

REVIEWED

By SLGFD at 1:23 pm, Dec 28, 2021



Village of Forest Hills, North Carolina

Mayor

Jim Wallace

Council Members

Marcia Almond – Mayor Pro Tem

Nilofer Couture

Jerry A. Rice III

Ron Yount

Finance Officer/Village Clerk

Stephanie Gibson

Village of Forest Hills, North Carolina

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BURLESON & EARLEY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Village Council Members
Village of Forest Hills
Cullowhee, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Village of Forest Hills, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on 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.

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Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Village of Forest Hills, North Carolina as of June 30, 2021, and the respective changes in financial position 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 7 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

Burlison & Earley, P.A.

Certified Public Accountants

December 13, 2021

Village of Forest Hills, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2021

As management of the Village of Forest Hills (the "Village"), we offer readers of the Village of Forest Hills' financial statements this narrative overview and analysis of the financial activities of the Village of Forest Hills for the fiscal year ended June 30, 2021. 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.

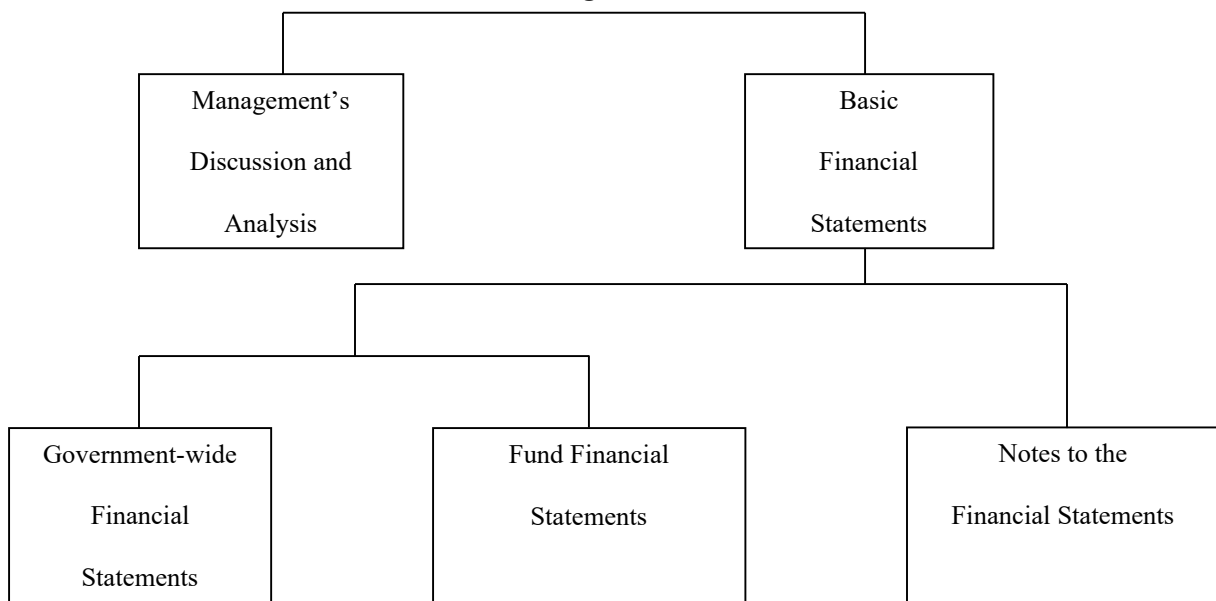
Financial Highlights

- The assets and deferred outflows of resources of the Village of Forest Hills exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$329,578 (*net position*).
- The government's total net position *increased* by 5,075, due to the increase in the governmental type activities net position.
- As of the close of the current fiscal year, the Village of Forest Hills' governmental fund reported an ending fund balance of \$157,508, a increase of 18,639, in comparison with the prior year. Approximately 93 percent of this total amount, or \$145,697, is available for spending at the government's discretion (*unassigned fund balance*).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Village of Forest Hills' 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 the Village of Forest Hills.

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 5) 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 deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Village's financial condition. The government-wide financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (Exhibits 3 through 5) provide a more detailed look at the Village's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Forest Hills, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Village's budget ordinance. All of the funds of the Village of Forest Hills are in 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. All of the Village's basic services are accounted for in one governmental fund, the General Fund. 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.

The Village of Forest Hills adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Village, the management of the Village, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the Village to obtain funds from identified sources to finance these current period activities. 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 council; 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 13 of this report.

Government-Wide Financial Analysis

The Village of Forest Hills Net Position
Figure 2

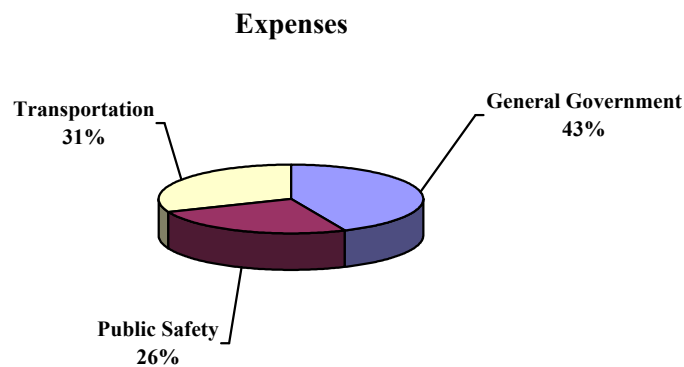
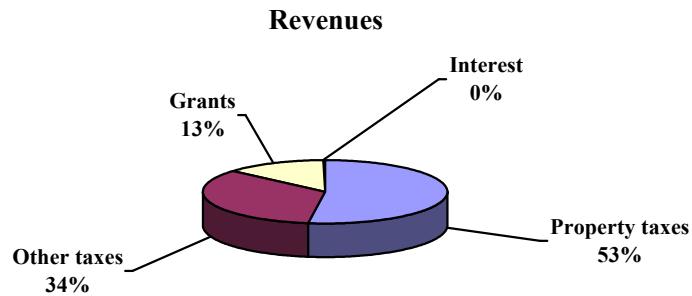
	Government Activities	
	2021	2020
Current assets	\$ 162,105	\$ 143,247
Capital assets	171,793	185,248
Deferred outflows of resources	-	-
Total assets and deferred outflows of resources	333,898	328,495
Current liabilities	4,320	3,992
Deferred inflows of resources	-	-
Total liabilities and deferred inflows of resources	4,320	3,992
Net position:		
Net investment in capital assets	171,793	185,248
Restricted for stabilization by state statute	5,606	8,817
Restricted for Powell Bill	4,498	-
Unrestricted	147,681	130,438
Total net position	\$ 329,578	\$ 324,503

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 resources of the Village of Forest Hills exceeded liabilities and deferred inflows of resources by \$329,578 as of June 30, 2021. The Village's net position *increased* by 5,075 for the fiscal year ended June 30, 2021.

One particular aspect of the Village's financial operations that positively influenced the total unrestricted governmental net position is the continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.72%, which is comparable to the 2020 statewide average for municipalities with populations less than 500 of 98.63%.

The Village of Forest Hills' Statements of Changes in Net Position
Figure 3

	Government Activities	
	2021	2020
Revenues:		
Program Revenues:		
Operating grants and contributions	\$ 11,366	\$ 13,582
General Revenues:		
Property taxes	44,377	43,449
Other taxes	28,946	25,956
Unrestricted investment earnings	280	536
Total Revenues	<u>84,969</u>	<u>83,523</u>
Expenses:		
General government	34,704	34,327
Public safety	20,405	13,920
Transportation	24,785	50,394
Total Expenses	<u>79,894</u>	<u>98,641</u>
Change in net position	5,075	(15,118)
Net position, beginning of year	324,503	339,621
Net position, end of year	<u><u>\$ 329,578</u></u>	<u><u>\$ 324,503</u></u>



Financial Analysis of the Village’s Funds

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

Governmental Funds. The focus of the Village of Forest Hills governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Village of Forest Hills financing requirements. Specifically, unassigned 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 only operating fund of the Village of Forest Hills. At the end of the current fiscal year, The Village’s fund balance available was \$145,697, while total fund balance reached \$157,508. As a measure of the general fund’s liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 219 percent of total General Fund expenditures, while total fund balance represents 237 percent of that same amount.

Capital Asset and Debt Administration

Capital Assets

The Village’s investment in capital assets for its governmental activities as of June 30, 2021, totals \$171,793 (net of accumulated depreciation).

**The Village of Forest Hills Capital Assets
(Net of Accumulated Depreciation)
Figure 4**

	Government Activities	
	2021	2020
Village Entrance	\$ 27,483	\$ 30,575
Streets	144,310	154,673
	<u>\$ 171,793</u>	<u>\$ 185,248</u>

Long-term Debt

As of June 30, 2021, the Village has no outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Village is \$2,356,590.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities – Property taxes and revenues from other taxes are expected to remain stable. The fiscal year 2022 budget is \$89,500.

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, Village of Forest Hills, PO Box 506, Cullowhee, North Carolina 28723.

BASIC FINANCIAL STATEMENTS

Village of Forest Hills
Statement of Net Position
June 30, 2021

Exhibit 1

	<u>Primary Government</u> <u>Governmental Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 150,013
Taxes receivable (net)	277
Due from other governments	5,610
Prepaid expenses	1,707
Restricted cash and cash equivalents	4,498
	<u>162,105</u>
Capital assets:	
Capital assets, net of depreciation	171,793
	<u>171,793</u>
Total assets	<u>333,898</u>
Deferred Outflows of Resources	<u>-</u>
Liabilities	
Accounts payable	4,320
	<u>4,320</u>
Deferred Inflows of Resources	<u>-</u>
Net Position	
Net investment in capital assets	171,793
Restricted for:	
Stabilization by state statute	5,610
Streets	4,498
Unrestricted	147,677
Total net position	<u>\$ 329,578</u>

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

Village of Forest Hills
Statement of Activities
For the Year Ended June 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position Primary Government
		Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 34,704	\$ -	\$ -	\$ (34,704)
Public safety	20,405	-	-	(20,405)
Transportation	24,785	11,366	-	(13,419)
Total primary government	\$ 79,894	\$ 11,366	\$ -	\$ (68,528)
General revenues:				
Taxes:				
Property taxes, levied for general purpose				44,377
Unrestricted intergovernmental revenues				28,946
Unrestricted investment earnings				280
Total general revenues				73,603
Change in net position				5,075
Net position, beginning				324,503
Net position, ending				\$ 329,578

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

Village of Forest Hills
Balance Sheet
Governmental Funds
June 30, 2021

Exhibit 3

	Total <u>Governmental Funds</u> <u>Major Fund</u> <u>General Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 150,013
Restricted cash	4,498
Taxes receivable (net)	277
Due from other governments	5,610
Prepaid expenses	<u>1,707</u>
 Total assets	 <u>162,105</u>
 Deferred Outflows of Resources	 <u>-</u>
 Liabilities	
Accounts payable	<u>4,320</u>
 Deferred Inflows of Resources	
Property taxes receivable	<u>277</u>
 Fund Balances	
Non Spendable:	
Prepaid items	1,707
Restricted for:	
Stabilization by state statute	5,610
Streets	4,498
Unassigned	<u>145,693</u>
Total fund balances	<u>157,508</u>

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets use in governmental activities are not financial resources and therefore are not reported in funds.	171,793
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Liabilities for earned revenues considered deferred inflows of resources in the fund statements.	277
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	<u><u>\$ 329,578</u></u>
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The accompanying notes are an integral part of the financial statements.

Village of Forest Hills
Statement of Revenue, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

Exhibit 4

	Total Governmental Funds
	Major Fund
	General Fund
Revenues:	
Ad valorem taxes	\$ 44,487
Unrestricted intergovernmental revenues	28,946
Restricted intergovernmental revenues	11,366
Investment earnings	280
Total revenues	<u>85,079</u>
Expenditures:	
General government	34,704
Public safety	20,405
Transportation	11,331
Total expenditures	<u>66,440</u>
Net change in fund balance	18,639
Fund balances	
Beginning of year, July 1	<u>138,869</u>
End of year, June 30	<u>\$ 157,508</u>
Amounts reported for governmental activities in the statement of activities are difference because:	
Net changes in fund balances - total governmental funds	\$ 18,639
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimate useful lives and reported as depreciation expense.	
Capital outlay	-
Depreciation	(13,455)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in unavailable revenue for tax revenues	<u>(109)</u>
Total change in net position of governmental activities	<u>\$ 5,075</u>

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

Village of Forest Hills
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 40,000	\$ 40,000	\$ 44,487	\$ 4,487
Unrestricted intergovernmental revenues	25,500	25,500	28,946	3,446
Restricted intergovernmental revenues	12,000	12,000	11,366	(634)
Investment earnings	500	500	280	(220)
Total revenues	<u>78,000</u>	<u>78,000</u>	<u>85,079</u>	<u>7,079</u>
Expenditures:				
General government	38,000	40,750	34,704	6,046
Public safety	14,500	18,250	20,405	(2,155)
Transportation	<u>25,500</u>	<u>19,000</u>	<u>11,331</u>	<u>7,669</u>
Total expenditures	<u>78,000</u>	<u>78,000</u>	<u>66,440</u>	<u>11,560</u>
Revenues over (under) expenditures	-	-	18,639	18,639
Other financing sources:				
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	18,639	<u>\$ 18,639</u>
Fund balances				
Beginning of year, July 1			<u>138,869</u>	
End of year, June 30			<u>\$ 157,508</u>	

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

Village of Forest Hills, North Carolina
Notes to Financial Statements
For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Forest Hills conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity

The Village of Forest Hills is a municipal corporation formed on November 7, 1997, which is governed by an elected mayor and a four-member Village council. The Village is located in Jackson County, North Carolina.

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 expenses 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. 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. A separate statement for the governmental fund is presented. The Village has no fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. The Village has only one fund, the General fund, which is a major fund.

The Village reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Village. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes,

sales tax, and various other taxes and licenses. The primary expenditures are for general government, police and fire services and street maintenance.

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

Amounts reported as program revenues include 1) operating grants and contributions, and 2) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

The Village considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicle taxes are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for

limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Village are recognized as revenue. Sales taxes are considered a shared revenue for the Village because the tax is levied by Jackson 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. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Village funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Village's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Budgetary Data

The Village's budget is adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The governing council must approve any revision of the original budget. During the year, there were amendments to certain line items with the total budget remaining the same. The budget ordinance must be adopted by July 1 of the fiscal year or the governing council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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 saving 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Cash Management Trust (NCCMT). The Village's investments are reported at fair value. Non-participating interest earning

investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, 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, 2019, The Term portfolio has a duration of .11 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 a maturity of less than 6 months.

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.

Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per (G.S. 136-41.1 through 136-41.4). The Village has restricted cash for streets of \$4,498 at June 30, 2021.

Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Village levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Village has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Village's General Fund, ad valorem tax revenues are reported net of such discounts.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Village entrance	20
Streets	20

Deferred Outflows/Inflows of Resources

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

Net Position/ Fund Balances

Net position

Net position in government-wide financial statements and are 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.

Fund Balances

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to a change.

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.

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

Committed Fund Balance: portion of fund balance that can only be used for specific purposes imposed by majority vote quorum of Village of Forest Hills 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 Village of Forest Hills 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 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 \$100,000.

Note 2 – Stewardship, Compliance and Accountability

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2021, the actual expenditures in the Village's public safety departments exceeded the authorized appropriation made by the governing board by \$2,155. Overall total expenditures were less than budget. The Council will more closely review the budget reports variances to ensure compliance in future years.

Note 3 – Detail Notes on All Funds

A. Assets

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 agent in the Village's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Village or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Village under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

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

On June 30, 2021, the Village's deposits had a carrying amount of \$154,511 and a bank balance of \$157,836. All of the bank balance was covered by federal depository insurance.

Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts:

General Fund:

Taxes receivable \$ 514

Capital Assets

Capital asset activity for the Village for the year ended June 30, 2021 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets being depreciated:				
Village entrance	\$ 50,334	\$ -	\$ -	\$ 50,334
Streets	<u>218,771</u>	<u>-</u>	<u>-</u>	<u>218,771</u>
Total capital assets being depreciated	<u>269,105</u>	<u>-</u>	<u>-</u>	<u>269,105</u>
Accumulated depreciation	<u>83,857</u>	<u>13,455</u>	<u>-</u>	<u>97,312</u>
Total capital assets being depreciated, net	<u>185,248</u>	<u>13,455</u>	<u>-</u>	<u>171,793</u>
Governmental activities capital assets, net	<u>\$ 185,248</u>	<u>\$ (13,455)</u>	<u>\$ -</u>	<u>\$ 171,793</u>

Depreciation expense was charged to the transportation department of the primary government in the amount of \$13,455.

B. Liabilities, Deferred Inflows of Resources and Fund Balance

Pension Plan Obligations

The Village of Forest Hills does not employ anyone and, accordingly, does not participate in any of the retirement plans provided through the state of North Carolina.

Deferred Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Property taxes receivable	<u>\$ 277</u>

Fund Balance

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

Total fund balance-General Fund	<u>\$ 157,508</u>
Less:	
Prepaid items	1,707
Stabilization by State Statute	5,606
Streets- Powell Bill	4,498
Fund balance policy	<u>100,000</u>
Remaining Fund Balance	<u><u>\$ 45,697</u></u>

The Village 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 \$100,000.

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 two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Village obtains general liability and public officials liability of \$5 million per occurrence and in the aggregate, damage to premises rented by the Village of \$1 million per occurrence, government crime coverage for employee dishonesty and forgery or alteration of \$10,000 per occurrence, auto liability coverage of \$1 million per occurrence and workers' compensation coverage up to the statutory limits. 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 cost 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 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. The Finance Officer is bonded for \$50,000 per occurrence.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the last three fiscal years.

Note 4 – Summary Disclosure of Significant Contingencies

State Assisted Programs

The Village has received proceeds from State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Note 5 - Subsequent Events

On August 13, 2021, the Village received the first distribution of grant funding in the amount of \$35,250 through the Coronavirus State and Local Fiscal Recovery Fund of H.R. 1316 American Rescue Plan of 2021. The Village expects to receive, at a minimum, a total of \$70,500 from this funding.

Subsequent events have been evaluated through December 13, 2021, which is the date the financial statements were available to be issued.

INDIVIDUAL FUND SCHEDULE

Village of Forest Hills
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Advalorem taxes			
Taxes	\$ 40,000	\$ 44,265	\$ 4,265
Penalties and interest	-	222	222
Total advalorem taxes	<u>40,000</u>	<u>44,487</u>	<u>4,487</u>
Unrestricted intergovernmental revenues			
Local option sales tax	18,000	22,562	4,562
Franchise and utility tax	6,000	4,805	(1,195)
Beer and wine tax	1,500	1,579	79
Total unrestricted intergovernmental revenues	<u>25,500</u>	<u>28,946</u>	<u>3,446</u>
Restricted intergovernmental revenues			
Powell Bill "State Street-Aid" allocation	<u>12,000</u>	<u>11,366</u>	<u>(634)</u>
	<u>12,000</u>	<u>11,366</u>	<u>(634)</u>
Investment earnings	<u>500</u>	<u>280</u>	<u>(220)</u>
Total revenues	<u>78,000</u>	<u>85,079</u>	<u>7,079</u>
Expenditures:			
General government:			
Governing body:			
Professional fees	15,600	15,220	380
Dues and publications	2,100	948	1,152
Total governing body	<u>17,700</u>	<u>16,168</u>	<u>1,532</u>
Administration:			
Travel	150	-	150
Insurance	3,000	2,966	34
Office	2,750	726	2,024
Contract labor	7,000	6,600	400
Other	250	-	250
Assembly Hall	8,000	7,102	898
Contingency	1,900	-	1,900
Total administration	<u>23,050</u>	<u>17,394</u>	<u>5,656</u>
Tax department:			
Collection fees	-	1,142	(1,142)
Total tax department	<u>-</u>	<u>1,142</u>	<u>(1,142)</u>
Total general government	<u>\$ 40,750</u>	<u>\$ 34,704</u>	<u>\$ 6,046</u>

Village of Forest Hills

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund

For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public safety:			
Fire contracted services	\$ 7,500	\$ 7,500	\$ -
Police contracted services	10,750	12,905	(2,155)
Total public safety	<u>18,250</u>	<u>20,405</u>	<u>(2,155)</u>
Transportation:			
Streets, non-Powell Bill	3,500	529	2,971
Streets, Powell Bill	12,000	6,868	5,132
Village entrance-operating	3,500	3,426	74
Grant expense	-	508	(508)
Total transportation	<u>19,000</u>	<u>11,331</u>	<u>7,669</u>
Total expenditures	<u>78,000</u>	<u>66,440</u>	<u>11,560</u>
Revenues over (under) expenditures	<u>-</u>	<u>18,639</u>	<u>18,639</u>
Other financing sources:			
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>18,639</u>	<u>\$ 18,639</u>
Fund balances:			
Beginning of year, July 1		<u>138,869</u>	
End of year, June 30		<u>\$ 157,508</u>	

OTHER SCHEDULES

Village of Forest Hills
General Fund
Schedule of Advalorem Taxes Receivable
June 30, 2021

Fiscal year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 44,186	\$ 44,064	\$ 122
2019-2020	272		150	122
2018-2019	97		64	33
2017-2018	17		-	17
2016-2017	17	-	-	17
2015-2016	102	-	-	102
2014-2015	102	-	-	102
2013-2014	106	-	-	106
2012-2013	102	-	-	102
2011-2012	68	-	-	68
2010-2011	68	-	68	-
	<u>\$ 951</u>	<u>\$ 44,186</u>	<u>\$ 44,346</u>	<u>\$ 791</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>514</u>
Ad valorem taxes receivable - net				<u>\$ 277</u>
 <u>Reconcilement with revenues</u>				
Advalorem taxes - general fund				\$ 44,487
Reconciling items:				
Interest collected				(222)
Releases and write-offs				81
Total collections and credits				<u>\$ 44,346</u>

Village of Forest Hills
Analysis of Current Tax Levy
Village-Wide Levy
For the Year Ended June 30, 2021

	Village-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current year's rate	29,457,380	\$ 0.15	\$ 44,186	\$ 39,983	\$ 4,203
Releases and Adjustments	-		-	-	-
Net levy	<u>29,457,380</u>		44,186	39,983	4,203
Uncollected taxes at June 30, 2021			(122)	(122)	-
Current year's taxes collected			<u>\$ 44,064</u>	<u>\$ 39,861</u>	<u>\$ 4,203</u>
Current levy collection percentage			<u>99.72%</u>	<u>99.69%</u>	<u>100.00%</u>