

TOWN OF SEVEN SPRINGS, NORTH CAROLINA

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2019

GREGORY T. REDMAN, CPA
TARBORO, NORTH CAROLINA

Financial Statements

Town of Seven Springs, North Carolina

June 30, 2019

Board of Commissioners

Stephen Potter, Mayor
Alan Cash
Karla Griffin
Robert Hughes
Ronda Hughes
John Lee

Administrative Staff

Lisa Cash, Town Clerk

Town of Seven Springs, North Carolina
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June 30, 2019

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Financial Section



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Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Seven Springs, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 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, the business-type activities and each major fund of the Town of Seven Springs as of June 30, 2019, and the respective changes in financial position and cash flows, 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 the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in 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 my inquiries, the basic financial statements, and other knowledge I obtained during my 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 us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Seven Springs, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Introductory information has not been subjected to the auditing procedures applied in the audit of basic financial statements and accordingly, I do not express an opinion or provide assurance on them.



Gregory T. Redman, CPA
Tarboro, North Carolina
November 22, 2019

Management's Discussion and Analysis

**Town of Seven Springs, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

As management of the Town of Seven Springs, North Carolina, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Seven Springs for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

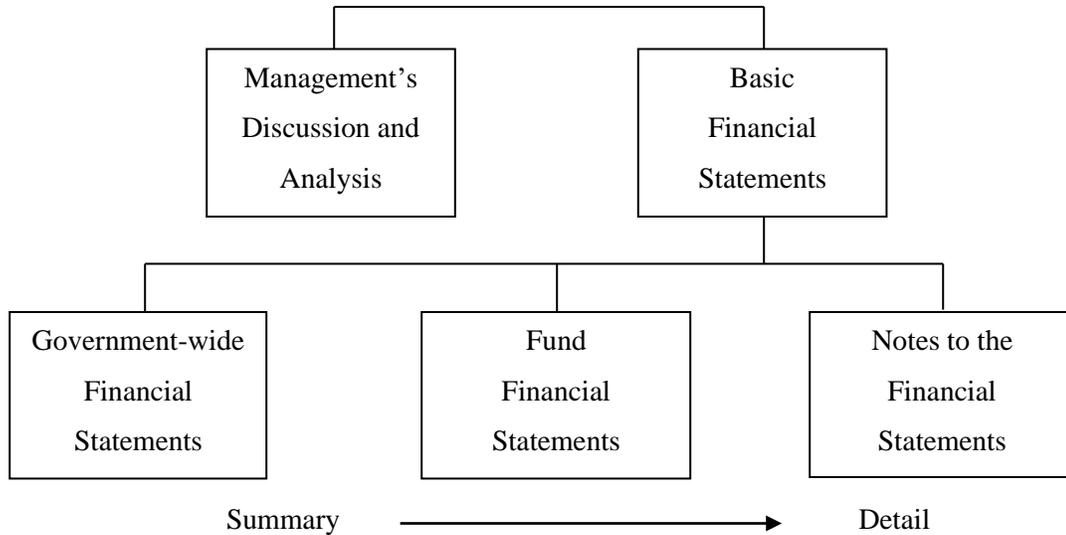
- The assets of the Town of Seven Springs exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,481,642 (net position).
- The government's total net position decreased by \$42,411 primarily due to a decrease in the business-type activities net position.
- At the close of the current fiscal year, the Town of Seven Springs' governmental funds reported an ending fund balance of \$244,715, an increase of \$15,296 in comparison with the prior year. Approximately 16 percent of this total amount, or \$40,223, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$189,429 or 370 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

**Town of Seven Springs, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

Required Components of Annual Financial Report



Basic Financial Statements

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the Town's financial status.

The next statements are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the Notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the Notes, Supplemental Information is provided to show details about the Town's individual funds.

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town'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 Town's financial status as a whole.

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

**Town of Seven Springs, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic service such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Seven Springs.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Seven Springs, like all other government entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Seven Springs can be divided into two categories: governmental funds and proprietary funds.

Governmental Fund. *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* 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 the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Proprietary Funds. Town of Seven Springs has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Seven Springs uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Town of Seven Springs, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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.

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

The Town of Seven Springs' Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 250,195	\$ 237,241	\$ 486,189	\$ 450,253	\$ 736,384	\$ 687,494
Capital assets	21,937	23,937	2,761,444	2,837,884	2,783,381	2,861,821
Total Assets	<u>272,132</u>	<u>261,178</u>	<u>3,247,633</u>	<u>3,288,137</u>	<u>\$ 3,519,765</u>	<u>\$ 3,549,315</u>
Long-term liabilities outstanding	-	-	-	-	\$ -	\$ -
Other liabilities	1,611	1,816	36,512	23,446	38,123	25,262
Deferred inflows of resources	-	-	-	-	-	-
Total Liabilities	<u>1,611</u>	<u>1,816</u>	<u>36,512</u>	<u>23,446</u>	<u>38,123</u>	<u>25,262</u>
Net Position:						
Net investment in capital assets	21,937	23,937	2,761,444	2,837,884	\$ 2,783,381	\$ 2,861,821
Restricted	40,223	15,304	-	-	40,223	15,304
Unrestricted	208,361	220,121	449,677	426,807	658,038	646,928
Total Net Position	<u>\$ 270,521</u>	<u>\$ 259,362</u>	<u>\$ 3,211,121</u>	<u>\$ 3,264,691</u>	<u>\$ 3,481,642</u>	<u>\$ 3,524,053</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Seven Springs exceeded liabilities and deferred inflows of resources by \$3,481,642 as of June 30, 2019. The Town's net position decreased by \$42,411 for the fiscal year ended June 30, 2019. However, the largest portion (80%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Seven Springs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town of Seven Springs' net position, \$40,223, represents resources that are subject to external restrictions in how they may be used. The remaining balance of the Town of Seven Springs' net position, \$658,038, is unrestricted.

One particular aspect of the Town's financial operations influenced the total unrestricted governmental net position:

- Due to the flooding sustained by the town hall during Hurricane Matthew in 2018, the Town's property tax billing and collections continue to be lower than prior years.

**Town of Seven Springs, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

Town of Seven Springs' Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 384,829	\$ 341,575	\$ 384,829	\$ 341,575
Operating grants and contributions	29,374	4,454	-	-	29,374	4,454
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	12,104	12,788	-	-	12,104	12,788
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	16,259	21,449	-	-	16,259	21,449
Other	6,517	13,388	3,479	596	9,996	13,984
Total Revenues	<u>\$ 64,254</u>	<u>\$ 52,079</u>	<u>\$ 388,308</u>	<u>\$ 342,171</u>	<u>\$ 452,562</u>	<u>\$ 394,250</u>
Expenses:						
General government	43,933	37,675	-	-	43,933	37,675
Public safety	1,036	2,798	-	-	1,036	2,798
Transportation	3,733	7,334	-	-	3,733	7,334
Environmental protection	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Cultural and recreation	4,393	2,926	-	-	4,393	2,926
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	441,878	351,532	441,878	351,532
Total Expenses	<u>\$ 53,095</u>	<u>\$ 50,733</u>	<u>\$ 441,878</u>	<u>\$ 351,532</u>	<u>\$ 494,973</u>	<u>\$ 402,265</u>
Increase(decrease) in net position before transfers	11,159	1,346	(53,570)	(9,361)	(42,411)	(8,015)
Extraordinary item: Gain on insurance recovery	-	-	-	-	-	-
Increase(decrease) in net position	11,159	1,346	(53,570)	(9,361)	(42,411)	(8,015)
Net position, July 1	<u>259,362</u>	<u>258,016</u>	<u>3,264,691</u>	<u>3,274,052</u>	<u>3,524,053</u>	<u>3,532,068</u>
Net position, June 30	<u>\$ 270,521</u>	<u>\$ 259,362</u>	<u>\$ 3,211,121</u>	<u>\$ 3,264,691</u>	<u>\$ 3,481,642</u>	<u>\$ 3,524,053</u>

Governmental Activities. Governmental activities increased the Town's net position by \$11,159.

Business-type Activities. Business-type activities decreased the Town of Seven Springs' net position by \$53,570. This decrease was primarily due to an increase in sewer capacity charges.

**Town of Seven Springs, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Seven Springs' governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Seven Springs' financing requirements.

The general fund is the chief operating fund of the Town of Seven Springs. At the end of the current fiscal year, Town of Seven Springs' fund balance available in the General Fund was \$189,429, while total fund balance was \$244,715. The Governing Body of the Town of Seven Springs has determined that the Town should maintain an available fund balance of 20% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 370% of general fund expenditures, and total fund balance represents 479% of the same amount.

At June 30, 2019, the governmental fund of Town of Seven Springs reported a fund balance of \$244,715 with a net increase in fund balance of \$15,296.

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

General Fund line item amendments were necessary to prevent over expenditures on certain items including utility costs, insurance, repairs, and maintenance.

Proprietary Funds: The Town of Seven Springs' proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water & Sewer Fund at the end of the fiscal year amounted to \$449,677. The total decrease in overall Water & Sewer Fund net position was \$53,570. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital Assets: The Town of Seven Springs' investments in capital assets for its governmental and business-type activities as of June 30, 2019 total \$2,783,381 (net of accumulated depreciation). These assets include buildings, water systems, sewer systems, land, machinery, equipment, park facilities, and vehicles.

**Town of Seven Springs, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

**Town of Seven Springs' Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 10,753	\$ 10,753	\$ -	\$ -	\$ 10,753	\$ 10,753
Buildings	9,295	11,230	-	-	9,295	11,230
Plant and distribution system	-	-	2,694,325	2,800,458	2,694,325	2,800,458
Machinery and equipment	934	999	67,119	37,426	68,053	38,425
Other	955	955	-	-	955	955
Total	<u>\$ 21,937</u>	<u>\$ 23,937</u>	<u>\$ 2,761,444</u>	<u>\$ 2,837,884</u>	<u>\$ 2,783,381</u>	<u>\$ 2,861,821</u>

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

Long-term Debt: As of June 30, 2019 the Town of Seven Springs had no long-term debt. The Town paid the debt off during the current year with insurance proceeds collected on the town hall from flooding.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- The Town experienced another major flood in September 2018. The Town population has not returned to its pre-flood amount. This will continue to have a negative effect on revenues.
- The Town continues to monitor its expenses closely and look for ways to do more with less.

Budget Highlights for the Fiscal Year Ending June 30, 2020

The General Fund budget for the 19-20 fiscal year reflected very little change compared to the prior year.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town of Seven Springs, Lisa Cash, Town Clerk, Post Office Box 198, Seven Springs, NC 28578 or by calling the Town Hall at (252) 569-5241.

Financial Section

Basic Financial Statements

Town of Seven Springs, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 206,103	\$ 396,266	\$ 602,369
Taxes receivables (net)	3,220	-	3,220
Accrued interest receivable on taxes	649	-	649
Accounts receivable (net)	-	86,811	86,811
Utility deposits receivable	525	-	525
Due from other governments	6,075	687	6,762
Restricted cash and cash equivalents	33,623	2,425	36,048
Total Current Assets	\$ 250,195	\$ 486,189	\$ 736,384
Non-current Assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	\$ 10,753	\$ -	\$ 10,753
Other capital assets, net of depreciation	11,184	2,761,444	2,772,628
Total capital assets	\$ 21,937	\$ 2,761,444	\$ 2,783,381
Total Assets	\$ 272,132	\$ 3,247,633	\$ 3,519,765
Liabilities			
Current liabilities:			
Accounts payable	\$ 1,611	\$ 34,087	\$ 35,698
Accrued interest payable	-	-	-
Current portion of long-term liabilities	-	-	-
Payable from restricted assets	-	2,425	2,425
Total Current Liabilities	\$ 1,611	\$ 36,512	\$ 38,123
Long-term liabilities:			
Due in more than one year	\$ -	\$ -	\$ -
Total Liabilities	\$ 1,611	\$ 36,512	\$ 38,123
Deferred Inflows of Resources			
Prepaid taxes	\$ -	\$ -	\$ -
Total Deferred Inflows of Resources	\$ -	\$ -	\$ -
Net Position			
Net investment in capital assets	\$ 21,937	\$ 2,761,444	\$ 2,783,381
Restricted for:			
Stabilization by State Statute	6,600	-	6,600
Transportation	33,623	-	33,623
Unrestricted	208,361	449,677	658,038
Total Net Position	\$ 270,521	\$ 3,211,121	\$ 3,481,642

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

Town of Seven Springs, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Primary Government							
Governmental Activities:							
General government	\$ 43,933	\$ -	\$ -	\$ -	\$ (43,933)	\$ -	\$ (43,933)
Public safety	1,036	-	-	-	(1,036)	-	(1,036)
Transportation	3,733	-	4,374	-	641	-	641
Economic and physical development	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-
Cultural and recreation	4,393	-	25,000	-	20,607	-	20,607
Interest on long-term debt	-	-	-	-	-	-	-
Total Governmental Activities	<u>\$ 53,095</u>	<u>\$ -</u>	<u>\$ 29,374</u>	<u>\$ -</u>	<u>\$ (23,721)</u>	<u>\$ -</u>	<u>\$ (23,721)</u>
Business-type activities:							
Sewer	441,878	384,829	-	-	-	(57,049)	(57,049)
Total business-type activities	<u>\$ 441,878</u>	<u>\$ 384,829</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,049)</u>	<u>\$ (57,049)</u>
Total Primary Government	<u>\$ 494,973</u>	<u>\$ 384,829</u>	<u>\$ 29,374</u>	<u>\$ -</u>	<u>\$ (23,721)</u>	<u>\$ (57,049)</u>	<u>\$ (80,770)</u>
General Revenues							
Taxes:							
Property taxes, levied for general purpose					\$ 12,104	\$ -	\$ 12,104
Other taxes					-	-	-
Grants and contributions not restricted to specific programs					16,259	-	-
Unrestricted investment earnings					698	3,479	4,177
Miscellaneous					5,819	-	5,819
Insurance proceeds					-	-	-
Total General Revenues					<u>34,880</u>	<u>3,479</u>	<u>22,100</u>
Change in Net Position					\$ 11,159	\$ (53,570)	\$ (42,411)
Net Position, previously reported					259,362	3,264,691	3,524,053
Net Position, end of year					<u>\$ 270,521</u>	<u>\$ 3,211,121</u>	<u>\$ 3,481,642</u>

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

Town of Seven Springs, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds
	General
Assets	
Cash and cash equivalents	\$ 206,103
Restricted cash	33,623
Receivables, net:	
Taxes	3,220
Utility deposits receivable	525
Due from other governments	6,075
Prepaid insurance	-
Total Assets	\$ 249,546
Liabilities	
Liabilities:	
Accounts payable and accrued liabilities	\$ 1,611
Total Liabilities	\$ 1,611
Deferred Inflows of Resources	
Property taxes receivable	\$ 3,220
Prepaid taxes	-
Total Deferred Inflows of Resources	\$ 3,220
Fund Balances	
Restricted:	
Stabilization by State Statute	\$ 6,600
Streets	33,623
Assigned	
Historical committee and park	5,545
Auditorium improvements	2,038
Seven Springs improvements	1,110
Subsequent year's expenditures	6,370
Unassigned	
Total fund balance	\$ 244,715
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 249,546

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

Town of Seven Springs, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

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

Total Fund Balance:	\$	244,715
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		21,937
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds		649
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		-
Liabilities for earned revenues considered deferred inflows of resources in fund statements		<u>3,220</u>
Net Position of Governmental Activities	\$	<u><u>270,521</u></u>

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

Town of Seven Springs, North Carolina
Statement of Revenues, Expenditures And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	Major Funds
	General
Revenues	
Ad valorem taxes	\$ 14,241
Other taxes and licenses	-
Unrestricted intergovernmental	16,259
Restricted intergovernmental	29,374
Sales and services	-
Investment earnings	698
Miscellaneous	5,819
Total Revenues	\$ 66,391
Expenditures	
Current:	
General government	\$ 42,243
Transportation	3,733
Public safety	1,036
Environmental protection	-
Cultural and recreation	4,083
Debt service:	
Principal	-
Interest and other charges	-
Total Expenditures	\$ 51,095
Excess of Revenues Over (Under) Expenditures	\$ 15,296
Other Financing Sources (Uses)	
Insurance proceeds	\$ -
Total Other Financing Sources (Uses)	\$ -
Net Change in Fund Balance	\$ 15,296
Fund Balances	
Beginning of year	229,419
End of year	\$ 244,715

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

Town of Seven Springs, North Carolina
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement Activities
For the Year Ended June 30, 2019

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

Net Change in Fund Balance - Total Governmental Funds	\$	15,296
Change in fund balance due to change in prepaid expenses		-
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period</p>		
Capital outlay expenditures which were capitalized	-	
Depreciation expense for governmental assets	(2,000)	
Asset impairment loss	-	(2,000)
<hr/>		
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>		
Amount of donated assets	-	
Change in unavailable revenue for tax revenues	(2,137)	
Difference in sale of assets	-	(2,137)
<hr/>		
<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 government 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.</p>		
Principal payments on long-term debt	-	
Decrease in accrued interest payable	-	-
<hr/>		
Total Changes in Net Position of Governmental Activities	\$	<u>11,159</u>

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

Town of Seven Springs, North Carolina
General Fund
Statement of Revenues, Expenditures, And
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	General Fund			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Ad valorem taxes	\$ 15,575	\$ 15,575	\$ 14,241	\$ (1,334)
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	16,000	16,000	16,259	259
Restricted intergovernmental	4,200	29,200	29,374	174
Sales and services	-	-	-	-
Investment earnings	30	30	698	668
Miscellaneous	5,225	5,225	5,819	594
Total Revenues	\$ 41,030	\$ 66,030	\$ 66,391	\$ 361
Expenditures				
Current				
General government	\$ 40,800	\$ 45,336	\$ 42,243	\$ 3,093
Transportation	3,800	3,800	3,733	67
Public Safety	1,100	1,100	1,036	64
Environmental protection	-	-	-	-
Cultural and recreation	1,100	27,300	4,083	23,217
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenditures	\$ 46,800	\$ 77,536	\$ 51,095	\$ 26,441
Revenues Over (Under) Expenditures	\$ (5,770)	\$ (11,506)	\$ 15,296	\$ 26,802
Other Financing Sources (Uses)				
Fund balance appropriated	\$ 5,770	\$ 11,506	\$ -	\$ (11,506)
Insurance proceeds	-	-	-	-
Total Other Financing Sources (Uses)	\$ 5,770	\$ 11,506	\$ -	\$ (11,506)
Net Change in Fund Balance	-	-	15,296	15,296
Fund Balances				
Beginning of year			229,419	
End of year			\$ 244,715	

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

Town of Seven Springs, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2019

	<u>Major Enterprise Fund Sewer Fund</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 396,266
Accounts receivable (net) - billed	32,673
Accounts receivable - SEWSD	20,891
Accounts receivable (net) - unbilled	33,247
Other receivables	687
Prepaid items	-
Restricted cash and cash equivalents	2,425
Total Current Assets	<u>\$ 486,189</u>
Noncurrent Assets:	
Capital Assets:	
Land and other non-depreciable assets	-
Other capital assets, net of depreciation	2,761,444
Capital assets (net)	<u>\$ 2,761,444</u>
Total Noncurrent Assets	<u>\$ 2,761,444</u>
Total Assets	<u><u>\$ 3,247,633</u></u>
Liabilities	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 34,087
Unearned revenue	-
Due to other funds	-
Total Current Liabilities	<u>\$ 34,087</u>
Noncurrent Liabilities:	
Meter deposits	2,425
Total Noncurrent Liabilities	<u>\$ 2,425</u>
Total Liabilities	<u>\$ 36,512</u>
Net Position	
Net invested in capital assets	\$ 2,761,444
Unrestricted	449,677
Total Net Position	<u><u>\$ 3,211,121</u></u>

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

Town of Seven Springs, North Carolina
Statement of Revenues, Expenses, And Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	<u>Major Enterprise Fund Sewer Fund</u>
Operating Revenues	
Charges for services	\$ 384,829
Other operating revenues	-
Total Operating Revenues	<u>\$ 384,829</u>
Operating Expenses	
General operations	\$ 329,694
Depreciation	112,184
Total Operating Expenses	<u>\$ 441,878</u>
Operating income (loss)	<u>\$ (57,049)</u>
Non-operating Revenues (Expenses)	
Interest income	\$ 3,479
Total Non-operating Revenues (expenses)	<u>\$ 3,479</u>
Income (loss) Before Contributions and Transfers	\$ (53,570)
Capital contributions	-
Transfers	-
Total Non-operating Revenues (expenses)	<u>\$ -</u>
Change in Net Position	<u>\$ (53,570)</u>
Net Position, beginning	<u>3,264,691</u>
Net Position, ending	<u><u>\$ 3,211,121</u></u>

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

Town of Seven Springs, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Major Enterprise Fund Sewer Fund
Cash Flows From Operating Activities	
Cash received from customers	\$ 371,200
Cash paid for goods and services	(316,540)
Cash paid to or on behalf of employees for services	-
Net Cash Provided (used) by Operating Activities	\$ 54,660
Cash Flows From Noncapital Financing Activities	
Transfers in from other funds	\$ -
Cash received from interfund repayments/borrowings	-
Net Cash Provided by Noncapital Financing Activities	\$ -
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	\$ (35,744)
Capital contributions	-
Other miscellaneous revenue	-
Net Cash Provided (used) by Capital and Related Financing Activities	\$ (35,744)
Cash Flows From Investing Activities	
Interest and dividends	\$ 3,479
Net Increase (decrease) in Cash and Cash Equivalents	\$ 22,395
Balances - Beginning of year	376,296
Balances - End of year	\$ 398,691
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ (57,049)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	\$ 112,184
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(13,541)
Increase (decrease) in accounts payable and accrued liabilities	13,266
Increase (decrease) in customer deposits	(200)
Total adjustments	\$ 111,709
Net Cash Provided by Operating Activities	\$ 54,660

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

Town of Seven Springs, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Seven Springs is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town of Seven Springs, North Carolina.

B. Basis of Presentation

Government-wide Statements. The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements. The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

Town of Seven Springs, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for parks and recreation, street maintenance, and general administration.

The Town reports the following major enterprise funds:

Sewer Fund - This fund is used to account for the Town's sewer operations.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Town of Seven Springs, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

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 Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Seven Springs because the tax is levied by **Greene** County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Town of Seven Springs, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 15-31]. The Town may designate, as an official depository, and bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. Because the NCCMT Government Portfolio has a weighted maturity of less than 90 days, it is projected as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied, are restricted to the service for which the deposit was collected. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, reporting, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Seven Springs Restricted Cash

Town of Seven Springs	
Governmental Activities:	
General Fund	
Streets	\$ 33,623
Total Governmental Activities	\$ 33,623
Business-type Activities:	
Sewer Fund	
Customer deposits	\$ 2,425
Total Business-type Activities	\$ 2,425
Total Restricted Cash	\$ 36,048

Town of Seven Springs, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Prepaid Items

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of \$1,000. Minimum capitalization costs is \$1,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 have not been capitalized as the Town has elected not to retroactively implement the capitalization of infrastructure. 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
Infrastructure	40
Buildings	30
Furniture and equipment	10
Computer software	5
Computer equipment	3

Town of Seven Springs, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, pension deferrals in the 2019 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 Town has only two items that meet the criterion for this category – prepaid taxes and property taxes receivables.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

9. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund 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.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds.

Town of Seven Springs, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as “restricted by State statute”. *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by the law through constitutional provisions or enabling legislation”. RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Seven Springs governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – portion of fund balance that Town of Seven Springs intends to use for specific purposes.

Historical Committee and Park – portion of fund balance that is assigned for future historical and park expenditures.

Seven Springs’ Improvements – portion of fund that is assigned for the future town improvement expenditures.

Auditorium Improvements – portion of fund that is assigned for the future auditorium improvement expenditures.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

The Town of Seven Springs has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, Town funds. For purposes of fund balance classification expenditures are to be spent from

Town of Seven Springs, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Seven Springs has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures. Any portion of the General Fund balance in excess of 20% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

- a. The Town is not following G.S. 159-28 for the proper pre-audit and disbursement processes for the Sewer Fund. Per the Utility Agreement with Southeastern Wayne Sanitary District (SEWSD), SEWSD is responsible for all aspects of operating the sewer system. However, the Town should follow proper procedures to review and approve all disbursements.

Management's Response/Corrective Action: The Town will work with SEWSD to develop a system to be able to pre-audit and approve disbursements from the Sewer Fund.

- b. The Town is not following proper budget procedures per G.S. 159-28 for the Sewer Fund. Per the Utility Agreement with Southeastern Wayne Sanitary District (SEWSD), SEWSD will budget separately for the Town's operations. However, the Town's Board does not adopt or approve the Sewer Fund budget.

Management's Response/Corrective Action: The Town's Board will adopt and approve the Sewer Fund budget ordinance.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' 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 Town, these

Town of Seven Springs, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, 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 Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designing official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$599,378 and a bank balance of \$606,683. Of the bank balance, \$491,315 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. As of June 30, 2019, the Town's petty cash fund totaled \$25.

2. Investments

At June 30, 2019, the Town of Seven Springs had \$39,014 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

Investment by Type	Valuation Measurement Method	Book Value at 6/30/2019	Maturity	Rating
NC Capital Management Trust Government Portfolio	Fair Value Level 1	\$ 39,014	N/A	AAAm
Total		\$ 39,014		

a. The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy limits as least half of the Town's investment portfolio to maturities of less than 12 months.

b. Credit Risk

The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2019.

Town of Seven Springs, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of the following allowances for doubtful accounts:

Business-type Activities:	
Customer accounts receivable	<u><u>\$ 3,470</u></u>

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,753	\$ -	\$ -	\$ 10,753
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>\$ 10,753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,753</u>
Capital assets being depreciated:				
Buildings	\$ 56,822	\$ -	\$ -	\$ 56,822
Furniture and maintenance equipment	135,527	-	-	135,527
Infrastructure and other	11,838	-	-	11,838
Total capital assets being depreciated	<u>\$ 204,187</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,187</u>
Less accumulated depreciation for:				
Buildings	\$ 45,592	\$ 1,935	\$ -	\$ 47,527
Furniture and maintenance equipment	134,528	65	-	134,593
Infrastructure and other	10,883	-	-	10,883
Total accumulated depreciation	<u>\$ 191,003</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 193,003</u>
Total capital assets being depreciated, net	<u>\$ 13,184</u>			<u>\$ 11,184</u>
Governmental activity capital assets, net	<u>\$ 23,937</u>			<u>\$ 21,937</u>

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

General government	\$ 1,690
Transportation	-
Cultural and recreational	310
Total Depreciation Expense	<u><u>\$ 2,000</u></u>

Town of Seven Springs, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated:				
Sewer equipment	\$ 53,170	\$ 35,744	\$ -	\$ 88,914
Plant and distributions systems	4,110,738	-	-	4,110,738
Total capital assets being depreciated	\$ 4,163,908	\$ 35,744	\$ -	\$ 4,199,652
Less accumulated depreciation for:				
Sewer equipment	\$ 15,744	\$ 6,051	\$ -	\$ 21,795
Plant and distributions systems	1,310,280	106,133	-	1,416,413
Total capital assets being depreciated	\$ 1,326,024	\$ 112,184	\$ -	\$ 1,438,208
Total capital assets being depreciated, net	\$ 2,837,884			\$ 2,761,444
Business-type activities capital assets, net	\$ 2,837,884			\$ 2,761,444

B. Liabilities

1. Deferred Outflows and Inflows of Resources

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

Prepaid taxes (General Fund)	Unavailable Revenue \$ -
Taxes receivable (General Fund)	3,220
Total	\$ 3,220

2. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries insurance for the above with independent insurance agencies. Through these agencies, the Town has property insurance up to \$187,000 for buildings and \$20,000 for contents; general liability coverage of \$500,000 per occurrence; and worker's compensation coverage of up to statutory limits.

The Town 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.

Town of Seven Springs, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

The Town carries flood insurance through Nationwide Mutual Insurance Company. The Town is in an area designated as A08 flood zone. The building has coverage of \$100,000. The building's contents have no flood insurance coverage.

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

3. Claims, Judgements, and Contingent Liabilities

No claims or judgements existed at June 30, 2019.

4. Interfund Balances and Activities

There were no transfers to/from other funds for the year ended June 30, 2019.

5. Fund Balance

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

Total fund balance - General Fund	\$ 244,715
Less:	
Stabilization by State Statute	6,600
Streets-Powell Bill	33,623
Historical Committee Park	5,545
Auditorium Improvements	2,038
Seven Springs Improvements	1,110
Appropriated Fund Balance in 2019 budget	6,370
Working Capital/Fund Balance Policy	15,507
Remaining Fund Balance	173,922

The Town of Seven Springs has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several 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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Town of Seven Springs, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

V. Utility Agreement

During the 2003-2004 fiscal year, the Town completed construction of a \$3.5 million-dollar sewer system. This system was constructed to provide service to the Town, several Wayne County schools and any other potential customers in the area. Due to the Town's limited resources and personnel, a "Utility Agreement" was entered into with Southeastern Wayne Sanitary District (SEWSD). The agreement, which is dated March 3, 2004, states that SEWSD will operate and maintain the Town's sewer system for a period of twenty (20) years.

The terms of the agreement call for SEWSD to be responsible for all aspects of running and maintaining the system; including, but not limited to setting and maintaining rates; purchasing water; and billings and collections. The District is also responsible for maintaining insurance, in the name of the Town, adequate to cover any potential loss or damage to the facility and also against public and other liability. The agreement stated that SEWSD would operate the system as an enterprise fund, budgeted separately from the District's own water system services. The District's water system funds should neither subsidize the District's efforts relating to the wastewater services nor receive gain from those services. Any excess revenues over expenses from the operation of the wastewater system should remain within the sewer system fund to provide for future operations or maintenance. Likewise, in cases where expenses may need to be shared, the District would pro rate and bill the Town as necessary, to ensure that the District is not subsidizing these sewer system activities with its normal operating revenues.

The Town accounts for these sewer operations in their Sewer Enterprise Fund.

VI. Subsequent Events

As of November 22, 2019, the date of the completion of the financial statements, there were no material subsequent events that were required to be reported.

Individual Fund Statements and Schedules

Town of Seven Springs, North Carolina
General Fund
Schedule of Revenues, Expenditures, And
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes:			
Current year	\$ -	\$ 14,106	\$ 14,106
Prior years	-	-	-
Penalties and interest	-	135	135
Total	<u>\$ 15,575</u>	<u>\$ 14,241</u>	<u>\$ (1,334)</u>
Other taxes and licenses:			
Auto licenses	\$ -	\$ -	\$ -
Privilege licenses	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unrestricted intergovernmental:			
Local option sales taxes	\$ -	\$ 8,335	\$ 8,335
Beer and wine tax	-	181	181
Utility franchise tax	-	7,743	7,743
Total	<u>\$ 16,000</u>	<u>\$ 16,259</u>	<u>\$ 259</u>
Restricted intergovernmental:			
Powell Bill allocation	\$ 4,200	\$ 4,374	\$ 174
Revitalization grant	25,000	25,000	-
Total	<u>\$ 29,200</u>	<u>\$ 29,374</u>	<u>\$ 174</u>
Investment earnings:			
Unrestricted	\$ 30	\$ 698	\$ 668
Miscellaneous:			
Old Timey Days revenue	\$ -	\$ 2,882	\$ 2,882
Other	-	2,937	2,937
Total	<u>\$ 5,225</u>	<u>\$ 5,819</u>	<u>\$ 594</u>
Total Revenues	<u>\$ 66,030</u>	<u>\$ 66,391</u>	<u>\$ 361</u>
Expenditures			
General Government:			
Governing Board	\$ -	\$ 3,600	\$ -
Professional services	-	4,294	-
Other operating expenditures	-	22,649	-
Capital outlay	-	-	-
Total	<u>\$ 32,436</u>	<u>\$ 30,543</u>	<u>\$ 1,893</u>

(continued)

Town of Seven Springs, North Carolina
General Fund
Schedule of Revenues, Expenditures, And
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

(continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Administration:			
Salaries and employee benefits	\$ 12,800	\$ 11,700	\$ -
Total	<u>\$ 12,800</u>	<u>\$ 11,700</u>	<u>\$ 1,100</u>
Elections:			
Other operating expenditures	\$ 100	\$ -	\$ 100
Total	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 100</u>
Total General Government	<u>\$ 45,336</u>	<u>\$ 42,243</u>	<u>\$ 3,093</u>
Transportation:			
Streets and Highways:			
Street lights	\$ -	\$ 3,733	\$ -
Other operating expenditures	-	-	-
Capital outlay	-	-	-
Total Transportation	<u>\$ 3,800</u>	<u>\$ 3,733</u>	<u>\$ 67</u>
Public Safety:			
Fire:			
Pro-rate share of tax	\$ -	\$ 1,036	\$ -
Total	<u>\$ 1,100</u>	<u>\$ 1,036</u>	<u>\$ 64</u>
Cultural and Recreation:			
Other operating expenditures	\$ -	\$ 4,083	\$ -
Total Culture and Recreation	<u>\$ 27,300</u>	<u>\$ 4,083</u>	<u>\$ 23,217</u>
Debt Service:			
Principal retirement	\$ -	\$ -	\$ -
Interest and other charges	-	-	-
Total Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 77,536</u>	<u>\$ 51,095</u>	<u>\$ 26,441</u>
Revenues Over (Under) Expenditures	<u>\$ (11,506)</u>	<u>\$ 15,296</u>	<u>\$ 3,790</u>
Other Financing Sources (uses):			
Appropriated fund balance	\$ 11,506	\$ -	\$ (11,506)
Insurance proceeds	-	-	-
Total	<u>\$ 11,506</u>	<u>\$ -</u>	<u>\$ (11,506)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 15,296</u>	<u>\$ 15,296</u>
Fund Balances			
Beginning of year		<u>229,419</u>	
End of year		<u>\$ 244,715</u>	

Town of Seven Springs, North Carolina
Water and Sewer Enterprise Fund
Schedule of Revenues And Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating Revenues:			
Charges for services	\$ 383,600	\$ 384,829	\$ 1,229
Sewer taps	-	-	-
Other operating revenues	-	-	-
Total Operating Revenues	<u>\$ 383,600</u>	<u>\$ 384,829</u>	<u>\$ 1,229</u>
Nonoperating Revenues:			
Interest earnings	\$ 2,650	\$ 3,479	\$ 829
Total Operating Revenues	<u>\$ 2,650</u>	<u>\$ 3,479</u>	<u>\$ 829</u>
Total Revenues	<u>\$ 386,250</u>	<u>\$ 388,308</u>	<u>\$ 2,058</u>
Expenditures			
Operating Expenditures:			
Accounting and auditing	\$ 3,000	\$ 2,125	\$ 875
Bank charges	300	280	20
Billing charges	3,600	1,995	1,605
Electricity	11,800	12,521	(721)
Maintenance and service contracts	2,000	-	2,000
Operations contract	24,000	24,000	-
Engineering fees	1,200	1,200	-
Legal fees	600	600	-
Office supplies and postage	500	-	500
Repairs and line location	15,000	14,161	839
Site maintenance	4,000	2,013	1,987
Sewage treatment fees	262,000	257,291	4,709
Supplies and chemicals	9,550	1,009	8,541
Telephone and radios	10,500	10,495	5
Water purchases	2,200	2,004	196
Total	<u>\$ 350,250</u>	<u>\$ 329,694</u>	<u>\$ 20,556</u>
Capital Outlay:			
Equipment	<u>\$ 36,000</u>	<u>\$ 35,744</u>	<u>\$ 256</u>
Total Expenditures	<u>\$ 386,250</u>	<u>\$ 365,438</u>	<u>\$ 20,812</u>

Town of Seven Springs, North Carolina
Water and Sewer Enterprise Fund
Schedule of Revenues And Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses)			
Contingencies	\$ -	\$ -	\$ -
Appropriated retained earnings	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -
Revenues and Other Sources Over (Under)			
Expenditures and Other Uses	\$ -	\$ 22,870	\$ 22,870
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital contributions		-	
Capital outlay		35,744	
Depreciation		(112,184)	
Total Reconciling Items		\$ (76,440)	
Change in Net Position		\$ (53,570)	

Other Schedules

This section contains additional information on property taxes.

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

Town of Seven Springs, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 14,396	\$ 13,176	\$ 1,220
2017-2018	898	-	55	843
2016-2017	680	-	111	569
2015-2016	242	-	142	100
2014-2015	140	-	51	89
2013-2014	178	-	83	95
2012-2013	342	-	192	150
2011-2012	124	-	41	83
2010-2011	244	-	174	70
2009-2010	81	-	81	-
2008-2009	1,215	-	1,215	-
Total	<u>\$ 4,144</u>	<u>\$ 14,396</u>	<u>\$ 15,321</u>	<u>\$ 3,219</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 14,241
Taxes written off	<u>1,215</u>
Subtotal	15,456
Less interest and penalties collected	<u>(135)</u>
Total collections and credits	<u>\$ 15,321</u>

Town of Seven Springs, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2019

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 2,665,926	0.54	\$ 14,396	\$ 12,445	\$ 1,951
Total Property Valuation	<u>\$ 2,665,926</u>				
Net levy			\$ 14,396	\$ 12,445	\$ 1,951
Uncollected taxes at June 30, 2019			<u>1,220</u>	<u>1,220</u>	<u>-</u>
Current year's taxes collected			<u>\$ 13,176</u>	<u>\$ 11,225</u>	<u>\$ 1,951</u>
Current levy collection percentage			<u>91.53%</u>	<u>90.20%</u>	<u>100.00%</u>