ 40,222	\$	40,222
Investment earnings	231		231
Miscellaneous	4,500		4,500
Total revenues	<u>44,953</u>		<u>44,953</u>
<b>EXPENDITURES</b>			
Current:			
General government	50,487		50,487
Zoning	-		-
Human services	-		-
Total expenditures	<u>50,487</u>		<u>50,487</u>
Excess (deficiency) of revenues over expenditures	<u>(5,534)</u>		<u>(5,534)</u>
Other financing sources (uses):			
Appropriated Fund Balance	-		-
Total other financing sources (uses)	-		-
Net change in fund balance	(5,534)		(5,534)
Fund balances, beginning as previously reported	<u>50,734</u>		<u>50,734</u>
Fund balances, ending	<u>\$ 45,200</u>	\$	<u>45,200</u>

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

**Exhibit 4  
(cont)**

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

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

Net changes in fund balances - total governmental funds	\$ (5,534)
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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 are capitalized	\$ -	
Depreciation expense for governmental assets	-	-
	-	-

Total changes in net position of governmental activities	<u>\$ (5,534)</u>
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The notes to the financial statements are an integral part of this statement.

**Grandfather Village, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2020**

	<b>General Fund</b>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
Unrestricted intergovernmental	\$ 37,115	\$ 37,240	\$ 40,222	\$ 2,982
Investment earnings	300	300	231	(69)
Miscellaneous	5,000	5,000	4,500	(500)
Total revenues	<u>42,415</u>	<u>42,540</u>	<u>44,953</u>	<u>2,413</u>
<b>Expenditures:</b>				
Current:				
General government	50,385	50,510	50,487	23
Zoning	-	-	-	-
Human services	-	-	-	-
Total expenditures	<u>50,385</u>	<u>50,510</u>	<u>50,487</u>	<u>23</u>
Revenues over (under) expenditures	<u>(7,970)</u>	<u>(7,970)</u>	<u>(5,534)</u>	<u>2,436</u>
<b>Other financing sources (uses):</b>				
Other	-	-	-	-
Appropriated fund balance	7,970	7,970	-	(7,970)
Total other financing sources (uses)	<u>7,970</u>	<u>7,970</u>	<u>-</u>	<u>(7,970)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(5,534)</u>	<u>\$ (5,534)</u>
Fund balances, beginning as previously reported			50,734	
Fund balances, ending			<u>\$ 45,200</u>	

**Grandfather Village, North Carolina**  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2020

**I. Summary of Significant Accounting Policies**

The accounting policies of Grandfather 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**

Grandfather Village is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Village.

**B. Basis of Presentation**

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

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

*Fund Financial Statements:* The fund financial statements provide information about the Village’s funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental, each displayed in a separate column. All remaining governmental funds are aggregated and reported in a single column as non-major funds. The Village has no non-major funds.

The Village reports the following major governmental funds:

*General Fund.* The General Fund is the general operating fund of the Village. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are State-shared revenues. The primary expenditures are for general government services.

### **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 Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*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.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Village are recognized as revenue. Sales taxes are considered a shared revenue for the Village because the tax is levied by Avery 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.

#### **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 Special Revenue 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. Appropriations are made on a line item basis and are amended as necessary by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

#### **E. Assets, Liabilities, and Fund Equity**

##### **1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Village to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain 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 reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with 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. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

### 3. Net Position / Fund Balances

#### Net Position

Net position in government-wide 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 the 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 four 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.

Restricted for Stabilization by State statute – portion of fund balance that is restricted 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. 159-89a0 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 non-spendable. 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.

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

**Subsequent year's expenditures** – portion of fund balance that is appropriated in the next year's 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.

The 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: 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.

The Village has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Village in such a manner that available fund balance is at least equal to or greater than 50% of budgeted expenditures. Any portion of the general fund balance in excess of 50% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Village in a future budget.

## **II. Stewardship, Compliance and Accountability**

Our audit for the fiscal year ended June 30, 2020 disclosed no Material Violations of Finance-Related Legal and Contractual Provisions.

## **III. 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 agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities

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

At June 30, 2020, the Village's deposits had a carrying amount of \$43,806 and a bank balance of \$43,826. Of the bank balance, all was covered by federal depository insurance.

## **B. Liabilities**

### **1. Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Village obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar costs levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Village upon request.

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

The Village does not carry flood insurance.

In accordance with G.S. 159-29, the Village’s employees that have access to \$100 or more at any given time of the Village’s funds are performance bonded through a commercial surety bond for \$5,000. The finance officer is individually bonded for \$150,000.

**C. Fund Balance**

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

<b>Total Fund Balance-General Fund</b>	<b>\$ 45,200</b>
Stabilization by State Statute	1,544
Appropriated Fund Balance in 2021 budget	5,010
Working Capital / Fund Balance Policy	32,710
<b>Remaining Fund Balance</b>	<b>5,936</b>

The Village has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Village in such a manner that available fund balance is at least equal to or greater than 50% of budgeted expenditures.

**IV. Significant Effects of Subsequent Events**

Management has evaluated subsequent events through October 20, 2020 – the date the financial statements were available to be issued.

## **Individual Fund Statements**

**Grandfather Village, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Unrestricted intergovernmental:			
Local option sales taxes	\$ 9,500	\$ 10,337	\$ 837
Utility franchise tax	27,625	29,777	2,152
Solid waste disposal tax	-	-	
Beverage tax	115	108	(7)
Total	<u>37,240</u>	<u>40,222</u>	<u>2,982</u>
Investment earnings	<u>300</u>	<u>231</u>	<u>(69)</u>
Miscellaneous:			
Building permits	5,000	4,500	(500)
Civil penalty	-	-	-
Other	-	-	-
Total	<u>5,000</u>	<u>4,500</u>	<u>(500)</u>
Total revenues	<u>42,540</u>	<u>44,953</u>	<u>2,413</u>
<b>Expenditures:</b>			
General government:			
Administrative fee		40,000	
Legal and professional		-	
Audit		4,500	
Insurance		3,302	
Supplies		189	
Fees		1,796	
Miscellaneous		700	
Total	<u>50,510</u>	<u>50,487</u>	<u>23</u>
Zoning:			
Salaries and employee benefits		-	
Insurance		-	
Total	<u>-</u>	<u>-</u>	<u>-</u>

**Grandfather Village, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Human Services	-	-	-
Total expenditures	<u>50,510</u>	<u>50,487</u>	<u>23</u>
Other financing sources (uses):			
Appropriated Fund Balance	<u>7,970</u>	<u>-</u>	<u>(7,970)</u>
Total other financing sources (uses)	<u>7,970</u>	<u>-</u>	<u>(7,970)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>(5,534)</u>	<u>\$ (5,534)</u>
Fund balances, beginning as previously reported		<u>50,734</u>	
Fund balances, ending		<u>\$ 45,200</u>	