

**Town of Hayesville, North Carolina**  
**Financial Statements**  
**June 30, 2020**

Turner & Company CPAs P.A.

31 Peachtree Street ● Murphy, NC 28906 ● Phone (828) 837-8188 ● Fax (828) 837-5313

**Town of Hayesville, North Carolina**  
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**June 30, 2020**

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## Introductory Information

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**Town of Hayesville, North Carolina**  
**Town Government and Key Staff**  
**as of June 30, 2020**

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**Mayor and Board of Aldermen**

Harry Baughn, Mayor

Austin Hedden

Will Penland

Joe Slaton

**Administrative and Financial Staff**

Susan Morgan - Finance Officer, Town Clerk

Harry Baughn - Deputy Finance Officer

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## Financial Section

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# Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

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## Independent Auditors' Report

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

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

We have audited the accompanying financial statements of the governmental activities and the general fund of the Town of Hayesville, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### ***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. 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 Town'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 Town's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Town of Hayesville, North Carolina as of June 30, 2020, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards 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 the Town of Hayesville, North Carolina. The budgetary schedule and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedule and other schedules are the responsibility of management and were derived from and relate 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 procedures performed as described above, the budgetary schedule and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Turner & Company CPAs P.A.*

Turner & Company CPAs P.A.  
Murphy, North Carolina

November 3, 2020

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## Management's Discussion and Analysis

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**Town of Hayesville, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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As management of the Town of Hayesville, we offer readers of the Town of Hayesville's financial statements this narrative overview and analysis of the financial activities of the Town of Hayesville for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

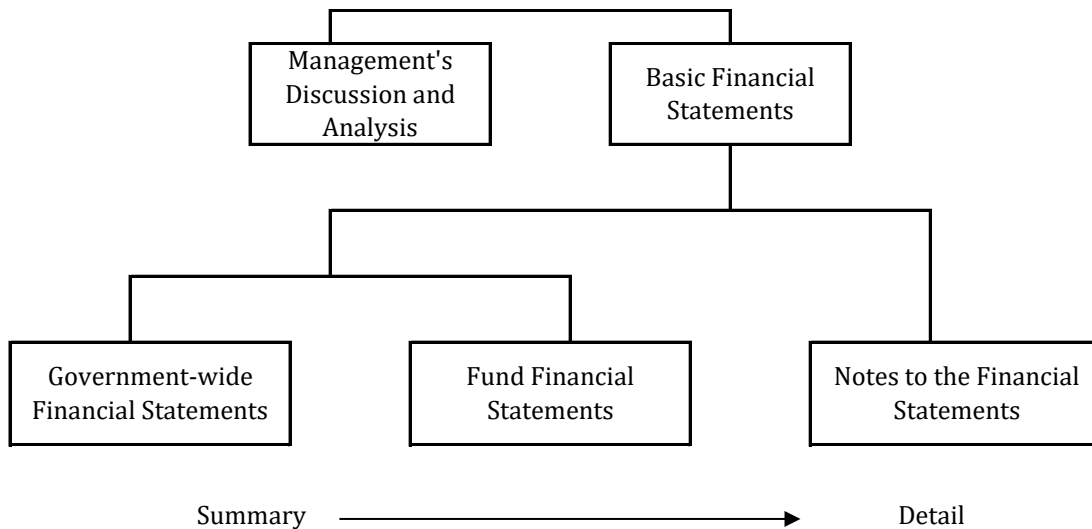
**Financial Highlights**

- The assets and deferred outflows of resources of the Town of Hayesville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,207,732 (*net position*).
- The government's total net position decreased \$59,793. In the prior fiscal year, the Town received \$145,478 in grant money for a capital project. The project was completed in the prior year and no such money was received in the current fiscal year, this caused the decrease in net position.
- As of the close of the current fiscal year, the Town of Hayesville's governmental funds reported combined ending fund balances of \$512,134 with a net increase of \$21,036 in fund balance. Approximately 17.10 percent of this total amount, or \$87,581, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$424,553, or 209.97 percent of total general fund expenditures for the fiscal year.

**Overview of the Financial Statements**

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

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 Town'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 Town'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 Town's individual fund. Budgetary information required by the North Carolina General Statutes can be found in this part of the statements.

## Government-wide Financial Statements

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

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

The government-wide statements consist of only governmental activities. The governmental activities include all of the Town's basic services such as public safety, streets & sidewalks, environmental protection, economic & physical development, culture & recreation, and general government. Property taxes and State tax distributions finance most of these activities. The Town does not conduct any business-type activities.

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 Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Hayesville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All the funds of the Town of Hayesville are accounted for within the governmental fund.

**Governmental Funds** - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The Town's basic services are accounted for in the governmental fund. This fund focuses 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 Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Hayesville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town 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.

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

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information. Supplementary information can be found beginning on page 30 of this report.

**Interdependence with Other Entities** – The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town 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

**Town of Hayesville, North Carolina's Net Position**  
**Figure 2**

	Governmental Activities		Total	
	2020	2019	2020	2019
Current and other assets	\$ 526,958	\$ 502,868	\$ 526,958	\$ 502,868
Non-current portion of notes receivable	100,000	-	100,000	-
Capital assets	593,822	624,470	593,822	624,470
Deferred outflows of resources	-	-	-	-
<b>Total assets and deferred outflows of resources</b>	<b>1,220,780</b>	<b>1,127,338</b>	<b>1,220,780</b>	<b>1,127,338</b>
Long-term liabilities outstanding	-	-	-	-
Other liabilities	13,048	9,813	13,048	9,813
Deferred inflows of resources	-	-	-	-
<b>Total liabilities and deferred inflows of resources</b>	<b>13,048</b>	<b>9,813</b>	<b>13,048</b>	<b>9,813</b>
Net investment in capital assets	593,822	624,470	593,822	624,470
Restricted	87,581	102,908	87,581	102,908
Unrestricted	526,329	540,147	526,329	540,147
<b>Total net position</b>	<b>\$ 1,207,732</b>	<b>\$ 1,267,525</b>	<b>\$ 1,207,732</b>	<b>\$ 1,267,525</b>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town exceed liabilities and deferred inflows by \$1,207,732 as of June 30, 2020. The Town's net position decreased by \$59,793 for the fiscal year ended June 30, 2020. However, the largest portion (49.17%) reflects the Town's investment in capital assets (e.g. land, buildings, and office equipment). The Town of Hayesville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town of Hayesville's net position, \$87,581 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$526,329 is unrestricted.

Particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of property taxes resulted in a tax collection percentage of 98.02%, excluding motor vehicles. The statewide average for Municipalities with populations of 1,000 to 2,499 in the fiscal year 2018 was 97.95% .
- The Mayor and Town Council continue to be very conservative in their spending while continuing to make improvements in the Town.

### Town of Hayesville, North Carolina's Changes in Net Position

Figure 3

	Governmental Activities		Total	
	2020	2019	2020	2019
Revenues:				
Program revenues:				
Charges for services	\$ 3,745	\$ 2,555	\$ 3,745	\$ 2,555
Operating grants and contributions	16,205	32,052	16,205	32,052
Capital grants and contributions	-	145,478	-	145,478
General revenues:				
Property taxes	112,177	99,903	112,177	99,903
Grants and contributions not restricted to specific programs	81,733	82,780	81,733	82,780
Other	9,191	7,446	9,191	7,446
Total revenues	223,051	370,214	223,051	370,214
Expenses:				
General government	100,434	121,245	100,434	121,245
Public safety	11,692	9,661	11,692	9,661
Transportation	55,399	59,318	55,399	59,318
Economic and physical development	79,145	66,934	79,145	66,934
Environmental protection	36,174	42,779	36,174	42,779
Cultural recreation	-	1,500	-	1,500
Interest on long-term debt	-	447	-	447
Total expenses	282,844	301,884	282,844	301,884
Increase (decrease) in net position	(59,793)	68,330	(59,793)	68,330
Net position, beginning	1,267,525	1,199,195	1,267,525	1,199,195
Net position, ending	\$ 1,207,732	\$ 1,267,525	\$ 1,207,732	\$ 1,267,525

**Governmental Activities.** Governmental activities decreased the Town's net position by \$59,793. Key elements of this decrease are as follows:

- Property tax revenue increased by \$12,274 due to a revaluation of the property valuation which generated an increase in tax billings.
- Capital grants and contributions decreased by \$145,478. In the prior fiscal year, the Town received CDBG grant money to complete a capital project which therefore, did not extend to the current fiscal year.
- There was an increase in the amount spent for economic and physical development in the current fiscal year because of various beautification projects and grants to local non-profit organizations.

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

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

**Governmental Funds.** The focus of the Town of Hayesville's government funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Hayesville's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year. Fund balance available may be comprised of amounts shown as restricted, committed, assigned or unassigned.

The general fund is the only operating fund of the Town of Hayesville. At the end of the current fiscal year, the Town of Hayesville's fund balance available in the General Fund was \$493,908, while total fund balance reached \$512,134.

At June 30, 2020, the governmental fund of the Town of Hayesville reported a general fund balance of \$512,134 with a net increase in fund balance of \$21,036.

**General Fund Budgetary Highlights.** During the fiscal year, the Town revised the budget on a few 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.

There were several reasons the Town revised its budget throughout the year. Total amendments to the General Fund decreased all revenues by \$2,690. Budget amendments were made concurrently as facts and circumstances became known with revenue and expenditure streams. Actual revenues exceeded the budgeted amounts by \$33,892. The amounts budgeted for total expenditures exceeded the actual expenses by \$46,236.

**Capital Asset and Debt Administration**

**Capital Assets.** The Town of Hayesville's investment in capital assets for its governmental activities as of June 30, 2020, totals \$593,822 (net of accumulated depreciation). These assets include buildings and improvements, signs, streets and sidewalks, and equipment.

**Governmental Activities.** The significant additions to capital assets during the fiscal year resulted primarily from the following:

- \$30,000 for the paving of Herbert Street and Sanderson Street

**Town of Hayesville, North Carolina's Capital Assets  
(net of depreciation)**

**Figure 4**

	Governmental Activities		Total	
	2020	2019	2020	2019
Capital assets				
Land	\$ 92,500	\$ 92,500	\$ 92,500	\$ 92,500
Construction in progress	-	-	-	-
Buildings and improvements	413,575	432,500	413,575	432,500
Streets and sidewalks	87,747	99,470	87,747	99,470
Total capital assets	\$ 593,822	\$ 624,470	\$ 593,822	\$ 624,470

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

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

The following key economic indicator reflects the growth and prosperity of the Town.

- The Town does not anticipate any significant change in current economic factors that affect Town operations.
- On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Library is operating under guidelines suggested for the health and safety of workers and the community. The length or severity of this pandemic cannot be reasonably estimated. In addition, it is not possible to determine the extent to which the pandemic may materially impact the financial position, results of activities, and cash flows of Town in subsequent years. The Board plans to continue to carefully monitor expenses in the upcoming fiscal year.

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

**Governmental Activities:** The Town Council has approved the appropriation of expenditures in the amount of \$205,642 for the 2020-2021 fiscal year. The millage rate will remain at \$0.265 on each \$100 assessed valuation of taxable property as listed inside the town limits of Hayesville.

**Requests for Information**

This report is designed to provide an overview of the Town'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 Director of Finance, Town of Hayesville, PO Box 235, Hayesville, NC 28904.

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## Basic Financial Statements

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**Town of Hayesville, North Carolina**  
**Statement of Net Position**  
**June 30, 2020**

	Primary Government	
	Governmental Activities	Total
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 437,601	\$ 437,601
Restricted cash and cash equivalents	69,355	69,355
Taxes receivable (net)	1,432	1,432
Accrued interest receivable on taxes	344	344
Due from other governments	18,226	18,226
Total current assets	<u>526,958</u>	<u>526,958</u>
Non-current assets:		
Non-current portion of notes receivable	100,000	100,000
Capital assets:		
Land and construction in progress	92,500	92,500
Other capital assets, net of depreciation	501,322	501,322
Total capital assets	<u>593,822</u>	<u>593,822</u>
Total non-current assets	<u>693,822</u>	<u>693,822</u>
Total assets	<u>1,220,780</u>	<u>1,220,780</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	-	-
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	13,048	13,048
Total current liabilities	<u>13,048</u>	<u>13,048</u>
Long-term liabilities:		
Due in more than one year	-	-
Total long-term liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>13,048</u>	<u>13,048</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	-	-
<b>NET POSITION</b>		
Net investment in capital assets	593,822	593,822
Restricted for:		
Transportation	69,355	69,355
Stabilization by State Statute	18,226	18,226
Unrestricted	526,329	526,329
Total net position	<u>\$ 1,207,732</u>	<u>\$ 1,207,732</u>

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



**Town of Hayesville, 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	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 100,434	\$ -	\$ -	\$ -	\$ (100,434)	\$ -	\$ (100,434)
Public safety	11,692	-	-	-	(11,692)	-	(11,692)
Transportation	55,399	-	15,201	-	(40,198)	-	(40,198)
Economic and physical development	79,145	3,745	-	-	(75,400)	-	(75,400)
Environmental protection	36,174	-	1,004	-	(35,170)	-	(35,170)
Cultural and recreation	-	-	-	-	-	-	-
Total governmental activities	282,844	3,745	16,205	-	(262,894)	-	(262,894)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					112,177	-	112,177
Grants and contributions not restricted to specific programs					81,733	-	81,733
Unrestricted investment earnings					6,062	-	6,062
Miscellaneous					3,129	-	3,129
Total general revenues excluding transfers and special items					203,101	-	203,101
Change in net position					(59,793)	-	(59,793)
Net position, beginning					1,267,525	-	1,267,525
Net position, ending					\$ 1,207,732	\$ -	\$ 1,207,732

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

**Town of Hayesville, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	<b>Major General Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 437,601	\$ 437,601
Restricted cash	69,355	69,355
Receivables, net:		
Taxes	1,432	1,432
Due from other governments	18,226	18,226
Total assets	<u>\$ 526,614</u>	<u>\$ 526,614</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>\$ 13,048</u>	<u>\$ 13,048</u>
Total liabilities	<u>13,048</u>	<u>13,048</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes receivable	<u>1,432</u>	<u>1,432</u>
Total deferred inflows of resources	<u>1,432</u>	<u>1,432</u>
<b>FUND BALANCE</b>		
Restricted		
Stabilization by state statute	18,226	18,226
Streets	69,355	69,355
Unassigned	<u>424,553</u>	<u>424,553</u>
Total fund balance	<u>512,134</u>	<u>512,134</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 526,614</u>	<u>\$ 526,614</u>

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

**Town of Hayesville, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

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Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$	512,134
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Gross capital assets at historical cost		1,376,513
Accumulated depreciation		<u>(782,691)</u>
		593,822
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		
		344
Earned revenues considered deferred inflows of resources in fund statements		
		1,432
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.		
		<u>100,000</u>
Net position of governmental activities	\$	<u><u>1,207,732</u></u>

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

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

	<b>Major General Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>		
Ad valorem taxes	\$ 112,358	\$ 112,358
Unrestricted intergovernmental	81,733	81,733
Restricted intergovernmental	16,205	16,205
Permits and fees	3,745	3,745
Investment earnings	6,062	6,062
Miscellaneous	3,129	3,129
Total revenues	<u>223,232</u>	<u>223,232</u>
<b>EXPENDITURES</b>		
Current:		
General government	81,509	81,509
Economic and physical development	29,145	29,145
Public safety	11,692	11,692
Transportation	43,676	43,676
Environmental protection	36,174	36,174
Total expenditures	<u>202,196</u>	<u>202,196</u>
Excess (deficiency) of revenues over expenditures	<u>21,036</u>	<u>21,036</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Contribution from Clay County - Water Bond	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balance	21,036	21,036
Fund balance, beginning	491,098	491,098
Fund balance, ending	<u>\$ 512,134</u>	<u>\$ 512,134</u>

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

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

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

Net change in fund balance - total governmental funds		\$ 21,036
<p>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.</p>		
Capital outlay expenditures which were capitalized	30,000	
Depreciation expense for governmental assets	<u>(60,648)</u>	(30,648)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues	<u>(181)</u>	(181)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Forgiveness of principal payments - loan receivable		<u>(50,000)</u>
Total changes in net position of governmental activities		<u><u>\$ (59,793)</u></u>

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

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

	<b>General Fund</b>			Variance
	Original	Final	Actual Amounts	Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 95,500	\$ 96,400	\$ 112,358	\$ 15,958
Unrestricted intergovernmental	63,000	66,600	81,733	15,133
Restricted intergovernmental	17,780	12,680	16,205	3,525
Permits and fees	1,350	1,100	3,745	2,645
Investment earnings	3,100	2,800	6,062	3,262
Miscellaneous	16,300	9,760	3,129	(6,631)
Total revenues	<u>197,030</u>	<u>189,340</u>	<u>223,232</u>	<u>33,892</u>
<b>EXPENDITURES</b>				
Current:				
General government	97,020	90,940	81,509	9,431
Economic and physical development	30,990	31,800	29,145	2,655
Public safety	12,120	11,500	11,692	(192)
Transportation	39,600	49,300	43,676	5,624
Environmental protection	43,000	37,000	36,174	826
Cultural and recreation	1,500	-	-	-
Debt service:				
Principal retirement	11,000	-	-	-
Interest and other charges	550	-	-	-
Total expenditures	<u>235,780</u>	<u>220,540</u>	<u>202,196</u>	<u>18,344</u>
Revenues over (under) expenditures	(38,750)	(31,200)	21,036	52,236
<b>OTHER FINANCING SOURCES (USES)</b>				
Contributions from Clay County-Waterbond	11,550	-	-	-
Total other financing sources (uses)	<u>11,550</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures and other uses	<u>(27,200)</u>	<u>(31,200)</u>	<u>21,036</u>	<u>52,236</u>
Fund balance appropriated	<u>27,200</u>	<u>31,200</u>	<u>-</u>	<u>(31,200)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>21,036</u>	<u>\$ 21,036</u>
Fund balance, beginning			491,098	
Fund balance, ending			<u>\$ 512,134</u>	

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

**Town of Hayesville, North Carolina**  
**Notes to the Financial Statements**  
**June 30, 2020**

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**Town of Hayesville, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

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**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The Town of Hayesville is a municipal corporation which is governed by an elected mayor and a three-member 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. 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 Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. A separate statement for the governmental fund category is presented. The emphasis of fund financial statements is on major governmental funds.

The Town reports the following major governmental fund:

**General Fund** - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, government grants, and various other taxes and licenses. The primary expenditures are for public safety, street & sidewalk maintenance and construction, sanitation services, and economic & physical development.

The Town has no non-major governmental funds.

**C. Measurement Focus and Basis of Accounting**

In accordance with North Carolina General Statutes, the general fund of the Town is 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. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.



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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and 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. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town 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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than 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 limited registration plate 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 Town are recognized as revenue. Sales taxes are considered a share revenue for the Town of Hayesville because the tax is levied by Clay 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 Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town'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 Town's budget is adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. The budget is 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 council and the Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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

All deposits of the Town are made in council-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town 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 Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town did not have any of these types of investments as of June 30, 2020.

**2. Cash and Cash Equivalents**

All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**3. Restricted Assets**

Cash restricted for special purposes has been segregated from cash for general operations. Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing or widening of local streets or sidewalks per G.S. 136-41.4.

Town of Hayesville Restricted Cash

Governmental activities	
General Fund	
Streets and sidewalks - Powell Bill Funds	\$ 69,355
Total governmental activities	<u>\$ 69,355</u>

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town 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.

**5. 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.

**6. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and estimated useful life in excess of two years. Minimum capitalization cost is \$5,000 as recommended by the North Carolina LGC. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	10 - 40
Signs	7
Streets and sidewalks	10
Equipment	10

**7. 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 Town does not have any items that meet this criteria. 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 future period and so will not be recognized as revenue until then. The Town has only one item that meets the criteria for this category - property taxes receivable.

**8. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities 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.

**9. Net Position/Fund Balance****Net Position**

Net position in government-wide financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent 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. The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**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.

**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.

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

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Hayesville’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.

Assigned fund balance - portion of fund balance that the Town of Hayesville intends to use for specific purposes.

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

The Town of Hayesville 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-town funds, town 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 Town.

**10. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

1. Noncompliance with North Carolina General Statutes

None Noted.

2. Contractual Violations

None Noted.

B. Deficit in Fund Balance of Individual Funds Not Appropriated in Subsequent Year’s Budget Ordinance

None Noted.

C. Excess of Expenditures over Appropriations

During the fiscal year ended June 30, 2020, the Board reported the following expenditure that violated State law [G.S. 115C-441] because it exceeded the amount appropriated in the budget ordinance.

	<i>General Fund</i>		
Function	Budget	Expenditures	Variance
Public safety	11,500	11,692	(192)

Management will monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations.

**III. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town'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 Town, these deposits are considered to be held by the Town's agent in the Town's names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$506,856 and a bank balance of \$404,421. All bank balances were covered by federal depository insurance. At June 30, 2020, the Town's petty cash fund totaled \$100.

**2. Receivables - Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 2,351
Total	<u>\$ 2,351</u>

**3. Loan Receivable**

Loan receivable consists of a loan to a local businessman, Dan McGlamery, in the Town of Hayesville from funds supplied by the North Carolina Department of Commerce as part of a Community Development Block Grant for economic development in 2017. The loan of the funds to the borrower shall be automatically and permanently forgiven, and no repayment of the said loan by the borrower (whether principal or interest) will be required, if all terms and conditions of the loan agreement are complied with by the borrower and the borrower maintains ownership of the property for a four (4) year period following the loan closing on July 14, 2017. Upon violation of one or more of the terms and conditions of the loan documents and the violation is not corrected within 30 days of notification the borrower agrees to repay the lender according to the year of the four year period the violation was discovered. The future forgiveness payments are as follows:

Year Ending June 30	Principal
2021	\$ 50,000
2022	50,000
Total	<u>\$ 100,000</u>

**4. Capital Assets**

**Primary Government**

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,500	\$ -	\$ -	\$ 92,500
Total capital assets not being depreciated	92,500	-	-	92,500
Capital assets being depreciated:				
Buildings and improvements	600,397	-	-	600,397
Signs	5,939	-	-	5,939
Streets and sidewalks	640,882	30,000	-	670,882
Equipment	6,795	-	-	6,795
Total capital assets being depreciated	1,254,013	30,000	-	1,284,013
Less accumulated depreciation for:				
Buildings and improvements	167,897	18,925	-	186,822
Signs	5,939	-	-	5,939
Streets and sidewalks	541,412	41,723	-	583,135
Equipment	6,795	-	-	6,795
Total accumulated depreciation	722,043	60,648	-	782,691
Total capital assets being depreciated, net	531,970			501,322
Governmental activity capital assets, net	<u>\$ 624,470</u>			<u>\$ 593,822</u>

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

General government	\$ 18,925
Transportation	41,723
Total depreciation expense	<u>\$ 60,648</u>

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2020, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General Fund	\$ 13,048	\$ -	\$ 13,048
Total-governmental activities:	<u>\$ 13,048</u>	<u>\$ -</u>	<u>\$ 13,048</u>

**2. Deferred Outflows and Inflows of Resources**

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

Source	Amount
Taxes receivable (General Fund), less penalties	<u>\$ 1,432</u>

**3. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two (2) self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability coverage of \$5 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The property liability pool has an aggregate limit for the total property losses in a single year. The Town does not carry flood insurance.

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 (3) fiscal years.

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

**4. Claims, Judgments and Contingent Liabilities**

At June 30, 2020, the Town was not a defendant in any types of lawsuits.

**C. Net Investment in Capital Assets**

Capital assets - Governmental	\$ 593,822
Net investment in capital assets	<u>\$ 593,822</u>

**D. 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>\$ 512,134</b>
Less:	
Stabilization by State Statute	18,226
Streets - Powell Bill	69,355
Remaining Fund Balance	<u>424,553</u>

**IV. Contributions**

The Town appropriates in the budget each year monetary contributions to local non-profit organizations to assist in their operations. Such organizations include the Peacock Playhouse, the Moss Library and the Clay County Communities Revitalization Association (CCCRA).

**V. New Accounting Pronouncements**

***Pronouncements effective for the 2020 Financial Statements:***

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

***Pronouncements issued, but not yet effective, which will be adopted by the Town in future years. As of the date of this report, the Town has not determined the financial impact of implementing the following Statements:***

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments.

The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. This new standard aims to provide consistency in the reporting of majority equity interests and improve the relevance of information related to certain component units. The requirements of GASB 90 are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. Most provisions will be applied on a retroactive basis; however, provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest will be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.



In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement are effective as follows:

The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.

The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.

The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.

The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

**VI. Significant Effects of Subsequent Events**

The Town has evaluated subsequent events through November 3, 2020 the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements of the year ended June 30, 2020. No events have occurred which would have a material effect on the financial statements of the Town as of that date.

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Individual Fund Statements and Schedules

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**Town of Hayesville, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Ad valorem taxes:			
Taxes - current year		\$ 111,750	
Interest		608	
Total	\$ 96,400	112,358	\$ 15,958
Other taxes and licenses:			
Gross receipts tax on short-term rental property		-	
Animal Taxes		-	
Privilege licenses		-	
Total	-	-	-
Unrestricted intergovernmental:			
Local option sales taxes		42,666	
Solid waste disposal tax		-	
Telecommunications sales tax			
Utility franchise tax		37,467	
Piped natural gas tax			
Video franchise fee			
Beer and wine tax		1,600	
ABC profit distribution		-	
Total	66,600	81,733	15,133
Restricted intergovernmental:			
Powell Bill allocation		15,201	
Controlled substance tax		-	
ABC revenue for law enforcement			
Firemen's relief fund			
Solid waste disposal tax		281	
Federal grants			
State grants			
State recycling grants		723	
Total	12,680	16,205	3,525
Permits and fees:			
Zoning permits		3,745	
Library collection		-	
Total	1,100	3,745	2,645
Other restricted revenues:			
Other grants and contributions		-	
Library collection		-	
Total	-	-	-
Sales and services:			
Rents, concessions, and fees		-	
Charges and fees			
Cemetery fees		-	

**Town of Hayesville, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2020**

	Budget	Actual	Variance Positive (Negative)
Sanitation fees		-	
Recreation fees		-	
Total	-	-	-
Investment earnings	2,800	6,062	3,262
Miscellaneous:			
Library revenues and contributions		-	
Miscellaneous		3,129	
Total	9,760	3,129	(6,631)
Total revenues	189,340	223,232	33,892

**Town of Hayesville, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES</b>			
General government:			
Administration:			
Salaries and employee benefits		24,593	
Other operating expenditures		14,159	
Total		<u>38,752</u>	
Finance:			
Salaries and employee benefits		20,400	
Other operating expenditures		1,721	
Total		<u>22,121</u>	
Taxes:			
Collection fees		2,517	
Total		<u>2,517</u>	
Legal and audit:			
Contracted services		6,000	
Public buildings:			
Other operating expenditures		12,119	
Total		<u>12,119</u>	
Total general government	<u>90,940</u>	<u>81,509</u>	<u>9,431</u>
Public safety:			
Police:			
Contribution to sheriff's patrol		3,000	
Other operating expenditures		926	
Total		<u>3,926</u>	
Fire:			
Fire service contract		7,461	
Other operating expenditures		305	
Total		<u>7,766</u>	
Total public safety	<u>11,500</u>	<u>11,692</u>	<u>(192)</u>
Transportation:			
Street lights		11,513	
Other operating expenditures		2,163	
Capital outlay		30,000	
Total transportation	<u>49,300</u>	<u>43,676</u>	<u>5,624</u>
Solid waste:			
Contracted services		27,140	
Other operating expenditures		256	
Tipping fees		8,778	
Total environmental protection	<u>37,000</u>	<u>36,174</u>	<u>826</u>

**Town of Hayesville, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Economic and physical development			
Planning & zoning			
Salaries and employee benefits		12,600	
Other operating expenditures		16,545	
Total	<u>31,800</u>	<u>29,145</u>	<u>2,655</u>
Total expenditures	<u>220,540</u>	<u>202,196</u>	<u>18,344</u>
Revenues over (under) expenditures	(31,200)	21,036	52,236
<b>OTHER FINANCING SOURCES (USES)</b>			
Contribution from Clay County - Waterbond	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	<u>31,200</u>	<u>-</u>	<u>(31,200)</u>
Net change in fund balance	<u>\$ -</u>	21,036	<u>\$ 21,036</u>
Fund balances, beginning		491,098	
Fund balance, ending		<u>\$ 512,134</u>	

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## Other Schedules

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This section contains additional information on property taxes.

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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy - Town-Wide Levy



**Town of Hayesville, 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	\$ -	\$ 111,254	\$ 109,145	\$ 2,109
2018-2019	2,947	-	2,350	597
2017-2018	356	-	245	111
2016-2017	86	-	-	86
2015-2016	87	-	2	85
2014-2015	92	-	2	90
2013-2014	150	-	-	150
2012-2013	181	-	7	174
2011-2012	145	-	-	145
2010-2011	236	-	-	236
2009-2010	171	-	171	-
	<u>\$ 4,451</u>	<u>\$ 111,254</u>	<u>\$ 111,922</u>	<u>3,783</u>
				Less: allowance for uncollectible accounts General Fund
				<u>(2,351)</u>
				Ad valorem taxes receivable - net
				<u>\$ 1,432</u>
				<u>Reconcilement with revenues:</u>
				Ad valorem taxes - General Fund
				\$ 112,358
				Reconciling items:
				Taxes written off
				171
				Less: interest collected
				(608)
				Other adjustments
				1
				<u>Subtotal</u>
				<u>(436)</u>
				Total collections and credits
				<u>\$ 111,922</u>