

VILLAGE OF FLAT ROCK, NORTH CAROLINA

Financial Statements

June 30, 2015

Village Council Members

Robert V. Staton, Mayor
Nick Weedman, Vice Mayor/Finance Officer

Jimmy Chandler
Anne Coletta
Don Farr
Albert Gooch
Sheryl Jamerson

Administrative and Financial Staff

Judy Boleman, Village Administrator
Martha Orr, Deputy Village Clerk/Tax Collector
Michelle Parker, Village Clerk

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Independent Auditor's Report

To the Honorable Mayor
and Members of the Governing Board
Village of Flat Rock, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Flat Rock, North Carolina, as of and for the year ended June 30, 2015, 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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Flat Rock, North Carolina as of June 30, 2015, and the respective changes in financial position, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 I obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Village of Flat Rock, North Carolina. The budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

November 10, 2015

Carl E. Shaw, CPA, PLLC

Management's Discussion and Analysis

As management of the Village of Flat Rock, we offer readers of the Village of Flat Rock's financial statements this narrative overview and analysis of the financial activities of the Village of Flat Rock for the fiscal year ended June 30, 2015. 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

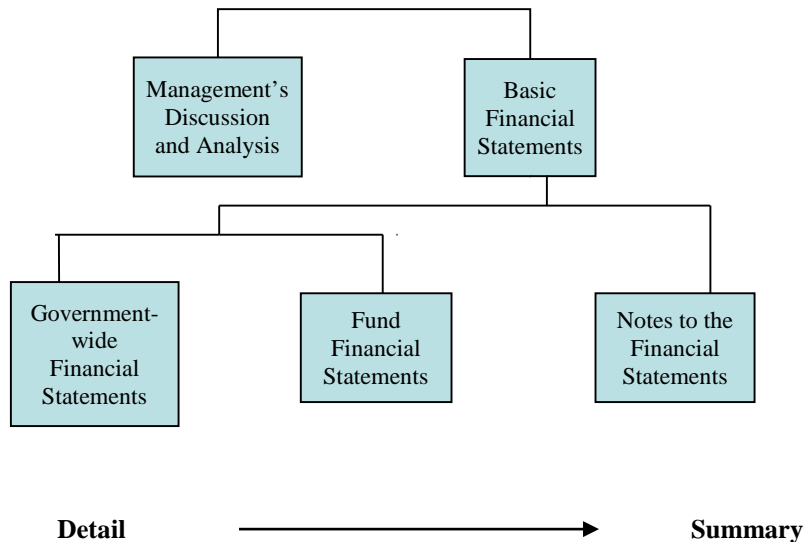
- The assets and deferred outflows of resources of the Village of Flat Rock *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,709,966.
- The government's total net position *increased* by \$281,223 primarily due to the capitalization of expenditures incurred this year at the Park at Flat Rock. While shown as assets on the Statement of Net Position, these expenditures are expensed on the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- As of the close of the current fiscal year, the Village of Flat Rock's governmental funds reported combining ending fund balances of \$3,737,738 a *decrease* of \$195,041 in comparison with the prior year. Approximately 84% of this total amount, or \$3,109,529 is available for spending at the government's discretion.

Overview of the Financial Statements

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

Figure 1

Required Components of Annual Financial Report



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 property taxes.

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 statements could be divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include the Village's basic services such as general government, public safety, and environmental protection. Property taxes and State-shared revenues finance most of these activities. The Village has no business-type activities. There are no component units.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Village's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Flat Rock, 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 budget ordinance. The Village has three governmental funds.

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

The Village adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Village, the management of the Village, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the Village to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Village complied with the budget ordinance and whether or not the Village succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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 after Exhibit 6.

Interdependence with Other Entities – The Village depends on financial resources flowing from, or associated with the State of North Carolina. Because of this dependency, the Village is subject to changes in specific flows of intergovernmental revenues based on modifications to State laws 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

Figure 2
Village of Flat Rock, North Carolina
Statement of Net Position
June 30

	2015	2014
Current and Other Assets	\$ 3,781,861	\$ 3,953,648
Capital Assets	2,972,511	2,654,842
Deferred Outflows of Resources	10,266	9,900
Total Assets and Deferred		
Outflows of Resources	6,764,638	6,618,390
Current Liabilities	30,266	166,838
Noncurrent Liabilities	2,047	22,809
Deferred Inflows of Resources	22,359	-
Total Liabilities and Deferred		
Inflows of Resources	54,672	189,647
Net Position		
Net Investment in Capital Assets	2,972,511	2,504,842
Restricted	196,148	124,662
Unrestricted	3,541,307	3,799,239
Total Net Position	\$ 6,709,966	\$ 6,428,743

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 Village of Flat Rock exceeded liabilities and deferred inflows by \$6,709,966 as of June 30, 2015. The Village net position *increased* by \$281,223 for the fiscal year ended June 30, 2015. However, approximately 44% of the Village’s net position reflects its investment in capital assets (e.g. land, building, furniture and equipment). The Village of Flat Rock uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Village of Flat Rock’s net position, \$196,148, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,541,307 is unrestricted.

Also, the Village of Flat Rock implemented GASB Statement 68 this year. With the new reporting change, the Village is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$10,592. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Village of Flat Rock's management.

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

- The capitalization of expenditures incurred in the development of the Park at Flat Rock.

Figure 3
Village of Flat Rock, North Carolina
Changes in Net Position
Years Ended June 30

	2015	2014
Revenues		
Program Revenues		
Capital Grants and Contributions	\$ 377,107	\$ 478,155
Charges for Services	5,150	3,075
General Revenues		
Ad Valorem Taxes	720,580	729,070
Other Taxes	533,247	493,369
Investment Earnings	3,475	21,518
Miscellaneous	2,646	6,697
Total Revenues	1,642,205	1,731,884
Expenses		
General Government	347,520	380,451
Public Safety	749,425	759,549
Environmental Protection	1,000	12,029
Cultural and Recreation	186,517	80,336
Economic and Physical Development	76,520	8,275
Total Expenses	1,360,982	1,240,640
Change in Net Position	281,223	491,244
Net Position, July 1	6,428,743	5,948,091
Restatement	-	(10,592)
Net Position, June 30	\$ 6,709,966	\$ 6,428,743

Governmental Activities – Governmental activities increased the Net Position of the Village by \$281,223. Key elements of this increase are as follows:

- Sales tax and utility franchise tax collections exceeded budgetary projections.
- General Government expenses were lower than budgeted.

Financial Analysis of the Village’s Fund

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

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

The General Fund is the chief operating fund of the Village of Flat Rock. At the end of the current fiscal year, fund balance available in the General Fund was \$3,379,597, while total fund balance equaled \$3,737,738. As a measure of the General Fund’s liquidity, it may be useful to compare available fund balance to total fund expenditures. Available fund balance represents approximately three times annual General Fund expenditures.

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

Capital Asset and Debt Administration

Capital Assets – The Village of Flat Rock’s investment in capital assets for its governmental activities as of June 30, 2015 totals \$2,972,511, (net of accumulated depreciation). See Figure 4 for the Village’s capital assets.

During the year ended June 30, 2015, The Village spent \$402,026 on the Park at Flat Rock including purchasing a new building to serve as the Park Welcome Center and various improvements to the Park property. These represent the only additions to Village capital assets during the year ended June 30, 2015. There were no dispositions of capital assets this year.

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

Long-term Debt

During the year ended June 30, 2015, the Village paid off the remaining \$150,000 owned on the \$625,000 non-interest bearing note financing the purchase of the Park at Flat Rock property. Additional information on this debt can be found in Note 9 of the Basic Financial Statements.

Figure 4
Village of Flat Rock, North Carolina
Capital Assets
June 30

	<u>2015</u>	<u>2014</u>
Capital Assets		
Land	\$1,329,776	\$1,329,776
Building	1,096,813	812,037
Village Centre Trail	559,933	559,933
Land Improvements	435,638	331,047
Equipment and Furniture	81,612	74,112
Computer Equipment and Software	28,818	28,818
Construction in Progress	<u>5,159</u>	<u>-</u>
Total	3,537,749	3,135,723
Less: Accumulated Depreciation	<u>565,238</u>	<u>480,881</u>
Capital Assets, Net of Depreciation	<u>\$2,972,511</u>	<u>\$2,654,842</u>

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators were used in the budget preparation for the fiscal year ended June 30, 2015.

- The Village expected to achieve a property tax collection rate approaching 100%.
- Interest rates continued at lower than historical levels, thus lowering effective income earnings.
- The cost of providing services within the Village increased at a rate roughly equal to inflation.
- A capital project fund continues to be used to account for the costs involved with Park development.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities

- The 2015-2016 budget includes the assessment of property taxes at the rate of 11.0 cents per hundred dollar valuation. The Village has attained a property tax collection rate that approximates 100%.
- Costs associated with the Park development will continue to be accounted for in the capital project fund.
- The budget continues to provide for fire protection services for the Village through contracts with three volunteer fire departments. The property tax rate has been increased to cover the additional amounts due to the volunteer fire departments.

Requests for Information

This report is designed to provide an overview of the Village 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 Nick Weedman, Finance Officer, P. O. Box 1288, Flat Rock, North Carolina, 28731, or (828) 697-8100.

Exhibit 1

**Village of Flat Rock, North Carolina
Statement of Net Position
June 30, 2015**

	Governmental Activities
Assets	
Current Assets:	
Cash and Investments	\$ 3,573,904
Taxes Receivable	1,429
Pledges Receivable	85,327
Due from Other Governments	110,821
Total Current Assets	3,771,481
Noncurrent Assets:	
Net Pension Asset	10,380
Capital Assets:	
Land and Construction in Progress	1,334,935
Other Capital Assets, Net of Depreciation	1,637,576
Total Capital Assets, Net	2,972,511
Total Assets	6,754,372
Deferred Outflows of Resources	
Contributions to Pension Plan in Current Fiscal Year	10,266
Total Deferred Outflows of Resources	10,266
Liabilities	
Current Liabilities:	
Accounts Payable and Accrued Expenses	24,125
Current Portion of Long-term Liabilities	6,141
Total Current Liabilities	30,266
Long-term Liabilities:	
Due in More Than One Year	2,047
Total Liabilities	32,313
Deferred Inflows of Resources	
Pension Deferrals	22,359
Total Deferred Inflows of Resources	22,359
Net Position	
Net Investment in Capital Assets	2,972,511
Restricted for:	
Stabilization by State Statute	196,148
Unrestricted	3,541,307
Total Net Position	\$ 6,709,966

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

**Village of Flat Rock, North Carolina
Statement of Activities
For the Year Ended June 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
General Government	\$ 347,520	\$ 5,150	\$ -	\$ -	\$ (342,370)
Public Safety	749,425	-	-	-	(749,425)
Environmental Protection	1,000	-	-	-	(1,000)
Economic and Physical Development	76,520	-	-	-	(76,520)
Cultural and Recreation	186,517	-	-	377,107	190,590
Total Governmental Activities	<u>\$ 1,360,982</u>	<u>\$ 5,150</u>	<u>\$ -</u>	<u>\$ 377,107</u>	(978,725)
General revenues:					
Taxes:					
Ad Valorem Taxes					720,580
Unrestricted Intergovernmental					533,247
Unrestricted Investment Earnings					3,475
Miscellaneous					2,646
					<u>1,259,948</u>
					Net Change in Net Position
					281,223
					Net Position - Beginning of Year
					6,439,335
					Restatement
					(10,592)
					<u><u>\$ 6,709,966</u></u>

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

Fund Financial Statements

Village of Flat Rock, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015

	Major Funds			Total Governmental Funds
	General Fund	Capital Project Fund	Special Revenue Fund	
Assets				
Cash	\$ 3,301,727	\$ -	\$ 272,177	\$ 3,573,904
Taxes Receivable	1,429	-	-	1,429
Pledges Receivable	-	-	85,327	85,327
Due from Other Governments	110,184	131	506	110,821
Total Assets	<u>3,413,340</u>	<u>131</u>	<u>358,010</u>	<u>3,771,481</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable and Accrued Expenses	24,126	-	-	24,126
Accrued Vacation Pay	8,188	-	-	8,188
Total Liabilities	<u>32,314</u>	<u>-</u>	<u>-</u>	<u>32,314</u>
Deferred Inflows of Resources:				
Property Taxes Receivable	1,429	-	-	1,429
Total Deferred Inflows of Resources	<u>1,429</u>	<u>-</u>	<u>-</u>	<u>1,429</u>
Fund Balance:				
Restricted				
Stabilization by State Statute	110,184	131	85,833	196,148
Assigned				
Subsequent Year's Expenditures	432,061	-	-	432,061
Cultural and Recreation	-	-	272,177	272,177
Unassigned	2,837,352	-	-	2,837,352
Total Fund Balance	<u>3,379,597</u>	<u>131</u>	<u>358,010</u>	<u>3,737,738</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,413,340</u>	<u>\$ 131</u>	<u>\$ 358,010</u>	<u>\$ 3,771,481</u>

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

**Village of Flat Rock, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015**

**Exhibit 3
(continued)**

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

Total Fund Balance - Governmental Fund	\$	3,737,738
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the general fund.</p>		
Gross Capital Assets at Historical Cost	\$	3,537,749
Accumulated Depreciation		<u>(565,238)</u>
		2,972,511
Net pension asset		10,380
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Financial Position		10,266
Liabilities for earned revenues considered deferred inflows of resources in fund statements		1,429
<p>Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds</p>		
Gross long-term debt - beginning of year		(150,000)
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year)		<u>150,000</u>
		-
Pension related deferrals		<u>(22,358)</u>
Net Position of Governmental Activities	\$	<u>6,709,966</u>

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

Village of Flat Rock, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds			Total Governmental Funds
	General Fund	Capital Project Fund	Special Revenue Fund	
Revenues				
Ad Valorem Taxes	\$ 720,865	\$ -	\$ -	\$ 720,865
Unrestricted Intergovernmental	533,247	-	-	533,247
Contributions	-	-	379,687	379,687
Permits and Fees	5,150	-	-	5,150
Investment Earnings	3,475	-	-	3,475
Miscellaneous	66	-	-	66
Total Revenues	1,262,803	-	379,687	\$ 1,642,490
Expenditures				
Current:				
General Government	329,289	-	-	329,289
Public Safety	749,425	-	-	749,425
Economic and Physical Development	76,520	-	-	76,520
Environmental Protection	1,000	-	-	1,000
Cultural and Recreation	70,957	4,310	54,004	129,271
Debt Service:				
Principal	-	150,000	-	150,000
Capital Outlay	6,721	387,805	7,500	402,026
Total Expenditures	1,233,912	542,115	61,504	1,837,531
Excess (deficiency) of revenues over expenditures	28,891	(542,115)	318,183	(195,041)
Other Financing Sources (Uses)				
Transfers to other funds	(606,146)	-	(45,000)	(651,146)
Transfers from other funds	45,000	538,146	68,000	651,146
Total other financing sources (uses)	(561,146)	538,146	23,000	-
Net Change in Fund Balance	(532,255)	(3,969)	341,183	(195,041)
Fund Balances				
Beginning of Year	3,911,852	4,100	16,827	3,932,779
End of Year	\$ 3,379,597	\$ 131	\$ 358,010	\$ 3,737,738

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

Village of Flat Rock, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2015

Exhibit 4
(continued)

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

Net Changes in Fund Balance - Total Governmental Funds		\$ (195,041)
Change in unavailable revenue for tax revenues		(285)
<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.</p>		
Capital Outlay	\$ 402,026	
Depreciation Expense	<u>(84,357)</u>	317,669
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		10,266
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.</p> <p>This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt		150,000
<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>		
Pension expense		<u>(1,386)</u>
Total Change in Net Position of Governmental Activities		<u>\$ 281,223</u>

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

Village of Flat Rock, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Annual Budget and Actual
For the Year Ended June 30, 2015

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Ad Valorem Taxes	\$ 705,674	\$ 705,674	\$ 720,865	\$ 15,191
Unrestricted Intergovernmental	485,000	485,000	533,247	48,247
Permits and Fees	2,400	2,400	5,150	2,750
Investment Earnings	12,000	12,000	3,475	(8,525)
Miscellaneous	2,400	2,400	66	(2,334)
	1,207,474	1,207,474	1,262,803	55,329
Expenditures				
Current:				
General Government	364,611	364,611	329,289	35,322
Public Safety	770,300	770,300	749,425	20,875
Environmental Protection	9,200	9,200	1,000	8,200
Economic and Physical Development	26,200	76,908	76,520	388
Cultural and Recreation	180,260	112,260	77,678	34,582
Contingency	-	-	-	-
	1,350,571	1,333,279	1,233,912	99,367
Revenues Over (Under) Expenditures	(143,097)	(125,805)	28,891	154,696
Other Financing Sources (Uses)				
Transfers from other funds	-	-	45,000	45,000
Transfers to other funds	(363,300)	(603,522)	(606,146)	(2,624)
	(363,300)	(603,522)	(561,146)	42,376
Fund Balance Appropriated	506,397	729,327	-	729,327
Net Change in Fund Balance	\$ -	\$ -	(532,255)	\$ (532,255)
Fund Balance				
Beginning of Year			3,911,852	
End of Year			\$ 3,379,597	

Village of Flat Rock, North Carolina
Annually Budgeted Special Revenue Fund
Park Foundation Special Revenue Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u> <u>(Negative)</u>
Revenues:				
Contributions	\$ 225,000	\$ 225,000	\$ 379,687	\$ 154,687
Expenditures:				
Cultural and Recreation				
Operating Expenses	374,000	329,000	54,004	274,996
Capital Outlay	8,000	8,000	7,500	500
Total Expenditures	382,000	337,000	61,504	275,496
Revenues Over Expenditures	(157,000)	(112,000)	318,183	430,183
Other Financing Sources				
Transfers from Other Funds				
General Fund	157,000	157,000	68,000	(89,000)
Transfers to Other Funds				
General Fund	-	(45,000)	(45,000)	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	341,183	<u>\$ 341,183</u>
Fund Balance:				
Beginning of Year			16,827	
End of Year			<u>\$ 358,010</u>	

Village of Flat Rock, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies:

The Village of Flat Rock, North Carolina (the Village) was incorporated on June 29, 1995. The accounting policies of the Village 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:

A. Reporting Entity

The Village is a municipal corporation, which is governed by an elected mayor and a six-member council. As required by generally accepted accounting principles, these financial statements present the Village and its component unit, a legally separate entity for which the Village is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended component unit. The Flat Rock Park and Recreation Foundation, Inc. (the Foundation) serves to aid and further the development, equipping and operation of the Park at Flat Rock. The Foundation is governed by a board that is appointed by the Village Council. The Foundation is reported as a special revenue fund.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Village's financial activities. 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 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.

The Village reports the following major governmental funds:

General Fund – The General Fund, the general operating fund of the Village, is used to account for all financial resources. The primary revenue sources are ad valorem taxes and State-shared revenues. The primary expenditures are for general government services, public safety, cultural and recreation and environmental protection.

Park Capital Project Fund – This fund is used to account for the construction costs of the Park at Flat Rock, a new municipal park.

The Village reports the following non-major governmental fund:

Park Foundation Special Revenue Fund – This fund is used to account for the activity of the Flat Rock Park and Recreation Foundation, Inc.

C. Measurement Focus and Basis of Accounting

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

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. 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, 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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are

received. Uncollected taxes that were billed in periods prior to September 1, 2013 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 of Flat Rock because the tax is levied by Henderson 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 that are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Village could fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there would be 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.

D. Budgetary Data

The Village's budget is adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund. All annual appropriations lapse at 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. The budget officer may transfer amounts up to \$10,000 between departments, including contingency appropriations, providing that an official report of such transfers be made at the next regular meeting of the Council. The governing board must approve any revisions that alter total expenditures of any fund. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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

State law [G.S. 159-30(c)] authorizes the Village to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The Village's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual

fund, are valued at fair value, which is the NCCMT's share price.

Cash and Cash Equivalents – The Village's cash and investments are essentially demand deposits and are considered cash and cash equivalents.

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, 2014.

Allowances for Doubtful Accounts – All receivables that historically experience uncollectible accounts are subject to be shown net of an allowance for doubtful accounts. This amount will be estimated by analyzing the percentage of receivables that were written off in prior years. The Village has not established an allowance due to the immaterial amounts of receivables subject to being uncollectible.

Capital Assets – Capital assets are defined by the Village as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The minimum capitalization cost is \$5,000. 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:

Asset Class	Estimated Useful Lives (in years)
Buildings	40
Leasehold Improvements	10
Equipment and Furniture	3-10

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 has the following item that meet the criterion for this category – contributions made to the pension plan in the 2015 fiscal year.

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 two items that meet the criterion for this category – property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

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 statement of net position.

Compensated Absences – The vacation policy of the Village provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. An expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Village's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Village has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

The Village has no fund balance that would be required to be presented under this category.

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

Restricted for Stabilization by State statute – Portion of fund balance that is restricted by State Statute [G. S. 159-8(a)].

Committed Fund Balance – Portion of fund balance that can only be used for specific purpose imposed by majority vote by quorum of the Village’s governing body. Any changes or removal of specific purpose requires majority action by the governing body.

The governing board of the Village has made no commitments of its fund balances that would require separate financial statement disclosure.

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

Subsequent year’s expenditures – Portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed fund balances. The governing body approves the appropriation; however, the budget ordinance authorizes the budget officer to transfer appropriations under certain conditions.

Cultural and Recreation – Portion of fund balance that will be used for the further development of The Park at Flat Rock. These funds are being held by the Flat Rock Park Foundation.

Unassigned Fund Balance – Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LGERS) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Village of Flat Rock’s employer contributions are recognized when due and the Village of Flat Rock has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Note 2 – Deposits and Investments:

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 names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Village, these deposits are considered to be held by the Village in its name. The amount of 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, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Village has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Village complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2015, the Village's deposits had a carrying amount of \$1,451,531 and a bank balance of \$1,534,035. \$742,611 of the bank balance was covered by federal depository insurance and \$791,424 in interest-bearing deposits was covered by collateral held under the Pooling Method. At June 30, 2015, the Village's petty cash fund totaled \$200.

Investments:

At June 30, 2015, the Village had \$2,122,373 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Village's cash and investment policy identifies the specific investment types allowed for the Village, thus addressing its credit risk policy.

Note 3 – Pledges Receivable

The Flat Rock Park Foundation has the following pledges receivable outstanding at June 30, 2015:

Pledges Receivable	<u>\$ 85,327</u>
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Note 4 – Capital Assets:

Capital asset activity for the Village for the year ended June 30, 2015 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,329,776	\$ -	\$ -	\$ 1,329,776
Construction in Progress	-	5,159	-	5,159
Total Capital Assets Not Being Depreciated	<u>1,329,776</u>	<u>5,159</u>	<u>-</u>	<u>1,334,935</u>
Capital Assets Being Depreciated:				
Building	812,037	284,776	-	1,096,813
Village Centre Trail	559,933	-	-	559,933
Land Improvements	331,047	104,591	-	435,638
Equipment and Furniture	74,112	7,500	-	81,612
Computer Equipment and Software	28,818	-	-	28,818
Total Capital Assets Being Depreciated	<u>1,805,947</u>	<u>396,867</u>	<u>-</u>	<u>2,202,814</u>
Less: Accumulated Depreciation For:				
Building	188,793	20,301	-	209,094
Village Centre Trail	157,494	37,328	-	194,822
Equipment and Furniture	68,028	2,859	-	70,887
Land Improvements	37,748	23,869	-	61,617
Computer Equipment and Software	28,818	-	-	28,818
Total Accumulated Depreciation	<u>480,881</u>	<u>84,357</u>	<u>-</u>	<u>565,238</u>
Total Capital Assets Being Depreciated - Net	<u>1,325,066</u>	<u>312,510</u>	<u>-</u>	<u>1,637,576</u>
Governmental Activity Capital Assets - Net	<u>\$ 2,654,842</u>	<u>\$ 317,669</u>	<u>\$ -</u>	<u>\$ 2,972,511</u>

Depreciation expense of \$84,357 was charged to the Village's general government function.

Note 5 – Pension Plan Obligations:

Local Governmental Employees' Retirement System

Plan Description. The Village is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local

Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Village employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Village of Flat Rock's contractually required contribution rate for the year ended June 30, 2015, was 7.07%, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Village of Flat Rock were \$10,266 for the year ended June 30, 2015.

Refunds of Contributions – Village employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Village reported an asset of \$10,380 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Village's proportion of the net pension asset was based on a projection of the Village's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers,

actuarially determined. At June 30, 2014, the Village's proportion was 0.0018%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Village recognized pension expense of \$1,387. At June 30, 2015, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,134
Net difference between projected and actual earnings on pension plan investments	-	24,163
Changes in proportion and differences between Village contributions and proportionate share of contributions	2,939	-
Village contributions subsequent to the measurement date	<u>10,266</u>	<u>-</u>
	<u>\$ 13,205</u>	<u>\$ 25,297</u>

\$10,266 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30</u>	
2016	\$ 5,589
2017	5,589
2018	5,589
2019	<u>5,591</u>
Total	<u>\$ 22,358</u>

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent per year
Salary Increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Village's proportionate share of the net pension asset to changes in the discount rate. The following presents the Village's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Village's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Village's proportionate share of the net pension liability (asset)	<u>\$ 35,233</u>	<u>\$ (10,380)</u>	<u>\$ (48,783)</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Note 6 – Other Employment Benefits:

The Village has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Village has

no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Village considers these contributions to be immaterial.

Note 7 – Deferred Outflows and Inflows of Resources:

Deferred outflows of resources at June 30, 2015 is comprised of contributions to the pension plan in the current fiscal year totaling \$10,266.

Deferred inflows of resources at June 30, 2015 is comprised of the following:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Taxes Receivable (General Fund)	\$ 1,429	\$ -

Note 8 – Risk Management:

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Village obtains general liability of \$5,000,000 and auto liability coverage of \$3,000,000 per occurrence, property coverage up to the total insurance values of the property policy, workers’ compensation coverage up to statutory limits, and employee health coverage up to a \$2,000,000 lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$500,000 and \$300,000 up to statutory limits for workers’ compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Village does not carry flood insurance through the National Flood Insurance Plan.

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 and the remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

Note 9 – Long-term Debt:

During the year ended June 30, 2015, the Village made its final payment on the park property purchase loan.

A schedule of the changes in long-term debt that occurred during the year ended June 30, 2015 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
The Park at Flat Rock					
Property	\$ 150,000	\$ -	\$ 150,000	\$ -	\$ -
Compensated Absences	9,270	-	1,083	8,187	6,141
Net Pension Liability (LGERS)	<u>20,492</u>	<u>-</u>	<u>20,492</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 179,762</u>	<u>\$ -</u>	<u>\$ 171,575</u>	<u>\$ 8,187</u>	<u>\$ 6,141</u>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

Note 10 – Interfund Balances and Activity:

Transfers to/from other funds at June 30, 2015 consist of the following:

From the General Fund to the Capital Project Fund	\$ 538,146
From the General Fund to the Special Revenue Fund	68,000
From the Special Revenue Fund to the General Fund	<u>(45,000)</u>
Total	<u>\$ 561,146</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

During fiscal 2015, the Village transferred \$538,146 from the General Fund to the Capital Project Fund to fund the construction of the municipal park. The Village also transferred \$68,000 to the Special Revenue Fund to fund the activities of the Flat Rock Park and Recreation Foundation. The Foundation transferred \$45,000 to the Village General Fund for construction of the Park Welcome Center.

Note 11 – Jointly Governed Organization:

The Village, in conjunction with other area counties and municipalities, has established the Land of Sky Regional Council (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government, including the Village, appoints one member to the Council's governing board.

Note 12 – Joint Ventures:

Effective September 1, 2012, the Village began its participation in a joint venture to operate the Henderson County Tourism Development Authority. The Authority consists of nine members, three appointed by Henderson County, three appointed by the City of Hendersonville, one appointed by the Village, one appointed by the Town of Fletcher, and a ninth member, appointed by the Henderson County Board of Commissioners upon the recommendation of the Henderson County Chamber of Commerce.

The Village does not have an equity interest in the Authority, so no equity interest has been reflected in these financial statements.

Complete financial statements for the Authority can be obtained from the Authority's offices at 201 South Main Street, Hendersonville, NC 28792.

Note 13 – Summary Disclosures of Significant Contingencies:

The Village has received proceeds from federal and 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 moneys 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.

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

Note 14 – Change in Accounting Principles/Restatement

The Village implemented Governmental Accounting Standards Board (GASB) statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No.27), in the fiscal year ending June 30, 2015. The implementation of the statement required the Village to record beginning net pension liability and the effects on net position of contributions made by the Village during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental activities decreased by \$10,592.

Note 15 – Stewardship, Compliance and Accountability

Noncompliance with North Carolina General Statutes

Excess of Expenditures over Appropriations

During the year ended June 30, 2015, actual transfers from the general fund exceeded the authorized appropriation made by the governing board. The overage occurred when the Village failed to budget for additional payables owed at June 30, 2015. Management and the Board will consider year end payable amounts when preparing end-of-year budget amendments.

Required Supplementary Financial Data

Village of Flat Rock, North Carolina
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Two Fiscal Years *

Local Governmental Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Flat Rock's proportion of the net pension liability (asset) (%)	0.0018%	0.0017%
Flat Rock's proportion of the net pension liability (asset) (\$)	\$ (10,380)	\$ 20,492
Flat Rock's covered-employee payroll	\$ 145,206	\$ 140,021
Flat Rock's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-7.15%	14.63%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Village of Flat Rock, North Carolina
Schedule of Contributions
Required Supplementary Information
Last Two Fiscal Years

Local Governmental Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 10,266	\$ 9,900
Contributions in relation to the contractually required contribution	<u>10,266</u>	<u>9,900</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Flat Rock's covered-employee payroll	\$ 145,206	\$ 140,021
Contributions as a percentage of covered-employee payroll	<u>7.07%</u>	<u>7.07%</u>

Individual Fund Schedules

**Village of Flat Rock, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad Valorem Taxes:			
Current Year		\$ 720,176	
Interest and Penalties		689	
Total	<u>\$ 705,674</u>	<u>720,865</u>	<u>\$ 15,191</u>
Unrestricted Intergovernmental:			
Local Option Sales Taxes		283,260	
Franchise Tax - Utilities		155,018	
Franchise Tax - Telecommunication		36,214	
Franchise Tax - Video Programming		43,569	
Beer and Wine Tax		15,186	
Total	<u>485,000</u>	<u>533,247</u>	<u>48,247</u>
Permits and Fees:			
Building permits	<u>2,400</u>	<u>5,150</u>	<u>2,750</u>
Investment Earnings	<u>12,000</u>	<u>3,475</u>	<u>(8,525)</u>
Miscellaneous	<u>2,400</u>	<u>66</u>	<u>(2,334)</u>
Total Revenues	<u>1,207,474</u>	<u>1,262,803</u>	<u>55,329</u>
Expenditures:			
General Government:			
Governing Body	<u>27,000</u>	<u>633</u>	<u>26,367</u>
Administration:			
Salaries and Employee Benefits		202,975	
Other Operating Expenditures		102,778	
Total	<u>301,011</u>	<u>305,753</u>	<u>(4,742)</u>
Finance:			
Professional Services		11,175	
Tax Department		1,227	
Other Operating Expenditures		530	
Total	<u>12,100</u>	<u>12,932</u>	<u>(832)</u>

**Village of Flat Rock, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Elections	-	-	-
Legal:			
Contracted Services		8,335	
Other Operating Expenditures		179	
Total	18,000	8,514	9,486
Public Building:			
Capital Outlay		-	
Other Operating Expenditures		1,457	
Total	6,500	1,457	5,043
Total General Government	364,611	329,289	35,322
Public Safety:			
Payments to Fire Departments	770,000	749,245	20,755
Other Operating Expenditures	300	180	120
Total Public Safety	770,300	749,425	20,875
Environmental Protection:			
Operating Expenditures	9,200	1,000	8,200
Economic and Physical Development			
Planning and Zoning:			
Other Operating Expenditures	200	-	200
Community Development:			
Other Operating Expenditures	76,708	76,520	188
Total Economic and Physical Development	76,908	76,520	388

Village of Flat Rock, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and Recreation			
Operating Expenditures	112,260	77,678	34,582
Contingency	-	-	-
Total Expenditures	<u>1,333,279</u>	<u>1,233,912</u>	<u>99,367</u>
Revenues Over (Under) Expenditures	(125,805)	28,891	154,696
Other Financing Sources (Uses):			
Transfers from Other Funds			
Special Revenue Fund	-	45,000	45,000
Transfers to Other Funds			
Capital Project Fund	(535,522)	(538,146)	(2,624)
Special Revenue Fund	<u>(68,000)</u>	<u>(68,000)</u>	<u>-</u>
Total	<u>(603,522)</u>	<u>(561,146)</u>	<u>42,376</u>
Fund Balance Appropriated	<u>729,327</u>	<u>-</u>	<u>(729,327)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(532,255)</u>	<u>\$ (532,255)</u>
Fund Balance:			
Beginning of Year		<u>3,911,852</u>	
End of Year		<u>\$ 3,379,597</u>	

**Village of Flat Rock, North Carolina
Capital Projects Fund - Village Park
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2015**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive (Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues					
Restricted Intergovernmental Revenues	\$ 475,000	\$ 475,000	\$ -	\$ 475,000	\$ -
Contributions	-	-	-	-	-
Total Revenues	<u>475,000</u>	<u>475,000</u>	<u>-</u>	<u>475,000</u>	<u>-</u>
Expenditures					
Cultural and Recreation:					
Debt Service	625,000	475,000	150,000	625,000	-
Capital Outlay	2,357,000	271,710	387,805	659,515	1,697,485
Other Expenditures	<u>18,000</u>	<u>13,044</u>	<u>4,310</u>	<u>17,354</u>	<u>646</u>
Total Expenditures	<u>3,000,000</u>	<u>759,754</u>	<u>542,115</u>	<u>1,301,869</u>	<u>1,698,131</u>
Revenues Over (Under) Expenditures	<u>(2,525,000)</u>	<u>(284,754)</u>	<u>(542,115)</u>	<u>(826,869)</u>	<u>1,698,131</u>
Other Financing Sources					
Transfers from Other Funds:					
General Fund	<u>2,525,000</u>	<u>288,854</u>	<u>538,146</u>	<u>827,000</u>	<u>(1,698,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 4,100</u>	<u>(3,969)</u>	<u>\$ 131</u>	<u>\$ 131</u>
Fund Balance:					
Beginning of Year			<u>4,100</u>		
End of Year			<u>\$ 131</u>		

Other Schedules

Village of Flat Rock, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2015

<u>Fiscal Year</u>	<u>Uncollected Balance at June 30, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance at June 30, 2015</u>
2014-2015	\$ -	\$ 719,922	\$ 719,922	\$ -
2013-2014	369	-	233	136
2012-2013	265	-	47	218
2011-2012	95	-	1	94
2010-2011	124	-	2	122
2009-2010	84	-	2	82
2008-2009	101	-	-	101
2007-2008	211	-	-	211
2006-2007	325	-	-	325
2005-2006	140	-	-	140

Note: The Village of Flat Rock assessed property taxes for the first time in the year 2005-2006.

<u>\$ 1,714</u>	<u>\$ 719,922</u>	<u>\$ 720,207</u>	<u>1,429</u>
Less: Allowance for Uncollectible Accounts			<u>-</u>
Ad Valorem Taxes Receivable - Net			<u><u>\$ 1,429</u></u>

Reconciliation with Revenues:

Ad Valorem Taxes Collected	
Current and Prior Years	720,176
Releases, Refunds and Adjustments	<u>31</u>
	<u><u>\$ 720,207</u></u>

**Village of Flat Rock, North Carolina
Analysis of Current Tax Levy
For the Year Ended June 30, 2015**

	Village-wide			Total Levy	
	Total Property Valuation	Tax Rate	Levy Amount	Property Excluding Registered Vehicles	Registered Motor Vehicles
Original Levy Taxed at Current Rate	\$ 848,016,667	\$ 0.084	\$ 712,334	\$ 672,771	\$ 39,563
Discoveries	9,210,714		7,737	7,737	-
Releases	<u>(177,381)</u>		<u>(149)</u>	<u>(149)</u>	<u>-</u>
Total Property Valuation	<u>\$ 857,050,000</u>				
Net Levy			719,922	680,359	39,563
Less: Uncollected Taxes at June 30, 2015			<u>-</u>	<u>-</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 719,922</u>	<u>\$ 680,359</u>	<u>\$ 39,563</u>
Percent Collected			<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>