

VILLAGE OF FLAT ROCK, NORTH CAROLINA

Financial Statements

June 30, 2014

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, 2014, 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, 2014, 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 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
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Independent Auditor's Report
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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, 2014

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, 2014. 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

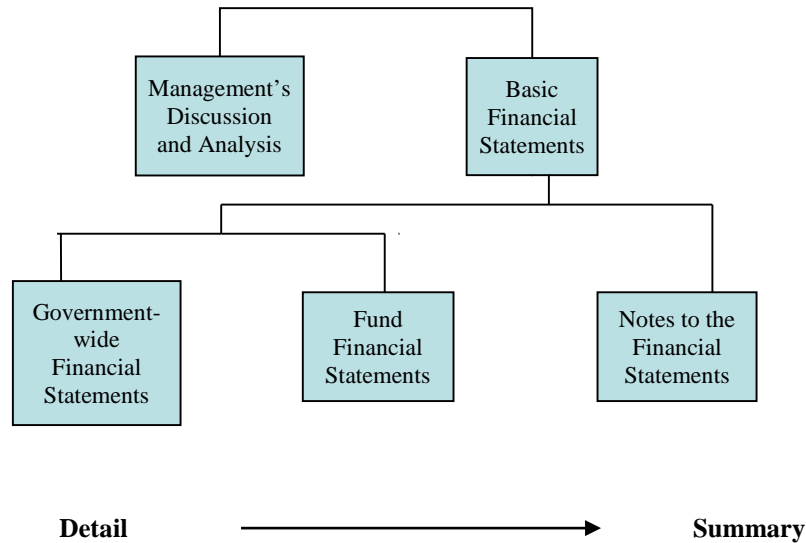
- The assets and deferred outflows of resources of the Village of Flat Rock *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,439,335.
- The government's total net position *increased* by \$491,244 primarily due to total capital outlay expenditures shown as assets on the Statement of Net Position that exceeded the loss recognized on the Statement of Revenues, Expenditures, and Changes in Fund Balance, where capital outlay expenditures are expensed.
- As of the close of the current fiscal year, the Village of Flat Rock's governmental funds reported combining ending fund balances of \$3,932,779 a *decrease* of \$194,199 in comparison with the prior year. Approximately 84% of this total amount, or \$3,301,720, 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 5.

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

	2014	2013
Current and Other Assets	\$ 3,953,648	\$ 4,212,398
Capital Assets	2,654,842	2,441,355
Total Assets	6,608,490	6,653,753
Long-term Liabilities Outstanding	2,317	151,840
Other Liabilities	166,838	548,725
Deferred Inflows of Resources	-	5,097
Total Liabilities and Deferred Inflows of Resources	169,155	705,662
Net Position		
Net Investment in Capital Assets	2,504,842	1,816,356
Restricted	124,662	100,395
Unrestricted	3,809,831	4,031,340
Total Net Position	\$ 6,439,335	\$ 5,948,091

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 \$6,439,335 as of June 30, 2014. The Village net position *increased* by \$491,244 for the fiscal year ended June 30, 2014. However, approximately 39% 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. Although the Village’s net investment in capital assets is reported net of outstanding related debt, the resources needed to repay the debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the

Village of Flat Rock’s net position, \$124,662, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,809,831 is unrestricted.

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

- Receipt of \$475,000 PARTF grant from the State of North Carolina for the purchase/construction of the Village Park.
- Four additional months of motor vehicle tax receipts due to the transition to North Carolina’s new tax and tag program.

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

	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues		
Capital Grants and Contributions	\$ 478,155	\$ -
Charges for Services	3,075	2,859
General Revenues		
Ad Valorem Taxes	729,070	712,169
Other Taxes	493,369	479,558
Investment Earnings	21,518	36,318
Miscellaneous	6,697	11,586
Total Revenues	<u>1,731,884</u>	<u>1,242,490</u>
Expenses		
General Government	380,451	364,130
Public Safety	759,549	725,184
Environmental Protection	12,029	8,313
Cultural and Recreation	80,336	-
Economic and Physical Development	8,275	108,453
Total Expenses	<u>1,240,640</u>	<u>1,206,080</u>
Change in Net Position	491,244	36,410
Net Position, July 1	<u>5,948,091</u>	<u>5,911,681</u>
Net Position, June 30	<u>\$ 6,439,335</u>	<u>\$ 5,948,091</u>

Governmental Activities – Governmental activities increased the Net Position of the Village by \$491,244. Key elements of this increase are as follows:

- Receipt of \$475,000 PARTF grant from the State of North Carolina for the purchase/construction of the Village Park.
- 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 \$3,293,519, while total fund balance equaled \$3,911,852. 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, 2014 totals \$2,654,842, (net of accumulated depreciation). See Figure 4 for the Village’s capital assets.

During the year ended June 30, 2014, The Village spent \$271,710 on the Park at Flat Rock including renovations to an existing building on the property and roadway and trail improvements. They also completed the West Blue Ridge Road sidewalk extension project spending \$8,476 during the fiscal year. These represent the only additions to Village capital assets during the year ended June 30, 2014. There were no dispositions of capital assets this year.

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

Long-term Debt

During the year ended June 30, 2014, the Village repaid \$475,000 of the \$625,000 non-interest bearing note financing the purchase of the Park at Flat Rock property. The Village is due to repay the remaining \$150,000 balance on January 15, 2015. Additional information on this debt can be found in Note 8 of the Basic Financial Statements.

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

	<u>2014</u>	<u>2013</u>
Capital Assets		
Land	\$1,329,776	\$1,329,776
Building	812,037	794,914
Village Centre Trail	559,933	232,520
Land Improvements	331,047	76,460
Equipment and Furniture	74,112	74,112
Computer Equipment and Software	28,818	28,818
Construction in Progress	-	318,937
	<u>3,135,723</u>	<u>2,855,537</u>
Total		
Less: Accumulated Depreciation	<u>480,881</u>	<u>414,182</u>
Capital Assets, Net of Depreciation	<u><u>\$2,654,842</u></u>	<u><u>\$2,441,355</u></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, 2014.

- The Village expected to achieve a property tax collection rate approaching 100%.
- Motor vehicle tax revenues increased with the transition over to the new tax and tag program. The Village received sixteen months of receipts as opposed to the usual twelve.
- Interest rates continued at lower than historical levels, thus lowering effective income earnings.

- Paid staffing levels increased with the first full year of the Village Administrator position.
- The cost of providing services within the Village increased at a rate roughly equal to inflation.
- A capital project ordinance was created to account for the costs involved with the Park development.
- The Flat Rock Park and Recreation Foundation was established and is reported as a special revenue fund of the Village.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities

- The 2014-2015 budget includes the assessment of property taxes at the rate of 8.4 cents per hundred dollar valuation. The Village has attained a property tax collection rate that approximates 100%.
- Included in the 2014-2015 budget is the final payment due on the Park financing along with expected Park development costs.
- 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.

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, 2014**

	Governmental Activities
Assets	
Current Assets:	
Cash and Investments	\$ 3,848,607
Taxes Receivable	1,714
Due from Other Governments	103,327
Total Current Assets	3,953,648
Capital Assets:	
Land	1,329,776
Other Capital Assets, Net of Depreciation	1,325,066
Total Capital Assets, Net	2,654,842
Total Assets	6,608,490
Liabilities	
Current Liabilities:	
Accounts Payable and Accrued Expenses	9,885
Current Portion of Long-term Liabilities	156,953
Total Current Liabilities	166,838
Long-term Liabilities:	
Due in More Than One Year	2,317
Total Liabilities	169,155
Net Position	
Net Investment in Capital Assets	2,504,842
Restricted for:	
Stabilization by State Statute	124,662
Unrestricted	3,809,831
Total Net Position	\$ 6,439,335

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, 2014**

<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	\$ 380,451	\$ 3,075	\$ -	\$ -	\$ (377,376)
Public Safety	759,549	-	-	-	(759,549)
Environmental Protection	12,029	-	-	-	(12,029)
Economic and Physical Development	8,275	-	-	-	(8,275)
Cultural and Recreation	80,336	-	-	478,155	397,819
Total Governmental Activities	<u>\$ 1,240,640</u>	<u>\$ 3,075</u>	<u>\$ -</u>	<u>\$ 478,155</u>	(759,410)
General revenues:					
Taxes:					
Ad Valorem Taxes					729,070
Unrestricted Intergovernmental					493,369
Unrestricted Investment Earnings					21,518
Miscellaneous					6,697
					<u>1,250,654</u>
					Net Change in Net Position
					491,244
					Net Position - Beginning of Year
					<u>5,948,091</u>
					Net Position - End of Year
					<u>\$ 6,439,335</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, 2014

	Major Funds		Non-Major Fund	Total Governmental Funds
	General Fund	Capital Project Fund		
Assets				
Cash	\$ 3,831,780	\$ -	\$ 16,827	\$ 3,848,607
Taxes Receivable	1,714	-	-	1,714
Due from Other Funds	8,626	12,709	-	21,335
Due from Other Governments	103,310	17	-	103,327
Total Assets	<u>3,945,430</u>	<u>12,726</u>	<u>16,827</u>	<u>3,974,983</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable and Accrued Expenses	9,885	-	-	9,885
Accrued Vacation Pay	9,270	-	-	9,270
Due to Other Funds	12,709	8,626	-	21,335
Total Liabilities	<u>31,864</u>	<u>8,626</u>	<u>-</u>	<u>40,490</u>
Deferred Inflows of Resources:				
Property Taxes Receivable	1,714	-	-	1,714
Total Deferred Inflows of Resources	<u>1,714</u>	<u>-</u>	<u>-</u>	<u>1,714</u>
Fund Balance:				
Restricted				
Stabilization by State Statute	111,936	12,726	-	124,662
Assigned				
Subsequent Year's Expenditures	506,397	-	-	506,397
Unassigned	3,293,519	(8,626)	16,827	3,301,720
Total Fund Balance	<u>3,911,852</u>	<u>4,100</u>	<u>16,827</u>	<u>3,932,779</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,945,430</u>	<u>\$ 12,726</u>	<u>\$ 16,827</u>	<u>\$ 3,974,983</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, 2014

Exhibit 3
(continued)

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

Total Fund Balance - Governmental Fund	\$	3,932,779
<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	\$	3,135,723
Accumulated Depreciation		<u>(480,881)</u>
		2,654,842
<p>Liabilities for earned revenues considered deferred inflows of resources in fund statements</p>		
		1,714
<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		(625,000)
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year)		<u>475,000</u>
		<u>(150,000)</u>
Net Position of Governmental Activities	\$	<u>6,439,335</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, 2014

	Major Funds		Non-Major Fund	Total Governmental Funds
	General Fund	Capital Project Fund		
Revenues				
Ad Valorem Taxes	\$ 732,113	\$ -	\$ -	\$ 732,113
Unrestricted Intergovernmental	493,369	-	-	493,369
Restricted Intergovernmental	-	475,000	-	475,000
Contributions	-	-	3,155	3,155
Permits and Fees	3,075	-	-	3,075
Investment Earnings	21,518	-	-	21,518
Miscellaneous	6,697	-	-	6,697
	<u>1,256,772</u>	<u>475,000</u>	<u>3,155</u>	<u>\$ 1,734,927</u>
Expenditures				
Current:				
General Government	350,874	-	-	350,874
Public Safety	759,549	-	-	759,549
Environmental Protection	12,029	-	-	12,029
Economic and Physical Development	8,275	-	-	8,275
Cultural and Recreation	18,636	13,044	11,328	43,008
Debt Service:				
Principal	-	475,000	-	-
Capital Outlay	8,681	271,710	-	280,391
	<u>1,158,044</u>	<u>759,754</u>	<u>11,328</u>	<u>1,929,126</u>
Excess (deficiency) of revenues over expenditures	<u>98,728</u>	<u>(284,754)</u>	<u>(8,173)</u>	<u>(194,199)</u>
Other Financing Sources (Uses)				
Transfers to other funds	(313,854)	-	-	(313,854)
Transfers from other funds	-	288,854	25,000	313,854
Total other financing sources (uses)	<u>(313,854)</u>	<u>288,854</u>	<u>25,000</u>	<u>-</u>
Net Change in Fund Balance	<u>(215,126)</u>	<u>4,100</u>	<u>16,827</u>	<u>(194,199)</u>
Fund Balances				
Beginning of Year	<u>4,126,978</u>	<u>-</u>	<u>-</u>	<u>4,126,978</u>
End of Year	<u>\$ 3,911,852</u>	<u>\$ 4,100</u>	<u>\$ 16,827</u>	<u>\$ 3,932,779</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, 2014

Exhibit 4
(continued)

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

Net Changes in Fund Balance - Total Governmental Funds	\$ (194,199)
--	--------------

Change in unavailable revenue for tax revenues	(3,044)
--	---------

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.

Capital Outlay	\$ 280,186	
Depreciation Expense	<u>(66,699)</u>	213,487

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	<u>475,000</u>
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Total Change in Net Position of Governmental Activities	<u>\$ 491,244</u>
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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, 2014

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Ad Valorem Taxes	\$ 715,000	\$ 715,000	\$ 732,113	\$ 17,113
Unrestricted Intergovernmental	454,012	454,012	493,369	39,357
Permits and Fees	4,500	4,500	3,075	(1,425)
Investment Earnings	40,000	40,000	21,518	(18,482)
Miscellaneous	1,000	1,000	6,697	5,697
Total Revenues	1,214,512	1,214,512	1,256,772	42,260
Expenditures				
Current:				
General Government	359,895	362,695	359,555	3,140
Public Safety	730,300	730,300	759,549	(29,249)
Environmental Protection	3,500	3,500	12,029	(8,529)
Economic and Physical Development	17,000	14,500	8,275	6,225
Cultural and Recreation	1,298,700	14,492	18,636	(4,144)
Contingency	103,817	103,817	-	103,817
Total Expenditures	2,513,212	1,229,304	1,158,044	71,260
Revenues Over (Under) Expenditures	(1,298,700)	(14,792)	98,728	113,520
Other Financing Sources (Uses)				
Transfers to other funds	-	(313,854)	(313,854)	-
Fund Balance Appropriated	1,298,700	328,646	-	328,646
Net Change in Fund Balance	\$ -	\$ -	(215,126)	\$ (215,126)
Fund Balance				
Beginning of Year			4,126,978	
End of Year			\$ 3,911,852	

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

Village of Flat Rock, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014

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. 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, 2013.

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:

<u>Asset Class</u>	<u>Estimated Useful Lives (in years)</u>
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*, would represent a

consumption of net position that applies to a future period and so would not be recognized as an expense or expenditure until then. 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 the following item that meet the criterion for this category – property taxes receivable.

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.

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

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, 2014, the Village's deposits had a carrying amount of \$2,251,361 and a bank balance of \$2,275,620. \$492,235 of the bank balance was covered by federal depository insurance and \$1,783,385 in interest-bearing deposits was covered by collateral held under the Pooling Method. At June 30, 2014, the Village's petty cash fund totaled \$200.

Investments:

At June 30, 2014, the Village had \$1,597,046 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 – Capital Assets:

Capital asset activity for the Village for the year ended June 30, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,329,776	\$ -	\$ -	\$ 1,329,776
Construction in Progress	318,937	-	318,937	-
Total Capital Assets Not Being Depreciated	<u>1,648,713</u>	<u>-</u>	<u>318,937</u>	<u>1,329,776</u>
Capital Assets Being Depreciated:				
Building	794,914	17,123	-	812,037
Village Centre Trail	232,520	327,413	-	559,933
Land Improvements	76,460	254,587	-	331,047
Equipment and Furniture	74,112	-	-	74,112
Computer Equipment and Software	28,818	-	-	28,818
Total Capital Assets Being Depreciated	<u>1,206,824</u>	<u>599,123</u>	<u>-</u>	<u>1,805,947</u>
Less: Accumulated Depreciation For:				
Building	168,920	19,873	-	188,793
Village Centre Trail	120,166	37,328	-	157,494
Equipment and Furniture	64,116	3,912	-	68,028
Land Improvements	33,244	4,504	-	37,748
Computer Equipment and Software	27,736	1,082	-	28,818
Total Accumulated Depreciation	<u>414,182</u>	<u>66,699</u>	<u>-</u>	<u>480,881</u>
Total Capital Assets Being Depreciated - Net	<u>792,642</u>	<u>532,424</u>	<u>-</u>	<u>1,325,066</u>
Governmental Activity Capital Assets - Net	<u>\$ 2,441,355</u>	<u>\$ 532,424</u>	<u>\$ 318,937</u>	<u>\$ 2,654,842</u>

Depreciation expense of \$66,699 was charged to the Village's general government function.

Note 4 – Pension Plan Obligations:

Local Governmental Employees' Retirement System

Plan Description. The Village contributes to 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. 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, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute 6% of their annual covered salary. The Village is required to contribute at an actuarially-determined rate. For the Village, the current rate for employees is 7.07% of annual covered payroll. The contribution requirements for members and the Village are established and may be amended by the North Carolina General Assembly. The Village's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$9,900, \$8,766, and \$8,842, respectively. The contributions made by the Village equaled the required contributions for each year.

Note 5 – 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 6 – Deferred Inflows of Resources:

Deferred inflows of resources at June 30, 2014 is comprised of the following:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Taxes Receivable (General Fund)	\$ 1,714	\$ -

Note 7 – 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 8 – Long-term Debt:

During the year ended June 30, 2013, the Village entered into a loan agreement with a corporation to purchase the municipal park property. \$625,000 of the purchase price of the property was financed at 0% interest.

A schedule of the changes in long-term debt that occurred during the year ended June 30, 2014 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	\$ 625,000	\$ -	\$ 475,000	\$ 150,000	\$ 150,000
Compensated Absences	7,360	1,910	-	9,270	6,953
 Total	 <u>\$ 632,360</u>	 <u>\$ 1,910</u>	 <u>\$ 475,000</u>	 <u>\$ 159,270</u>	 <u>\$ 156,953</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>
Total	<u><u>\$ 150,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 150,000</u></u>

Note 9 – Interfund Balances and Activity:

Balances due to/from other funds at June 30, 2014, consist of the following:

Due to the General Fund for the allocation of costs from the Capital Project Fund	\$ 8,626
Due from the General Fund for its activity allocation to the Capital Project Fund	<u>12,709</u>
Total	<u><u>\$ 21,335</u></u>

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

Transfers to/from other funds at June 30, 2014 consist of the following:

From the General Fund to the Capital Project Fund	\$ 288,854
From the General Fund to the Special Revenue Fund	<u>25,000</u>
Total	<u><u>\$ 313,854</u></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 2014, the Village transferred \$288,854 from the General Fund to the Capital Project Fund to fund the construction of the municipal park. The Village also transferred 25,000 to the Special Revenue Fund to fund the activities of the Flat Rock Park and Recreation Foundation.

Note 10 – 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 11 – 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 12 – 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 13 – Stewardship, Compliance and Accountability:

Noncompliance with North Carolina General Statutes

Excess of Expenditures over Appropriations

During the year ended June 30, 2014, actual expenditures in the public safety, environmental protection and cultural and recreation budgets exceeded the authorized appropriation made by the governing board.

The overage occurred in public safety when the Village failed to budget for the additional fire department payments owed after receiving sixteen months of motor vehicle receipts as opposed to the usual twelve. The additional revenue was a result of the transition to North Carolina's new tax and tag system.

Environmental protection expenses were over budget due to unexpected costs incurred related to hemlock maintenance within the Village.

Unexpected costs associated with operation of the new Village Park caused the cultural and recreation expenses to exceed the amount appropriated.

Management will work to better estimate all annual costs as year-end budget amendments are considered.

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad Valorem Taxes:			
Current Year		\$ 731,027	
Interest and Penalties		1,086	
Total	<u>\$ 715,000</u>	<u>732,113</u>	<u>\$ 17,113</u>
Unrestricted Intergovernmental:			
Local Option Sales Taxes		259,395	
Franchise Tax - Utilities		139,793	
Franchise Tax - Telecommunication		37,874	
Franchise Tax - Video Programming		42,528	
Beer and Wine Tax		13,779	
Total	<u>454,012</u>	<u>493,369</u>	<u>39,357</u>
Permits and Fees:			
Building permits	<u>4,500</u>	<u>3,075</u>	<u>(1,425)</u>
Investment Earnings	<u>40,000</u>	<u>21,518</u>	<u>(18,482)</u>
Miscellaneous	<u>1,000</u>	<u>6,697</u>	<u>5,697</u>
Total Revenues	<u>1,214,512</u>	<u>1,256,772</u>	<u>42,260</u>
Expenditures:			
General Government:			
Governing Body	<u>27,500</u>	<u>4,691</u>	<u>22,809</u>
Administration:			
Salaries and Employee Benefits		195,389	
Other Operating Expenditures		119,506	
Total	<u>284,145</u>	<u>314,895</u>	<u>(30,750)</u>
Finance:			
Professional Services		11,050	
Tax Department		6,553	
Other Operating Expenditures		328	
Total	<u>20,050</u>	<u>17,931</u>	<u>2,119</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, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Elections	2,000	2,065	(65)
Legal:			
Contracted Services		5,113	
Other Operating Expenditures		1,431	
Total	20,000	6,544	13,456
Public Building:			
Capital Outlay		8,681	
Other Operating Expenditures		4,748	
Total	9,000	13,429	(4,429)
Total General Government	362,695	359,555	3,140
Public Safety:			
Payments to Fire Departments	730,300	759,549	(29,249)
Environmental Protection:			
Operating Expenditures	3,500	12,029	(8,529)
Economic and Physical Development			
Planning and Zoning:			
Other Operating Expenditures	2,000	-	2,000
Community Development:			
Other Operating Expenditures	12,500	8,275	4,225
Total Economic and Physical Development	14,500	8,275	6,225

**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, 2014**

	Budget	Actual	Variance Positive (Negative)
Cultural and Recreation			
Operating Expenditures	14,492	18,636	(4,144)
Contingency	103,817	-	103,817
Total Expenditures	1,229,304	1,158,044	71,260
Revenues Over (Under) Expenditures	(14,792)	98,728	113,520
Other Financing Sources (Uses):			
Transfers to Other Funds			
Capital Project Fund	(288,854)	(288,854)	-
Special Revenue Fund	(25,000)	(25,000)	-
Total	(313,854)	(313,854)	-
Fund Balance Appropriated	328,646	-	(328,646)
Net Change in Fund Balance	\$ -	(215,126)	\$ (215,126)
Fund Balance:			
Beginning of Year		4,126,978	
End of Year		\$ 3,911,852	

**Village of Flat Rock, North Carolina
Capital Projects Fund - Village Park
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014**

	Project Authorization	Current Year	Total to Date	Variance Positive (Negative)
Revenues				
Restricted Intergovernmental Revenues	\$ 475,000	\$ 475,000	\$ 475,000	\$ -
Investment Earnings	-	-	-	-
	475,000	475,000	475,000	-
Expenditures				
Cultural and Recreation:				
Debt Service	625,000	475,000	475,000	150,000
Capital Outlay	2,361,000	271,710	271,710	2,089,290
Other Expenditures	14,000	13,044	13,044	956
	3,000,000	759,754	759,754	2,240,246
Revenues Over (Under) Expenditures	(2,525,000)	(284,754)	(284,754)	2,240,246
Other Financing Sources				
Transfers from Other Funds:				
General Fund	2,525,000	288,854	288,854	(2,236,146)
Net Change in Fund Balance	\$ -	4,100	\$ 4,100	\$ 4,100
Fund Balance:				
Beginning of Year		-		
End of Year		\$ 4,100		

**Village of Flat Rock, North Carolina
Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Contributions	\$ 3,500	\$ 3,155	\$ (345)
Expenditures:			
Cultural and Recreation Operating Expenses	28,500	11,328	17,172
Revenues Over Expenditures	(25,000)	(8,173)	16,827
Other Financing Sources			
Transfers from Other Funds General Fund	25,000	25,000	-
Net Change in Fund Balance	\$ -	16,827	\$ 16,827
Fund Balance:			
Beginning of Year		-	
End of Year		\$ 16,827	

Other Schedules

Village of Flat Rock, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance at June 30, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance at June 30, 2014</u>
2013-2014	\$ -	\$ 727,642	\$ 727,273	\$ 369
2012-2013	2,716	-	2,451	265
2011-2012	577	-	482	95
2010-2011	603	-	479	124
2009-2010	85	-	1	84
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>\$ 4,758</u>	<u>\$ 727,642</u>	<u>\$ 730,686</u>	<u>1,714</u>
Less: Allowance for Uncollectible Accounts			<u>-</u>
Ad Valorem Taxes Receivable - Net			<u>\$ 1,714</u>

Reconciliation with Revenues:

Ad Valorem Taxes Collected	
Current and Prior Years	\$ 731,027
Penalties and Interest	1,086
Releases, Refunds and Adjustments	<u>(1,427)</u>
	<u>\$ 730,686</u>

**Village of Flat Rock, North Carolina
Analysis of Current Tax Levy
For the Year Ended June 30, 2014**

	Village-wide			Total Levy	
	Total Property Valuation	Tax Rate	Levy Amount	Property Excluding Registered Vehicles	Registered Motor Vehicles
Original Levy Taxed at Current Rate	\$ 857,277,381	\$ 0.084	\$ 720,113	\$ 671,935	\$ 48,178
Discoveries	9,083,333		7,630	7,630	-
Releases	<u>(120,238)</u>		<u>(101)</u>	<u>(101)</u>	<u>-</u>
Total Property Valuation	<u>\$ 866,240,476</u>				
Net Levy			727,642	679,464	48,178
Less: Uncollected Taxes at June 30, 2014			<u>369</u>	<u>-</u>	<u>369</u>
Current Year's Taxes Collected			<u>\$ 727,273</u>	<u>\$ 679,464</u>	<u>\$ 47,809</u>
Percent Collected			<u>99.95%</u>	<u>100.00%</u>	<u>99.23%</u>