

TOWN OF SPRING HOPE

SPRING HOPE, NORTH CAROLINA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**TOWN OF SPRING HOPE
AUDITED FINANCIAL STATEMENTS
SPRING HOPE, NORTH CAROLINA
JUNE 30, 2019**

James F. Gwaltney, III
Mayor

TOWN COUNCIL MEMBERS

Drew Griffin

Brent Cone

Ricky Tucker

Brenda Lucas

Nancy Walker

ADMINISTRATIVE AND FINANCIAL STAFF

Jae Kim
Town Manager

Michele Collins
Finance Officer
& Town Clerk

Sandra Morris
Administration Specialist
& Tax Collector

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FINANCIAL SECTION

May & Place, PA

CERTIFIED PUBLIC ACCOUNTANTS

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SCOTT H. MAY, CPA
DALE R. PLACE, CPA, CFE

Independent Auditor's Report

To the Honorable Mayor and
Board of Commissioners
Town of Spring Hope, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the Town of Spring Hope, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the Town of Spring Hope's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Spring Hope, North Carolina 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, on pages 9-14, the Local Government Employees' Retirement System's Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Contributions, on pages 46 and 47, respectively, and the Law Enforcement Officers' Special Separation Allowance Schedule of Changes in Total Pension Liability and Schedule of Total Pension Liability as a Percentage of Covered Payroll, on pages 48 and 49, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Spring Hope, North Carolina. The combining and individual fund financial 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 financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019 on our consideration of the Town of Spring Hope's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Spring Hope's internal control over financial reporting and compliance.

May & Place, PA

Louisburg, North Carolina

November 27, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Spring Hope, we offer readers of the Town of Spring Hope's financial statements this narrative overview and analysis of the financial activities of the Town of Spring Hope 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

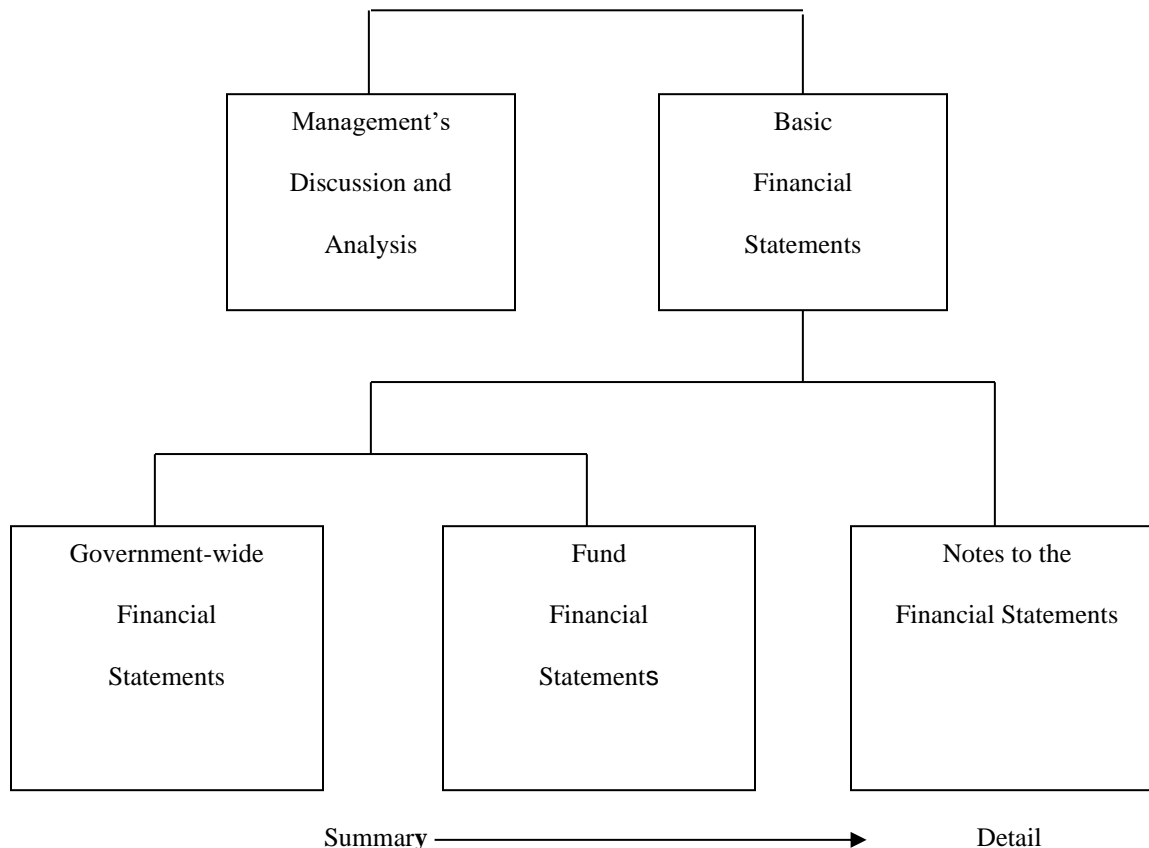
- The assets and deferred outflows of resources of the Town of Spring Hope exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,401,318 (*net position*).
- As of the close of the current fiscal year, the Town of Spring Hope's governmental funds reported combined ending fund balances of \$1,246,395, an increase of \$165,574 from the prior year. Approximately 63.09 percent of this total amount, or \$786,321, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$786,321, or 70.70 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 Spring Hope's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Spring Hope.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 8) 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 deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, transportation, environmental protection, cultural and recreation, and general government. 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 services. These include the water and sewer services offered by the Town of Spring Hope.

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 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 Spring Hope, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Spring Hope can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – 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* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Spring Hope adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the 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 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.

Proprietary Funds – The Town of Spring Hope has one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Spring Hope 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.

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 start on page 27 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Spring Hope’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 45 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to change in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

**Town of Spring Hope’s Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1 284 757	\$ 1 117 086	\$ 425 553	\$ 360 308	\$ 1 710 310	\$ 1 477 394
Capital assets	1 999 601	2 061 828	3 493 110	3 476 411	5 492 711	5 538 239
Deferred outflows of resources	140 636	98 824	11 542	9 956	152 178	108 780
Total assets and deferred outflows of resources	<u>3 424 994</u>	<u>3 277 738</u>	<u>3 930 205</u>	<u>3 846 675</u>	<u>7 355 199</u>	<u>7 124 413</u>
Long-term liabilities outstanding	1 057 372	1 039 363	760 801	657 305	1 818 173	1 696 668
Other liabilities	38 421	39 877	75 017	68 859	113 438	108 736
Deferred inflows of resources	21 717	14 452	553	769	22 270	15 221
Total liabilities and deferred inflows of resources	<u>1 117 510</u>	<u>1 093 692</u>	<u>836 371</u>	<u>726 933</u>	<u>1 953 881</u>	<u>1 820 625</u>
Net position:						
Net investment in capital assets	1 346 707	1 374 112	2 729 156	2 813 559	4 075 863	4 187 671
Restricted	460 074	367 118	-	-	460 074	367 118
Unrestricted	500 703	442 816	364 678	306 183	865 381	748 999
Total net position	<u>\$ 2 307 484</u>	<u>\$ 2 184 046</u>	<u>\$ 3 093 834</u>	<u>\$ 3 119 742</u>	<u>\$ 5 401 318</u>	<u>\$ 5 303 788</u>

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of the Town of Spring Hope exceeded liabilities and deferred inflows by \$5,401,318 as of June 30, 2019. The Town’s net position increased by \$97,530 for the fiscal year ended June 30, 2019. However, the largest portion (75.46%) reflects the Town’s investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Spring Hope uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Spring Hope’s net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Spring Hope’s net position, \$460,074 (8.52%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$865,381 is unrestricted.

Several particular aspects of the Town’s financial operations influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.28%, which is comparable to the statewide average of 98.78%.
- Increased collection of past due water bills and property taxes due to the Town's participation in the NC Debt Setoff Program, where individuals' income tax returns are garnished if they owe the Town over \$50.00.

Town of Spring Hope Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 187 348	\$ 173 867	\$ 490 705	\$ 484 077	\$ 678 053	\$ 657 944
Operating grants & contributions	61 797	158 972	-	-	61 797	158 972
Capital grants & contributions	-	-	-	-	-	-
General revenues						
Property taxes	605 564	553 289	-	-	605 564	553 289
Other taxes	442 682	401 436	-	-	442 682	401 436
Other	7 408	33 919	8 373	7 780	15 781	41 699
Total revenues	<u>1 304 799</u>	<u>1 321 483</u>	<u>499 078</u>	<u>491 857</u>	<u>1 803 877</u>	<u>1 813 340</u>
Expenses						
General government	388 197	413 057	-	-	388 197	413 057
Public safety	508 542	471 187	-	-	508 542	471 187
Streets and highways	70 624	169 426	-	-	70 624	169 426
Environmental protection	158 132	140 581	-	-	158 132	140 581
Culture and recreation	28 009	27 451	-	-	28 009	27 451
Interest on long term debt	27 857	26 871	-	-	27 857	26 871
Water and sewer	-	-	524 986	541 754	524 986	541 754
Total expenses	<u>1 181 361</u>	<u>1 248 573</u>	<u>524 986</u>	<u>541 754</u>	<u>1 706 347</u>	<u>1 790 327</u>
Increase (decrease) in net position before transfers and extraordinary item	123 438	72 910	(25 908)	(49 897)	97 530	23 013
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	123 438	72 910	(25 908)	(49 897)	97 530	23 013
Net position July 1, restated	2 184 046	2 111 136	3 119 742	3 169 639	5 303 788	5 280 775
Net position, June 30	<u>\$ 2 307 484</u>	<u>\$ 2 184 046</u>	<u>\$ 3 093 834</u>	<u>\$ 3 119 742</u>	<u>\$ 5 401 318</u>	<u>\$ 5 303 788</u>

Governmental activities: Governmental activities increased the Town's net position by \$123,438, accounting for 126.56% of the total growth in net position of the Town of Spring Hope. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Town management reduced non-essential programs to minimum and implemented cost saving strategies across Town departments. Certain nonrecurring expenses were either postponed or renegotiated in an attempt to maintain a healthy net position. Management believes healthy investment in the Town will result in additional revenues. Increased efforts to maximize tax collections contributed to the favorable net position. Tax revenues did not appreciably decline in the current year. Town management acknowledges that 2019 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Business-type activities: Business-type activities decreased the Town of Spring Hope's net assets by (\$25,908).

Financial Analysis of the Town of Spring Hope Funds

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

Governmental Funds. The focus of the Town of Spring Hope's 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 Spring Hope's financing requirements. Specifically, unreserved 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 Town of Spring Hope. At the end of the current fiscal year, the Town of Spring Hope's total fund balance reached \$1,246,395, which is in the General Fund. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. The Town of Spring Hope has not adopted a policy for maintaining a certain percentage of fund balance over general fund expenditures to maintain unforeseen needs or opportunities. Unassigned fund balance represents 70.70 percent of total general fund expenditures.

At June 30, 2019, the governmental funds of the Town of Spring Hope reported a combined fund balance of \$1,246,395, a 15.32 percent increase over last year. Included in this change in fund balance are increases in fund balance in the General Fund.

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 become necessary to maintain services.

Small adjustments were made to the budget to account for more exact information being available after the original budget was adopted. There were several reasons the Town revised its budget throughout the year. Although expenditures were held in check overall to comply with its budgetary requirements, the Town did amend the budget in the General Fund in General Government, Public Safety and Debt Service to account for unexpected expenditures during the year.

Proprietary Funds. The Town of Spring Hope's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$364,678. The decrease in net position for the Water and Sewer fund was \$25,908. 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 Spring Hope's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$5,492,711 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Town of Spring Hope's Capital Assets

Figure 4
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 50 000	\$ 50 000	\$ -	\$ -	\$ 50 000	\$ 50 000
Construction in Progress	-	-	-	142 320	-	142 320
Plant Distribution System	1 807 515	1 859 258	3 492 736	3 333 437	5 300 251	5 192 695
Machinery and Equipment	22 811	1 158	374	654	23 185	1 812
Vehicles and Motorized Equipment	119 275	151 412	-	-	119 275	151 412
Total	\$ 1 999 601	\$ 2 061 828	\$ 3 493 110	\$ 3 476 411	\$ 5 492 711	\$ 5 538 239

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

Major capital asset transaction during the year include the following:

- Acquisition of software for police department.

Long-term Debt. As of June 30, 2019, the Town of Spring Hope had total installment debt of \$1,416,848. The installment debt is backed by security interests in the property for which it was issued.

The remainder of the Town’s debt represents employment related benefits (e.g. compensated absences and pension related debt).

Outstanding Liabilities
Figure 5

Town of Spring Hope’s Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Installment debt	\$ 652 894	\$ 687 716	\$ 763 954	\$ 662 852	\$ 1 416 848	\$ 1 350 568
Compensated absences	32 029	30 860	5 555	4 670	37 584	35 530
Pension related debt (LGERS)	156 277	97 644	14 294	12 810	170 571	110 454
Pension related debt (LEO)	251 703	257 405	-	-	251 703	257 405
Total	\$ 1 092 903	\$ 1 073 625	\$ 783 803	\$ 680 332	\$ 1 876 706	\$ 1 753 957

Town of Spring Hope’s Outstanding Debt

The Town of Spring Hope’s total debt increased by \$122,749 or 7.00% during the past fiscal year, primarily due to the increase in installment debt.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Spring Hope is \$7,213,737.

Additional information regarding the Town of Spring Hope’s long-term debt can be found beginning on page 42 of this report.

Economic Factors and Next Year’s Budgets and Rates

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

- The Town maintained a tax rate of .67 per \$100.00 valuation.
- The Town maintained stable water and sewer rates for the fourth year in a year.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Property taxes (benefiting from the economic growth of recent new business) and revenues from permits and fees are expected to show a slight increase in budgeted revenue. Property tax rate has been maintained at .67 per \$100 valuation in the fiscal year ending June 30, 2020.

Business-type Activities: The water and sewer rates will remain stable again in this fiscal year even as significant improvements are made to the water and sewer systems, including replacing a third of the water meters in Town which is part of a three-year replacement program. Work continues on the sewer system improvements.

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 Jae Kim, Town Manager, P. O. Box 87, Spring Hope, N. C. 27882. He can also be emailed at m.collins@springhope.net, or telephoned at (252)478-5186.

Exhibit 1

Town of Spring Hope, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 820 831	\$ 282 006	\$ 1 102 837
Taxes receivables (net)	38 560	-	38 560
Accrued interest receivable	3 852	-	3 852
Accounts receivable (net)	103 547	51 263	154 810
Internal balances	(27 351)	27 351	-
Inventories	-	500	500
Restricted cash and cash equivalents	345 318	64 433	409 751
Total current assets	<u>1 284 757</u>	<u>425 553</u>	<u>1 710 310</u>
Non-Current Assets:			
Capital Assets:			
Land, non-depreciable improvements, and construction in progress	50 000	-	50 000
Other assets, net of depreciation	1 949 601	3 493 110	5 442 711
Total capital assets	<u>1 999 601</u>	<u>3 493 110</u>	<u>5 492 711</u>
Total assets	<u>3 284 358</u>	<u>3 918 663</u>	<u>7 203 021</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	<u>140 636</u>	<u>11 542</u>	<u>152 178</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	2 890	6 731	9 621
Current portion of long-term liabilities	35 531	23 002	58 533
Payable from restricted assets	-	45 284	45 284
Total current liabilities	<u>38 421</u>	<u>75 017</u>	<u>113 438</u>
Long-term liabilities:			
Compensated absences	32 029	5 555	37 584
Due in more than one year	617 363	740 952	1 358 315
Net pension liability – LGERS	156 277	14 294	170 571
Total pension liability – LEO	251 703	-	251 703
Total long-term liabilities	<u>1 057 372</u>	<u>760 801</u>	<u>1 818 173</u>
Total liabilities	<u>1 095 793</u>	<u>835 818</u>	<u>1 931 611</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	<u>21 717</u>	<u>553</u>	<u>22 270</u>
NET POSITION			
Net investment in capital assets	1 346 707	2 729 156	4 075 863
Restricted for:			
Public Safety	786	-	786
Economic Development	26 272	-	26 272
Town Hall Payment	50 481	-	50 481
Streets	111 862	-	111 862
Stabilization by State Statute	117 409	-	117 409
Channel Fund	153 264	-	153 264
Unrestricted	500 703	364 678	865 381
Total net position	<u>\$ 2 307 484</u>	<u>\$ 3 093 834</u>	<u>\$ 5 401 318</u>

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

**Town of Spring Hope, 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>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>	<u>Total</u>
Primary government:							
Governmental activities:							
General government	\$ 388 197	\$ 7 073	\$ -	\$ -	\$ (381 124)	\$ -	\$ (381 124)
Public safety	508 542	-	220	-	(508 322)	-	(508 322)
Transportation	70 624	-	39 355	-	(31 269)	-	(31 269)
Environmental protection	158 132	180 275	22 222	-	44 365	-	44 365
Cultural and recreation	28 009	-	-	-	(28 009)	-	(28 009)
Interest on long term debt	27 857	-	-	-	(27 857)	-	(27 857)
Total governmental activities	<u>1 181 361</u>	<u>187 348</u>	<u>61 797</u>	<u>-</u>	<u>(932 216)</u>	<u>-</u>	<u>(932 216)</u>
Business-type activities:							
Water and sewer	524 986	490 705	-	-	-	(34 281)	(34 281)
Total business-type activities	<u>524 986</u>	<u>490 705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34 281)</u>	<u>(34 281)</u>
Total primary government	<u>\$ 1 706 347</u>	<u>\$ 678 053</u>	<u>\$ 61 797</u>	<u>\$ -</u>	<u>(932 216)</u>	<u>(34 281)</u>	<u>(966 497)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					605 564	-	605 564
Other taxes					442 682	-	442 682
Unrestricted investment earnings					731	619	1 350
Miscellaneous					5 924	7 754	13 678
Insurance recovery					753	-	753
Total general revenues, not including transfers					<u>1 055 654</u>	<u>8 373</u>	<u>1 064 027</u>
Transfers					-	-	-
Total general revenues and transfers					<u>1 055 654</u>	<u>8 373</u>	<u>1 064 027</u>
Change in net position					123 438	(25 908)	97 530
Net position, beginning					2 184 046	3 119 742	5 303 788
Net position, ending					<u>\$ 2 307 484</u>	<u>\$ 3 093 834</u>	<u>\$ 5 401 318</u>

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

**Town of Spring Hope
Balance Sheet
Governmental Funds
June 30, 2019**

	<u>Major Fund</u> <u>General</u> <u>Fund</u>		<u>Total Non-</u> <u>Major Funds</u>		<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 820 831	\$	-	\$	820 831
Restricted cash and cash equivalents	342 665		2 653		345 318
Receivables, net:					
Taxes	38 560		-		38 560
Accounts	103 547		-		103 547
Due from other funds	2 653		(2 653)		-
Total Assets	<u>1 308 256</u>		<u>-</u>		<u>1 308 256</u>
LIABILITIES					
Accounts payable and accrued liabilities	2 890		-		2 890
Due to water and sewer	27 351		-		27 351
Total liabilities	<u>30 241</u>		<u>-</u>		<u>30 241</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	<u>31 620</u>		<u>-</u>		<u>31 620</u>
FUND BALANCES					
Restricted:					
Public Safety	786		-		786
Economic Development	26 272		-		26 272
Stabilization by State Statute	117 409		-		117 409
Town Hall Payment	50 481		-		50 481
Streets	111 862		-		111 862
Channel Fund	153 264		-		153 264
Unassigned	786 321		-		786 321
Total fund balances	<u>1 246 395</u>		<u>-</u>		<u>1 246 395</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1 308 256</u>	\$	<u>-</u>	\$	<u>\$ 1 308 256</u>

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

**Town of Spring Hope
Balance Sheet
Governmental Funds
June 30, 2019**

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

Total Fund Balance, Governmental Funds	\$	1 246 395
Capital Assets used in governmental activities are not reported in the funds.		
Gross capital assets at historical cost	\$	2 971 345
Accumulated depreciation		<u>(971 744)</u>
		1 999 601
Deferred outflows of resources related to pensions are not reported in the funds		140 636
Other long-term assets (accrued interest receivable from taxes, prepaid items) are not available to pay for current-period expenditures and therefore, are inflows of resources in the funds		3 852
Liabilities for earned revenues considered deferred inflows of resources in fund statements		31 620
Long-term liabilities used in governmental activities are not financial uses and therefore, are not reported in the funds.		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year)		(652 894)
Net pension liability – LGERS		(156 277)
Net pension liability – LEO		(251 703)
Deferred inflows of resources related to pensions are not reported in the funds		(21 717)
Other long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds		
Compensated absences payable		<u>(32 029)</u>
Net position of governmental activities	\$	<u>2 307 484</u>

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

Town of Spring Hope
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	<u>Major Fund</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Total Non- Major Funds</u>	
REVENUES			
Ad valorem taxes	\$ 600 741	\$ -	\$ 600 741
Other taxes and licenses	150	-	150
Unrestricted intergovernmental	442 532	-	442 532
Restricted intergovernmental	40 496	22 222	62 718
Permits and fees	6 152	-	6 152
Sales and services	180 275	-	180 275
Investment earnings	731	-	731
Miscellaneous	4 225	-	4 225
Total revenues	<u>1 275 302</u>	<u>22 222</u>	<u>1 297 524</u>
EXPENDITURES			
Current:			
General government	320 041	-	320 041
Public safety	494 917	-	494 917
Transportation	70 624	-	70 624
Environmental protection	135 910	22 222	158 132
Culture and recreation	28 009	-	28 009
Debt service:			
Principal	34 822	-	34 822
Interest and other charges	27 857	-	27 857
Total expenditures	<u>1 112 180</u>	<u>22 222</u>	<u>1 134 402</u>
Excess (deficiency) of revenues over expenditures	<u>163 122</u>	<u>-</u>	<u>163 122</u>
OTHER FINANCING SOURCES (USES)			
Transfer to other funds	-	-	-
Sale of capital assets	1 699	-	1 699
Insurance recovery	753	-	753
Total other financing sources (uses)	<u>2 452</u>	<u>-</u>	<u>2 452</u>
Net change in fund balance	165 574	-	165 574
Fund balances, beginning	1 080 821	-	1 080 821
Fund balances, ending	<u>\$ 1 246 395</u>	<u>\$ -</u>	<u>\$ 1 246 395</u>

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

Town of Spring Hope
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

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

Net changes in fund balances -total governmental funds	\$	165 574
<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 depreciation exceeded capital outlays in the current period.</p>		
Capital outlay expenditures which were capitalized	\$	24 014
Depreciation expense for governmental assets		(86 241)
		<u>(62 227)</u>
Cost of capital asset disposed of during the year, not recognized on modified accrual basis		-
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		32 166
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		11 806
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		3 960
Change in accrued interest receivable on taxes		863
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued		-
Principal payments on long-term debt		34 822
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		(1 169)
Pension expense		<u>(62 357)</u>
Total changes in net position of governmental activities	\$	<u>123 438</u>

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

**Town of Spring Hope
Annually Budgeted Major General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance – 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	\$ 571 300	\$ 571 300	\$ 600 741	\$ 29 441
Other taxes and licenses	-	-	150	150
Unrestricted intergovernmental	364 500	364 500	442 532	78 032
Restricted intergovernmental	40 600	40 600	40 496	(104)
Permits and fees	2 500	2 500	6 152	3 652
Sales and services	172 000	172 000	180 275	8 275
Investment earnings	200	200	731	531
Miscellaneous	3 500	6 765	4 225	(2 540)
Total revenues	<u>1 154 600</u>	<u>1 157 865</u>	<u>1 275 302</u>	<u>117 437</u>
Expenditures:				
Current:				
General government	343 567	348 759	320 041	28 718
Public safety	459 530	477 579	494 917	(17 338)
Transportation	131 000	131 000	70 624	60 376
Environmental protection	139 000	139 000	135 910	3 090
Cultural and recreation	31 003	31 003	28 009	2 994
Debt service:				
Principal retirement	34 822	34 822	34 822	-
Interest	26 178	31 951	27 857	4 094
Total expenditures	<u>1 165 100</u>	<u>1 194 114</u>	<u>1 112 180</u>	<u>81 934</u>
Revenues over (under) expenditures	<u>(10 500)</u>	<u>(36 249)</u>	<u>163 122</u>	<u>199 371</u>
Other financing sources (uses):				
Transfers from other funds	10 500	10 500	-	(10 500)
Insurance recovery	-	-	753	753
Sale of capital assets	-	-	1 699	1 699
Installment purchase obligations	-	-	-	-
Total other financing sources (uses)	<u>10 500</u>	<u>10 500</u>	<u>2 452</u>	<u>(8 048)</u>
Fund balance appropriated	<u>-</u>	<u>25 749</u>	<u>-</u>	<u>(25 749)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>165 574</u>	<u>\$ 165 574</u>
Fund balances, beginning			<u>1 080 821</u>	
Fund balances, ending			<u>\$ 1 246 395</u>	

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

**Town of Spring Hope
Statement of Fund Net Position
Proprietary Funds
Year Ended June 30, 2019**

	Major Enterprise Fund	
	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 282 006	\$ 282 006
Accounts receivable (net)	51 263	51 263
Due from general fund	27 351	27 351
Inventories	500	500
Restricted cash and cash equivalents	64 433	64 433
Total current assets	425 553	425 553
Noncurrent assets:		
Capital assets:		
Land and non-depreciable improvements	-	-
Other capital assets, net of depreciation	3 493 110	3 493 110
Total noncurrent assets	3 493 110	3 493 110
Total assets	3 918 663	3 918 663
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	11 542	11 542
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	6 731	6 731
Notes payable – current	23 002	23 002
Liabilities payable from restricted assets:		
Customer deposits	45 284	45 284
Total current liabilities	75 017	75 017
Noncurrent liabilities:		
Notes payable – noncurrent	740 952	740 952
Compensated absences	5 555	5 555
Net pension liability	14 294	14 294
Total noncurrent liabilities	760 801	760 801
Total liabilities	835 818	835 818
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	553	553
NET POSITION		
Net investment in capital assets	2 729 156	2 729 156
Unrestricted	364 678	364 678
Total net position	\$ 3 093 834	\$ 3 093 834

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

Town of Spring Hope
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Major Enterprise Fund	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 454 510	\$ 454 510
Water and sewer taps	4 660	4 660
Other operating revenues	31 535	31 535
Total operating revenues	<u>490 705</u>	<u>490 705</u>
OPERATING EXPENSES		
Administration	180 341	180 341
Water treatment and distribution	225 166	225 166
Waste collection and treatment	-	-
Depreciation	107 003	107 003
Total operating expenses	<u>512 510</u>	<u>512 510</u>
Operating income (loss)	<u>(21 805)</u>	<u>(21 805)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest and other charges	(12 476)	(12 476)
Other revenue	7 754	7 754
Interest income	619	619
Total nonoperating revenue (expenses)	<u>(4 103)</u>	<u>(4 103)</u>
Income (loss) before contributions and transfers	(25 908)	(25 908)
Transfer to general fund	-	-
Change in net position	(25 908)	(25 908)
Total net position, previously reported	3 119 742	3 119 742
Total net position, ending	<u>\$ 3 093 834</u>	<u>\$ 3 093 834</u>

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

**Town of Spring Hope
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019**

	Major Enterprise Fund	
	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 490 705	\$ 490 705
Cash paid on behalf of employees	(52 798)	(52 798)
Other operating expenses	(344 167)	(344 167)
Net cash provided (used) by operating activities	93 740	93 740
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from other funds	-	-
Transfer to other funds	-	-
Total cash flows from noncapital financing activities	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(123 698)	(123 698)
Proceeds installment purchase obligations	123 698	123 698
Principal paid on notes payable	(22 596)	(22 596)
Interest paid on notes payable	(12 476)	(12 476)
Net cash provided (used) by capital and related financing activities	(35 072)	(35 072)
CASH FLOWS FROM INVESTING ACTIVITIES		
Other revenue	7 754	7 754
Interest income	619	619
Net cash provided (used) by investing activities	8 373	8 373
 Net increase (decrease) in cash and cash equivalents	 67 041	 67 041
Balances, beginning	279 398	279 398
Balances, ending	\$ 346 439	\$ 346 439

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

**Town of Spring Hope
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019**

	Major Enterprise Fund	
	Water and Sewer Fund	Total
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	\$ <u>(21 805)</u>	\$ <u>(21 805)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	107 003	107 003
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
(Increase) decrease in accounts receivable	1 792	1 792
Increase (decrease) in accounts payable	2 883	2 883
Increase (decrease) in compensated absences	885	885
(Increase) decrease in deferred outflows – pensions	(1 586)	(1 586)
Increase (decrease) in net pension liability	1 484	1 484
Increase (decrease) in deferred inflows – pensions	(216)	(216)
Increase (decrease) in customer deposits	<u>3 300</u>	<u>3 300</u>
Total adjustments	<u>115 545</u>	<u>115 545</u>
Net cash provided by operating activities	\$ <u><u>93 740</u></u>	\$ <u><u>93 740</u></u>

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

Notes to the Financial Statements

Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Spring Hope 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 Spring Hope is a municipal corporation that is governed by an elected mayor and a five-member Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the Town as a legally separate entity for which the Town is financially accountable.

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. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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. Nonoperating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town of Spring Hope 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 public safety, street maintenance and construction, and sanitation services.

The Town of Spring Hope reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for the Town's water and 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 system 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.

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 tax receivables 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 in the County, including the Town of Spring Hope. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the 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 shared revenue for the Town of Spring Hope because the tax is levied by Nash 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 Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Projects Special Revenue Fund. 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 project level for the multi-year funds. All amendments must be approved by the governing board and the 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

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. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principle 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).

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 cash equivalents.

3. Restricted Assets

The Town of Spring Hope is required to maintain restricted cash in the bank. This is for the General Fund (USDA Loan). In the General Fund an account is required by USDA to be consistent with the Loan Resolution, borrower of loans secured with Promissory Notes are required to fund and maintain a Reserve Account in an amount equal to one annual payment. These funds can be established as restricted cash for USDA reserve in a single deposit equal to one year’s debt service or in annual deposits equal to ten percent of the annual payment until the reserve has an amount equal to one year’s debt service. In order to fulfill the loan resolution requirement, the reserve will be shown as restricted cash and restricted net assets. As of June 30, 2019, the USDA restricted amount of cash in the bank is \$70,416.

The Reserve Record is as follows:

<u>Date</u>	<u>Deposit Due</u>	<u>Total Reserve Due</u>
6/15/2019	\$ 786	\$ 786
6/15/2020	786	1 572
6/15/2021	786	2 358
6/15/2022	786	3 144
6/15/2023	786	3 930
6/15/2024	786	4 716
6/15/2025	786	5 502
6/15/2026	786	6 288
6/15/2027	786	7 074
6/15/2028	777	7 851

When totally funded the amount would be \$7,851.

The Reserve Record is as follows:

<u>Date</u>	<u>Deposit Due</u>	<u>Total Reserve Due</u>
6/30/2007	\$ 400	\$ 400
6/30/2008	4 781	5 181
6/30/2009	4 781	9 962
6/30/2010	4 781	14 743
6/30/2011	4 781	19 524
6/30/2012	4 781	24 305
6/30/2013	4 781	29 086
6/30/2014	4 781	33 867
6/30/2015	4 781	38 648
6/30/2016	4 781	43 429
6/30/2017	4 779	48 208

When totally funded the amount would be \$48,208. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Town of Spring Hope Restricted Cash

Governmental Activities			
General Fund	Brownfield Project	\$	2 653
	Public Safety		786
	Economic Development		26 272
	Streets		111 862
	Town Hall Payment		50 481
	Channel Fund		153 264
Total Governmental Activities		\$	<u>345 318</u>
Business-type Activities			
Water and Sewer Fund	Economic Development	\$	19 149
	Customer Deposits		45 284
Total Business-Type Activities		\$	<u>64 433</u>
Total Restricted Cash		\$	<u>409 751</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

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. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first out), which approximates market. The Town's General Fund does not maintain an inventory of supplies. They are expensed as purchased. The inventory of the Water and Sewer Fund consists of materials and supplies held in subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

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 more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$3000; vehicles, \$5,000; computer software \$3,000; and computer equipment \$3,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 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, which were assets acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	50
Buildings	30
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer software	5
Computer equipment	3
Streets and sidewalks	50

8. 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 meets this criterion, contributions made to the pension plan 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 several items that meet the criterion for this category – prepaid taxes, property taxes receivable and pension deferrals.

9. 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time.

The Town'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 Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. 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 the 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.

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

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State Statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation". RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the balance sheet.

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

Restricted for Economic Development – portion of fund balance restricted for economic development [G.S. Chapter 159, Article 3, Part 2].

Restricted for Town Hall Payment – portion of fund balance restricted as a reserve account that equals one annual payment of a USDA loan per promissory note.

Restricted for Channel Fund – portion of fund balance restricted from the accumulation of franchise tax for cable to be expensed for public access TV.

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 Spring Hope's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance – portion of fund balance that the Town of Spring Hope intends to use for specific purposes.

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

The Town of Spring Hope has a revenue spending policy that provides guidance for programs with multiple sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Spring Hope has not adopted a minimum fund balance policy for the general fund.

12. Defined Benefit Cost-Sharing Plans

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

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for public safety activities by \$17,338. This over-expenditure occurred because of new fixed asset acquisitions in the public safety department during the year. Management and the Board will more closely review the budget reports to ensure compliance in future years.

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 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. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$1,512,188 and a bank balance of \$1,195,857. Of the bank balance, all was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$400.

The Board has no policy for managing different deposits and investment risks it encounters. Management does not follow any internal practices to avoid applicable risks.

The Town of Spring Hope has not 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 equal to a percentage of budgeted expenditures.

2. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and in the Statement of Net Position for the year ended June 30, 2018, is net of the following allowances for doubtful accounts:

Fund	6/30/19
General Fund:	
Taxes receivable	\$ 10 540
Accounts receivable	20 303
Total	<u>\$ 30 843</u>
Enterprise Funds:	
Water and Sewer	
Accounts Receivable	\$ 3 026
Total	<u>\$ 3 026</u>

3. Capital Assets

Primary Government

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 50 000	\$ -	\$ -	\$ 50 000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>50 000</u>	<u>-</u>	<u>-</u>	<u>50 000</u>
Capital assets being depreciated:				
Buildings and improvements	2 591 012	-	-	2 591 012
Equipment	99 972	24 014	-	123 986
Vehicles and motorized equipment	226 947	-	20 600	206 347
Total capital assets being depreciated	<u>2 917 931</u>	<u>24 014</u>	<u>20 600</u>	<u>2 921 345</u>
Less accumulated depreciation for:				
Buildings and improvements	731 754	51 743	-	783 497
Equipment	98 814	2 361	-	101 175
Vehicles and motorized equipment	75 535	32 137	20 600	87 072
Total accumulated depreciation	<u>906 103</u>	<u>\$ 86 241</u>	<u>\$ 20 600</u>	<u>971 744</u>
Total capital assets being depreciated, net	<u>2 011 828</u>			<u>1 949 601</u>
Governmental activity capital assets, net	<u>\$ 2 061 828</u>			<u>\$ 1 999 601</u>

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

General government	\$ 52 469
Public safety	33 772
Total depreciation expense	<u>\$ 86 241</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	142 320	-	142 320	-
Total capital assets not being depreciated	<u>142 320</u>	<u>-</u>	<u>142 320</u>	<u>-</u>
Capital assets being depreciated:				
Plant distribution/collection systems	4 269 855	266 022	-	4 535 873
Equipment	66 555	-	-	66 555
Vehicles and motorized equipment	34 905	-	-	34 905
Total capital assets being depreciated	<u>4 371 315</u>	<u>266 022</u>	<u>-</u>	<u>4 637 337</u>
Less accumulated depreciation for:				
Plant distribution/collection systems	936 418	106 723	-	1 043 141
Equipment	65 902	280	-	66 182
Vehicles and motorized equipment	34 904	-	-	34 904
Total accumulated depreciation	<u>1 037 224</u>	<u>\$ 107 003</u>	<u>\$ -</u>	<u>1 144 227</u>
Total capital assets being depreciated, net	<u>3 334 091</u>			<u>3 493 110</u>
Business-type activities capital assets, net	<u>\$ 3 476 411</u>			<u>\$ 3 493 110</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employee's Retirement System

Plan Description. The Town of Spring Hope is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employee's Retirement System is included in the Comprehensive Annual Financial Report (CFAR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50 or have completed five years of creditable service as a LEO and have reached

age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Spring Hope employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Spring Hope's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Spring Hope were \$35,108 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$170,571 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018 (measurement date), the Town's proportion was 0.00719%, which was a decrease of 0.00004% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$49,307. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26 315	\$ 883
Changes of assumptions	45 263	-
Net difference between projected and actual earnings on pension plan investments	23 414	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	7 628	5 714
Town contributions subsequent to the measurement date	35 108	-
Total	\$ 137 728	\$ 6 597

\$35,108 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2019	\$ 47 616
2020	29 568
2021	6 203
2022	12 637
2023	-
Thereafter	-
Total	\$ 96 024

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
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Town's proportionate share of the net pension liability (asset)	\$ <u>409 727</u>	\$ <u>170 571</u>	\$ <u>(29 271)</u>
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Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

The Town of Spring Hope administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>6</u>
Total	<u>7</u>

2. Summary of Significant Accounting Policies:

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statements 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the general Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$11,330 as benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$251,703. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$15,975.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4 909
Changes of assumptions	8 786	10 764
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>5 665</u>	<u>-</u>
Total	\$ <u>14 451</u>	\$ <u>15 673</u>

\$5,665 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30		
2020	\$	1 385
2021		1 385
2022		1 385
2023		1 419
2024		1 313
Thereafter		<u>-</u>
Total	\$	<u><u>6 887</u></u>

\$5,665 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	<u>1% Decrease (2.64%)</u>	<u>Discount Rate (3.64%)</u>	<u>1% Increase (4.64%)</u>
Total pension liability	\$ <u>271 238</u>	\$ <u>251 703</u>	\$ <u>233 808</u>

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	<u>2019</u>
Beginning balance	\$ 257 405
Service cost	9 061
Interest on the total pension liability	7 955
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(2 222)
Changes of assumptions or other inputs	(9 166)
Benefit payments	(11 330)
Other changes	<u>-</u>
Ending balance of the total pension liability	\$ <u><u>251 703</u></u>

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 49 307	\$ 15 975	\$ 65 282
Pension Liability	170 571	251 703	422 274
Proportionate share of the net pension liability	0.00719%	N/A	N/A
Deferred of Outflows of Resources			
Differences between expected and actual experience	26 315	-	26 315
Changes of assumptions	45 263	8 786	54 049
Net difference between projected and actual earnings on plan investments	23 414	-	23 414
Changes in proportion and differences between contributions and proportionate share of contributions	7 628	-	7 628
Benefit payments and administrative costs paid subsequent to the measurement date	35 108	5 665	40 773
Deferred of Inflows of Resources			
Differences between expected and actual experience	883	4 909	5 792
Changes of assumptions	-	10 764	10 764
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	5 714	-	5 714

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. 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. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$16,146, which consisted of \$13,701 from the Town and \$2,445 from the law enforcement officers.

d. Other Post-Employment Benefits

Healthcare Benefits

The Town of Spring Hope has not elected to provide health care benefits to retirees of the Town.

2. Other Employment Benefits

The Town has elected to provide other employment benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (other post-employment benefits), 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 month's 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. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The Town of Spring Hope has several deferred outflows of resources. Deferred outflows of resources are comprised of the following:

Contributions to pension plan in current fiscal year	\$	35 107
Benefit payments made and administrative expenses for LEOSSA		5 665
Differences between expected and actual experience		26 315
Changes of assumptions		54 049
Net difference between projected and actual		23 414
Changes in proportion and differences between employer contributions and proportionate share of contributions		7 628
Total	\$	<u>152 178</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable, less penalties (General Fund)	-	31 620
Changes in assumptions	5 714	-
Differences between expected and actual experience	5 792	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10 764	-
Total	\$ <u>22 270</u>	\$ <u>31 620</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administrated by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general 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 single year, with the reinsurance limit based upon a percentage of the tot insurance of values.

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. The Town does not carry flood insurance. The Town is not in a flood plain as designated by FEMA.

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 and tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000. The Town Manager is also bonded for \$100,000.

5. Claims, Judgments and Contingent Liabilities/Subsequent Events

There are no apparent claims or assessments against the Town as of June 30, 2019.

6. Long-term Obligations

a. Installment Purchases

The Town of Spring Hope executed a note (#3) on May 15, 2007, for \$600,000 to construct the Town Hall with the USDA. The term is for 30 years. Interest is at 4.125%. The outstanding principal at June 30, 2019, is \$449,246 with payments of interest and principal due at May 15th of each year. On May 15, 2019, interest of \$19,218 was paid as well as principal of \$16,638.

The Town of Spring Hope executed a note (#5) on May 15, 2007, for \$200,000 to construct the Town Hall with the USDA. The term is for 30 years. Interest is at 4.125%. The outstanding principal at June 30, 2019, is \$149,749 with payments of interest and principal due at May 15th of each year. On May 15, 2019, interest of \$6,406 was paid as well as principal of \$5,546.

The Town of Spring Hope executed a note on July 29, 2016, for \$29,800 to purchase a 2014 Ford Interceptor SUV with Providence Bank. The term is for 5 years. Interest is at 3.50%. The outstanding principal at June 30, 2019, is \$12,070. For the year ended June 30, 2019, the Town paid interest of \$553 as well as principal of \$6,467.

The Town of Spring Hope executed a note (#10) on June 15, 2018, for \$48,000 to purchase three police cars with the USDA. The term is for 7 years. Interest is at 3.50%. The outstanding principal at June 30, 2019, is \$41,829 with payments of interest and principal due at June 15th of each year. For the year ended June 30, 2019, the Town paid interest of \$1,680 as well as principle of \$6,171.

The Town of Spring Hope executed a note (#6) on March 5, 2014, for \$280,000 to refinance the Waste Water Treatment Plant Rehabilitation project with the USDA. The term is for 40 years. Interest is at 2.625%. The outstanding principal at June 30, 2019, is \$266,497 with payments of interest and principal due at March 5th of each year. On March 5, 2019, interest of \$5,359 was paid as well as principal of \$5,158.

The Town of Spring Hope executed a note (#8) on March 5, 2014, for \$278,000 to refinance the Waste Water Treatment Plant Rehabilitation project with the USDA. The term is for 40 years. Interest is at 2.00%. The outstanding principal at June 30, 2019, is \$262,811 with payments of interest and principal due at March 5th of each year. On March 5, 2019, interest of \$5,359 was paid as well as principal of \$5,158.

The Town of Spring Hope executed a note on September 13, 2017, for \$265,024 to finance the water infrastructure project. The term is for 20 years. Interest is at 0.00%. The outstanding principal at June 30, 2019, is \$234,646 with payments of principal due at May 1st of each year. On May 1, 2019, principal of \$12,821 was paid.

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 35 531	\$ 26 633	\$ 23 002	\$ 12 286
2021	36 597	25 026	23 265	12 023
2022	31 874	23 785	23 500	11 785
2023	33 146	22 513	23 740	11 548
2024	34 411	21 248	23 955	11 333
2025-2029	160 972	85 916	123 796	52 643
2030-2034	187 761	51 279	130 872	45 567
2035-2039	132 599	10 825	112 748	37 619
2040-2044	-	-	82 556	28 704
2045-2049	-	-	92 607	18 653
2050-2054	-	-	103 913	7 347
2055-2056	-	-	-	-
Total	\$ <u>652 894</u>	\$ <u>267 225</u>	\$ <u>763 954</u>	\$ <u>249 508</u>

At June 30, 2019, the Town of Spring Hope had no bonds authorized and unissued and a legal debt margin of \$7,213,737.

b. Changes in Long-Term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Water and Sewer Fund:					
Installment purchase	\$ 687 716	\$ -	\$ 34 822	\$ 652 894	\$ 35 531
General obligation bonds	-	-	-	-	-
Capitalized leases	-	-	-	-	-
Compensated absences	30 860	1 169	-	32 029	-
Other postemployment benefits	-	-	-	-	-
Net pension liability (LGERS)	97 644	58 633	-	156 277	-
Total pension liability (LEO)	257 405	-	5 702	251 703	-
Governmental activity long-term liabilities	\$ <u>1 073 625</u>	\$ <u>59 802</u>	\$ <u>40 524</u>	\$ <u>1 092 903</u>	\$ <u>35 531</u>
Business-type activities:					
Water and Sewer Fund:					
Installment purchase	\$ 662 852	\$ 123 698	\$ 22 596	\$ 763 954	\$ 23 002
General obligation bonds	-	-	-	-	-
Revenue bonds	-	-	-	-	-
Bond anticipation notes	-	-	-	-	-
Net pension liability (LGERS)	12 810	1 484	-	14 294	-
Other postemployment benefits	-	-	-	-	-
Compensated absences	4 670	885	-	5 555	-
Water Sewer Fund long-term liabilities	\$ <u>680 332</u>	\$ <u>126 067</u>	\$ <u>22 596</u>	\$ <u>783 803</u>	\$ <u>23 002</u>

c. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019, consist of the following:

Due to the Water and Sewer Fund for the allocation of costs from the:

General Fund	\$ <u>27 351</u>
Total	\$ <u>27 351</u>

The interfund balances resulted from the General Fund requiring financial assistance to meet expense obligations.

d. Fund Balances

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

<u>Total Fund Balance – General Fund</u>	\$	<u>1 246 395</u>
<u>Less:</u>		
Public Safety		786
Town Hall		50 481
Stabilization by State Statute		117 409
Streets-Powell Bill		111 862
Channel Fund		153 264
Economic Development		26 272
<u>Remaining fund balance</u>		<u>786 321</u>

IV. Jointly Governed Organization

The Town, in conjunction with various counties and other municipalities, established the Upper Coastal Plain Council of Governments (Council). The participating government established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$5,000 to the Council during the fiscal year ended June 30, 2019.

V. Related Party Transactions

No significant or improper related party transactions have been identified.

VI. 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 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 moneys.

VII. Significant Effects of Subsequent Events

The Town is not aware of any events that occurred between the end of the period covered by the financial statements and the statement issuance date that would have a significant effect on the Town.

Required Supplementary Financial Data

This Section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

**Town of Spring Hope
Schedule of Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years***

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of Spring Hope's proportion of net pension liability (assets)	0.00719%	0.00723%	0.00566%	0.00667%	0.00479%	0.00570%
Town of Spring Hope's proportion of net pension liability (assets)	\$ 170 571	\$ 110 454	\$ 120 124	\$ 29 935	\$ (26 437)	\$ 68 707
Town of Spring Hope's covered-employee payroll	\$ 391 397	\$ 378 614	\$ 367 101	\$ 339 339	\$ 347 202	\$ 349 929
Town of Spring Hope's proportionate share of the net pension liability (assets) as a percentage of covered-employee payroll	43.58%	29.17%	32.72%	8.82%	(7.61%)	19.63%
Plan fiduciary net position as a percentage of total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**Town of Spring Hope
Schedule of Contributions
Required Supplementary Information
Last Six Fiscal Years**

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 35 108	\$ 31 110	\$ 29 137	\$ 25 578	\$ 24 569	\$ 24 358
Contributions in relation to the contractually required contribution	<u>35 108</u>	<u>31 110</u>	<u>29 137</u>	<u>25 578</u>	<u>24 569</u>	<u>24 358</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Spring Hope's covered-employee payroll	\$ 426 477	\$ 391 397	\$ 378 614	\$ 367 101	\$ 339 339	\$ 347 202
Contributions as a percentage of covered-employee payroll	8.23%	7.95%	7.70%	6.97%	7.24%	7.02%

Town of Spring Hope
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>		<u>2018</u>		<u>2017</u>
Beginning balance	\$ 257 405	\$	243 106	\$	242 118
Service cost	9 061		7 616		9 920
Interest on the total pension liability	7 955		9 165		8 441
Changes of benefit terms	-		-		-
Differences between expected and actual experience in the measurement of the total pension liability	(2 222)		(4 778)		-
Changes of assumptions or other inputs	(9 166)		13 626		(6 043)
Benefit payments	(11 330)		(11 330)		(11 330)
Other changes	-		-		-
Ending balance of the total pension liability	<u>\$ 251 703</u>	\$	<u>257 405</u>	\$	<u>243 106</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Town of Spring Hope
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>		<u>2018</u>		<u>2017</u>
Total pension liability	\$ 251 703	\$	257 405	\$	243 106
Covered payroll	242 825		237 021		312 845
Total pension liability as a percentage of covered payroll	103.66%		108.60%		77.71%

Notes to the schedules:

The Town of Spring Hope has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Individual Fund Statements and Schedules

**Town of Spring Hope
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 20189**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 595 276	\$
Penalties and interest		5 465	
Total	<u>571 300</u>	<u>600 741</u>	<u>29 441</u>
Other taxes and licenses:			
Privilege licenses		150	
Total	<u>-</u>	<u>150</u>	<u>150</u>
Unrestricted intergovernmental:			
Local option sales taxes		309 173	
Telecommunications sales tax		10 906	
Sales tax refund		3 351	
Utility franchise tax		78 305	
Beer and wine tax		5 686	
Sales tax video poker		30 392	
ABC profit distribution		4 719	
Total	<u>364 500</u>	<u>442 532</u>	<u>78 032</u>
Restricted intergovernmental:			
Controlled substances tax		-	
Powell Bill allocation		39 355	
Solid waste disposal tax		921	
FEMA		-	
NC Department of Public Safety		220	
US Department of Agriculture		-	
Total	<u>40 600</u>	<u>40 496</u>	<u>(104)</u>
Permits and fees:			
Zoning permits		5 500	
Jail and officers' fees		652	
Total	<u>2 500</u>	<u>6 152</u>	<u>3 652</u>
Sales and services:			
Rent		7 250	
Cemetery fees		19 475	
Garbage fees		153 550	
Total	<u>172 000</u>	<u>180 275</u>	<u>8 275</u>
Investment earnings	<u>200</u>	<u>731</u>	<u>531</u>
Miscellaneous:			
Other income		4 225	
Total	<u>6 765</u>	<u>4 225</u>	<u>(2 540)</u>
Total revenues	\$ <u>1 157 865</u>	\$ <u>1 275 302</u>	\$ <u>117 437</u>

**Town of Spring Hope
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Administration:			
Governing body	\$	\$ 6 997	\$
Salaries and employee benefits		161 284	
Professional services		17 720	
Contracted services		24 454	
Capital outlay		-	
Other operating expenditures		51 554	
Membership dues		7 097	
Total	<u>289 017</u>	<u>269 106</u>	<u>19 911</u>
Public buildings:			
Utilities		22 852	
Building maintenance		4 194	
Other operating expenditures		4 164	
Contracted services		19 725	
Total	<u>59 742</u>	<u>50 935</u>	<u>8 807</u>
Total general government	<u>348 759</u>	<u>320 041</u>	<u>28 718</u>
Public safety:			
Police:			
Salaries and employee benefits		405 704	
Vehicle maintenance		5 176	
Other operating expenditures		60 023	
Capital outlay		24 014	
Total	<u>477 579</u>	<u>494 917</u>	<u>(17 338)</u>
Transportation:			
Streets and Highways:			
Maintenance		-	
Street lights		32 397	
Contracted services		37 502	
Other operating expenditures		725	
Total transportation	<u>131 000</u>	<u>70 624</u>	<u>60 376</u>
Environmental protection:			
Solid waste:			
Contracted services		135 910	
Total environmental protection	\$ <u>139 000</u>	\$ <u>135 910</u>	\$ <u>3 090</u>

**Town of Spring Hope
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Culture and recreation:			
Parks and recreation:			
Other operating expenditures	\$	\$	\$
Total	<u>7 000</u>	<u>7 000</u>	<u>-</u>
Cemetery:			
Contracted services		12 010	
Total	<u>15 000</u>	<u>12 010</u>	<u>2 990</u>
Libraries:			
Contribution for library			
Total	<u>9 003</u>	<u>8 999</u>	<u>4</u>
Total culture and recreation	<u>31 003</u>	<u>28 009</u>	<u>2 994</u>
Debt service:			
Principal retirement	34 822	34 822	-
Interest and other charges	31 951	27 857	4 094
Total debt service	<u>66 773</u>	<u>62 679</u>	<u>4 094</u>
Total expenditures	<u>1 194 114</u>	<u>1 112 180</u>	<u>81 934</u>
Revenues over (under) expenditures	<u>(36 249)</u>	<u>163 122</u>	<u>199 371</u>
Other financing sources (uses):			
Transfers from other funds:			
Water and sewer	10 500	-	(10 500)
Insurance recovery	-	753	753
Sale of capital assets	-	1 699	1 699
Installment purchase obligations	-	-	-
Total	<u>10 500</u>	<u>2 452</u>	<u>(8 048)</u>
Fund balance appropriated	<u>25 749</u>	<u>-</u>	<u>(25 749)</u>
Net change in fund balance	<u>\$ -</u>	<u>165 574</u>	<u>\$ 165 574</u>
Fund balance, beginning		<u>1 080 821</u>	
Fund balance, ending		<u>\$ 1 246 395</u>	

**Town of Spring Hope
Combining Balance Sheet
Nonmajor Governmental Funds
For the Year Ended June 30, 2019**

	Grant Project Fund	Total Nonmajor Governmental Funds
Assets		
Cash and cash equivalents	\$ <u>2 653</u>	\$ <u>2 653</u>
Total assets	\$ <u>2 653</u>	\$ <u>2 653</u>
Liabilities and Fund Balances		
Liabilities:		
Due to other funds	\$ <u>2 653</u>	\$ <u>2 653</u>
Fund balances:		
Nonspendable-perpetual maintenance	<u>-</u>	<u>-</u>
Total liabilities and fund balances	\$ <u>2 653</u>	<u>2 653</u>

Town of Spring Hope
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	<u>Grant Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:		
Restricted intergovernmental	\$ 22 222	\$ 22 222
Sales and services	-	-
Investment earnings	-	-
	<hr/>	<hr/>
Total revenues	<u>22 222</u>	<u>22 222</u>
Expenditures:		
Economic and physical development	22 222	22 222
	<hr/>	<hr/>
Revenues over expenditures	-	-
Fund balance, beginning	<hr/>	<hr/>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>

**Town of Spring Hope
Special Revenue Fund – Grant Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Year Ended June 30, 2019**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Brownsfield Assessment Grant	\$ 300 000	\$ -	\$ 22 222	\$ 22 222	\$ (277 778)
Expenditures:					
Current:					
Hazardous Substance					
Travel	4 000	-	2 808	2 808	1 192
Supplies	1 000	-	-	-	1 000
Contractual	195 000	-	11 708	11 708	183 292
Total Expenditures	<u>200 000</u>	<u>-</u>	<u>14 516</u>	<u>14 516</u>	<u>185 484</u>
Petroleum					
Travel	2 000	-	-	-	2 000
Supplies	500	-	-	-	500
Contractual	97 500	-	7 706	7 706	89 794
Total Expenditures	<u>100 000</u>	<u>-</u>	<u>7 706</u>	<u>7 706</u>	<u>92 294</u>
Revenues over expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ -	\$ <u>-</u>	\$ <u>-</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ -</u>		

**Town of Spring Hope
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Water sales:			
Residential	\$	\$	\$
Total	<u>195 000</u>	<u>201 767</u>	<u>6 767</u>
Sewer charges:			
Residential	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>240 000</u>	<u>252 743</u>	<u>12 743</u>
Water and sewer taps	<u>3 800</u>	<u>4 660</u>	<u>860</u>
Other operating revenues	<u>38 000</u>	<u>31 535</u>	<u>(6 465)</u>
Total operating revenues	<u>476 800</u>	<u>490 705</u>	<u>13 905</u>
Nonoperating revenues:			
Other revenues	<u>500</u>	<u>7 754</u>	<u>7 254</u>
Interest earnings	<u>-</u>	<u>619</u>	<u>619</u>
Total nonoperating revenues	<u>500</u>	<u>8 373</u>	<u>7 873</u>
 Total revenues	 <u>477 300</u>	 <u>499 078</u>	 <u>21 778</u>
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits		52 798	
Professional services		144	
Other operating expenditures		126 830	
Total water and sewer administration	<u>203 435</u>	<u>179 772</u>	<u>23 663</u>
Water treatment and distribution:			
Contracted services		202 836	
Other operating expenditures		22 330	
Total treatment and distribution	<u>236 030</u>	<u>225 166</u>	<u>10 864</u>
Debt service:			
Interest and other charges		12 476	
Principal retirement		22 596	
Total debt service	<u>37 835</u>	<u>35 072</u>	<u>2 763</u>
Capital outlay:			
Miscellaneous water and sewer		-	
Total capital outlay	<u>123 698</u>	<u>-</u>	<u>123 698</u>

(continued)

**Town of Spring Hope
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Total expenditures	\$ 600 998	\$ 440 010	\$ 160 988
Revenues over (under) expenditures	<u>(123 698)</u>	<u>59 068</u>	<u>182 766</u>
Other financing sources (uses):			
Installment purchase obligations	123 698	-	(123 698)
Transfer to Water and Sewer Capital Projects Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>123 698</u>	<u>-</u>	<u>(123 698)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>59 068</u>	<u>\$ 59 068</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
(Increase) decrease in vacation payable		(887)	
Depreciation expense		(107 003)	
Principal retirement		22 596	
Increase (decrease) in deferred outflows of resources – pensions		1 586	
(Increase) decrease in net pension liability		(1 484)	
(Increase) decrease in deferred inflows of resources – pensions		216	
Capital outlay		<u>-</u>	
Total reconciling items		<u>(84 976)</u>	
Change in net position		<u>\$ (25 908)</u>	

Town of Spring Hope
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Author- ization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues – water project:					
Restricted intergovernmental:					
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	-	-	-	-	-
Investment earnings	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures – water project:					
Engineering – planning & design	63 600	61 600	2 000	63 600	-
Construction	180 119	70 420	109 698	180 118	1
Engineering – construction phase	12 000	5 000	7 000	12 000	-
Legal, testing, etc	5 000	-	5 000	5 000	-
Other grant administration	5 000	-	-	-	5 000
Closing costs	5 300	5 300	-	5 300	-
Total expenditures	<u>271 019</u>	<u>142 320</u>	<u>123 698</u>	<u>266 018</u>	<u>5 001</u>
Revenues under expenditures	<u>(271 019)</u>	<u>(142 320)</u>	<u>(123 698)</u>	<u>(266 018)</u>	<u>5 001</u>
Other financing sources:					
Transfer from other funds:					
NCSRF loan	265 024	137 020	123 698	260 718	4 306
Town funds	5 995	5 300	-	5 300	695
Total other sources	<u>271 019</u>	<u>142 320</u>	<u>123 698</u>	<u>266 018</u>	<u>(5 001)</u>
Revenues and other sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Schedules

This Section contains additional information on property taxes.

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

**Town of Spring Hope
Statement 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	\$ -	\$ 606 089	\$ 589 629	\$ 16 460
2017-2018	16 256	-	7 796	8 460
2016-2017	7 265	-	1 507	5 758
2015-2016	5 770	-	935	4 835
2014-2015	2 472	-	266	2 206
2013-2014	1 140	-	-	1 140
2012-2013	1 310	-	-	1 310
2011-2012	917	-	-	917
2010-2011	727	-	133	594
2009-2010	489	-	8	481
2008-2009	535	-	535	-
Totals	\$ <u>36 881</u>	\$ <u>606 089</u>	\$ <u>600 809</u>	42 161

Less allowance for uncollectable accounts: 10 540

Ad valorem taxes receivable – net \$ 31 621

Reconciliation with revenues:

Ad valorem taxes – General Fund	\$ 600 741
Penalties and interest	(5 465)
Taxes written off	535
Discounts allowed	4 998
Total collections and credits	\$ <u>600 809</u>

**Town of Spring Hope
Analysis of Current Tax Levy
For the 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 taxes at current rate	\$ 90 119 238	.67	\$ 605 738	\$ 537 366	\$ 68 372
Discoveries:					
Discoveries	106 443		713	713	-
Releases	(53 963)		(362)	(362)	-
Total property valuation	<u>\$ 90 171 718</u>				
Net levy			<u>606 089</u>	<u>537 717</u>	<u>68 372</u>
Uncollected taxes at June 30, 2019			<u>16 460</u>	<u>16 460</u>	<u>-</u>
Current year's taxed collected			<u>\$ 589 629</u>	<u>\$ 521 257</u>	<u>\$ 68 372</u>
Current levy collection percentage			<u>97.28%</u>	<u>96.94%</u>	<u>100.00%</u>

Compliance Section

May & Place, PA

CERTIFIED PUBLIC ACCOUNTANTS

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SCOTT H. MAY, CPA
DALE R. PLACE, CPA, CFE

Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Honorable Mayor and Board of Commissioners
Town of Spring Hope
Town of Spring Hope, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business activities, each major fund, and the aggregate remaining fund information of the Town of Spring Hope, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Spring Hope's basic financial statements, and have issued our report thereon dated November 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Spring Hope's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Spring Hope's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that are not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 2019-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Spring Hope's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Spring Hope's Response to Findings

The Town of Spring Hope's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

May & Place, PA

Louisburg, North Carolina

November 27, 2019

**Town of Spring Hope, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2019**

SIGNIFICANT DEFICIENCY

Finding: 2019-1

Criteria:	There is a limited amount of segregation of duties due to a limited number of personnel involved in the accounting process.
Condition:	One employee is allowed to have custody of assets, authorize or approve transactions affecting those assets, and record transactions related to those assets.
Effect:	Allows for misstatements to occur without being prevented or detected, and corrected in a timely manner.
Cause:	Limited number of personnel involved due to size of the entity.
Recommendation:	Duties should be separated as much as possible and alternative controls should be used to compensate for the lack of segregation. The Town Manager and Town Council can help to provide additional controls.