



Darrell L. Keller, CPA, PA

TOWN OF PATTERSON SPRINGS, NORTH CAROLINA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

(704) 739-0771

Town of Patterson Springs, North Carolina
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June 30, 2020

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Town Council
Town of Patterson Springs
Patterson Springs, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Patterson Springs, North Carolina as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, each major fund, and the aggregate remaining fund information of Town of Patterson Springs, North Carolina, as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

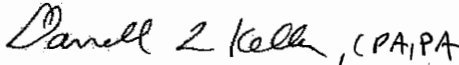
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 my 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 Town of Patterson Springs, North Carolina's basic financial statements. The 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 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 individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Darrell L. Keller, CPA, PA

Darrell L. Keller, CPA, PA
Kings Mountain, North Carolina
December 3, 2020

Town of Patterson Springs Management's Discussion and Analysis

As management of the Town of Patterson Springs, we offer readers of the Town of Patterson Springs's financial statements this narrative overview and analysis of the financial activities of the Town of Patterson Springs for the fiscal year ended June 30, 2020. 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 Patterson Springs exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$ 408,945 (*net position*).
- The government's total net position increased by \$ 23,587 primarily due to the repairs and maintenance on facilities completed in the prior year.
- As of the close of the current fiscal year, the Town of Patterson Springs's governmental funds reported ending fund balance of \$314,338 an increase of \$15,704 in comparison with the prior year. 97.2 percent of this total amount is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$305,610, or 393.4 percent of total general fund expenditures for the fiscal year.

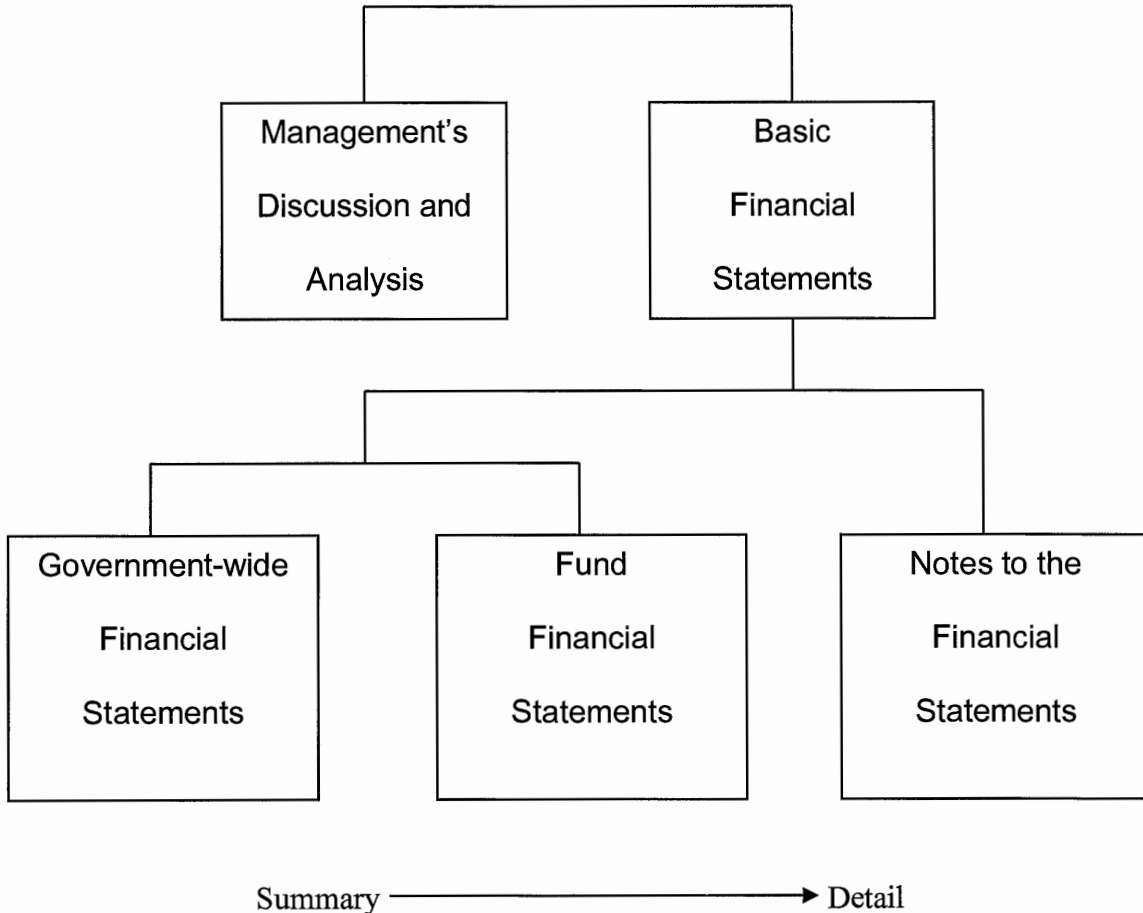
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Patterson Springs'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 Patterson Springs.

Town of Patterson Springs
Management Discussion and Analysis

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 6) 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 two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes,

Town of Patterson Springs
Management Discussion and Analysis

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 gage the Town's financial condition.

The government-wide statements present one category: governmental activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

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 Patterson Springs, 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. The Town of Patterson Springs operates only one fund, the governmental fund.

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

Town of Patterson Springs
Management Discussion and Analysis

of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 17 of this report.

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

Town of Patterson Springs
Management Discussion and Analysis

Government Wide Financial Analysis

Town of Patterson Springs's Net Position

Figure 2

	Activities	
	2020	2019
Current and other assets	\$ 316,530	\$ 300,595
Capital assets	93,599	85,611
Total assets	410,129	386,206
Long-term liabilities outstanding	-	-
Other liabilities	1,184	848
Total liabilities	1,184	848
 Net position:		
Net investment in capital assets	93,599	85,611
Restricted	6,479	6,360
Unrestricted	308,867	293,387
Total net position	\$ 408,945	\$ 385,358

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 Patterson Springs exceeded liabilities and deferred inflows by \$408,945 as of June 30, 2020. The Town's net position increased by \$23,587 for the fiscal year ended June 30, 2020. However, (22.9%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Patterson Springs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Patterson Springs's net investment in 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 Patterson Springs's net position \$6,479 (1.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$308,867 is unrestricted.

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

- The Town made major repairs to facilities in the prior year. This year they replaced the roof on a building but total expense was down significantly.

Town of Patterson Springs
Management Discussion and Analysis

Town of Patterson Springs Changes in Net Position
Figure 3

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 8,069	\$ 8,069
General revenues:		
Property taxes	33,741	31,847
Other taxes	34,466	36,079
Unrestricted investment earnings	5,000	2,681
Sale of capital asset	-	-
Other	12,000	17,200
Total revenues	93,276	95,876
Expenses:		
General government	30,985	24,920
Environmental protection	26,031	24,930
Street Lights	3,107	2,992
Culture and recreation	9,566	12,517
Total expenses	69,689	65,359
Decrease in net position	23,587	30,517
Net position, July 1	385,358	354,841
Net position, June 30	\$ 408,945	\$ 385,358

Governmental activities. Governmental activities increased the Town's net position by \$23,587. Key elements of this decrease are as follows:

- The Town began receiving Sales and Use tax in the prior fiscal year.
- The Town began levying a property tax in a prior fiscal year.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Patterson Springs'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 Patterson Springs's financing requirements.

The general fund is the chief operating fund of the Town of Patterson Springs. At the end of the current fiscal year, fund balance available in the General Fund was \$305,610 while total fund balance reached \$314,338. The Town's governing body has determined that the Town should maintain an available fund balance of 8% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 393.4% of general fund expenditures, while total fund balance represents 404.67% of the same amount.

Town of Patterson Springs
Management Discussion and Analysis

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.

Capital Asset and Debt Administration

Capital assets. The Town of Patterson Springs’s investment in capital assets for its governmental activities as of June 30, 2020, totals \$93,599 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and park facilities.

**Town of Patterson Springs’s Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities	
	2020	2019
Land	\$ 48,071	\$ 48,071
Buildings and system	37,333	28,148
Improvements other than buildings	6,883	7,425
Machinery and equipment	-	-
Infrastructure	1,312	1,967
Total	\$ 93,599	\$ 85,611

Additional information on the Town’s capital assets can be found in note III. A. 3. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2020, the Town of Patterson Springs has no outstanding debt.

Town of Patterson Springs
Management Discussion and Analysis

**Town of Patterson Springs's Outstanding Debt
General Obligation and Revenue Bonds**

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 Patterson Springs is \$1,780,693.

Economic Factors and Next Year's Budgets and Rates

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

- Low unemployment. The Town of Patterson Springs unemployment rate is well below the State average.

During the 18/19 and 19/20 fiscal years the Town performed much needed repair and maintenance upgrades. We replaced the roof of the Ellis Building, paved the parking lot, performed electrical updates, and purchased tables and chairs for the Town Hall. We also began the process of replacing our street lights. In March 2020 when Governor Cooper issued stay at home orders to combat the spread of COVID-19 the Town could no longer rent out space for events. This caused our rental income to decrease more than \$5,000. We have not yet resumed rentals so it is expected to affect our rental revenue in 20/21 as well. In the fiscal year 20/21 the Town will continue replacing street lights and we are discussing making upgrades to the picnic area. We also plan on doing tree trimming at the Town Hall and possibly putting fire hydrants in the Suburban Acres neighborhood.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities:

Budgeted expenditures in the General Fund are expected to remain stable.

During the fiscal year ended June 30, 2018 the Town Council voted to levy an ad valorem tax of \$.15 per \$100 of valuation. Due to this levy the Town expects to begin receiving Powell Bill funds.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Mayor, Town of Patterson Springs, P.O. Box 4, Earl, NC 28038.

Basic Financial Statements

Town of Patterson Springs, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government
	Governmental
	Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 82,216
Certificates of deposit	226,827
Taxes Receivable	1,008
Accrued interest	14
Due from other governments	6,465
Total current assets	316,530
Capital assets (Note 1):	
Land, non-depreciable improvements, and construction in progress	48,071
Other capital assets, net of depreciation	45,528
Total capital assets	93,599
Total assets	\$ 410,129
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,184
Total liabilities	1,184
NET POSITION	
Net investment in capital assets	93,599
Restricted for:	
Stabilization by State Statutes	6,479
Unrestricted	308,867
Total net position	\$ 408,945

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

**Town of Patterson Springs, North Carolina
Statement of Activities
For the Year Ended June 30, 2020**

Functions/Programs	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
				Primary Government
				Total Governmental Activities
Primary government:				
Governmental Activities:				
General government	\$ 30,985	\$ -	\$ -	\$ (30,985)
Environmental protection	26,031	-	-	(26,031)
Street Lights	3,107	-	-	(3,107)
Cultural and recreation	9,566	8,069	-	(1,497)
Total governmental activities (See Note 1)	<u>\$ 69,689</u>	<u>\$ 8,069</u>	<u>\$ -</u>	<u>(61,620)</u>

General revenues:		
Taxes:		
Property Taxes		33,741
Other taxes		34,466
Unrestricted investment earnings		5,000
Miscellaneous		12,000
Transfers		-
Total general revenues and transfers		<u>85,207</u>
Change in net position		23,587
Net position, beginning		385,358
Net position, ending		<u>\$ 408,945</u>

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

**Town of Patterson Springs
Balance Sheet
Governmental Funds
June 30, 2020**

	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 82,216	\$ 82,216
Certificates of Deposit	226,827	226,827
Accrued interest	14	14
Due from other governments	6,465	6,465
Taxes Receivable, net	1,008	1,008
Due from other funds	-	-
Total assets	\$ 316,530	\$ 316,530
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,184	\$ 1,184
Total liabilities	1,184	1,184
Deferred Inflows of Resources		
Property Taxes Receivable	1,008	1,008
Fund balances:		
Restricted for:		
Stabilization by State statute	6,479	6,479
Assigned		
Subsequent year's expenditures	2,249	2,249
Unassigned	305,610	305,610
Total fund balances	314,338	314,338
Total liabilities and fund balances	\$ 316,530	
<p>Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 93,599</p> <p>Liabilities for earned revenues considered deferred inflows of resources in the fund statements 1,008</p> <p>Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note 4). -</p> <p>Net position of governmental activities \$ 408,945</p>		

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

Town of Patterson Springs
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	Major Fund	
	General Fund	Total Governmental Funds
REVENUES		
Property taxes	\$ 33,847	\$ 33,847
Unrestricted intergovernmental	33,987	33,987
Restricted intergovernmental	8,548	8,548
Investment earnings	5,000	5,000
Miscellaneous	12,000	12,000
Total revenues	<u>93,382</u>	<u>93,382</u>
EXPENDITURES		
Current:		
General government	38,974	38,974
Environmental protection	26,031	26,031
Culture and recreation	9,566	9,566
Street Lights	3,107	3,107
Capital outlay	-	-
Total expenditures	<u>77,678</u>	<u>77,678</u>
Excess (deficiency) of revenues over expenditures	<u>15,704</u>	<u>15,704</u>
OTHER FINANCING SOURCES (USES)		
Capital lease obligations issued	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balance	15,704	15,704
Fund Balance, beginning	298,634	298,634
Fund balances, ending	<u>\$ 314,338</u>	<u>\$ 314,338</u>

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

**Town of Patterson Springs
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020**

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

Net changes in fund balances - total governmental funds	\$ 15,704
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period	7,989
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Amount of donated assets	-
Change in unavailable revenue for tax revenues	(105)

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. Rounding	_____ (1)
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Total changes in net position of governmental activities	\$ <u>23,587</u>
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**Town of Patterson Springs
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Property Taxes	29,582	29,582	33,847	4,265
Unrestricted intergovernmental	20,872	20,872	33,987	13,115
Restricted intergovernmental	8,069	8,069	8,548	479
Investment earnings	-	-	5,000	5,000
Miscellaneous	18,000	18,000	12,000	(6,000)
Total revenues	<u>76,523</u>	<u>76,523</u>	<u>93,382</u>	<u>16,859</u>
Expenditures:				
Current:				
General government	33,934	39,394	38,974	420
Environmental protection	25,500	26,580	26,031	549
Cultural and recreation	16,121	9,581	9,566	15
Street Lights	3,217	3,217	3,107	110
Total expenditures	<u>78,772</u>	<u>78,772</u>	<u>77,678</u>	<u>1,094</u>
Revenues over (under) expenditures	<u>(2,249)</u>	<u>(2,249)</u>	<u>15,704</u>	<u>17,953</u>
Other financing sources (uses):				
Fund Balance Appropriated	2,249	2,249	-	(2,249)
Sales of capital assets	-	-	-	-
Total other financing sources (uses)	<u>2,249</u>	<u>2,249</u>	<u>-</u>	<u>(2,249)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>15,704</u>	<u>\$ 15,704</u>
Fund balances, beginning			<u>298,634</u>	
Fund balances, ending			<u>\$ 314,338</u>	

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

Town of Patterson Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Patterson Springs is a municipal corporation located in Cleveland County that is governed by an elected five-member council who then elect a mayor among themselves. All council members are elected for a four-year term. The Town Council and Mayor are responsible for day-to-day operations of the Town and the collection and disbursement of funds and preparation of the annual budget.

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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the 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. 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. The emphasis of fund financial statements is on major governmental funds.

The Town reports the following major governmental fund:

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 State grants and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

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 Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange

Town of Patterson Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax and utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Patterson Springs because the tax is levied by Cleveland 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. Grant revenues which are unearned at year-end are recorded as unearned 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 by 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. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Fund which is consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting.

Town of Patterson Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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 principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

The Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

All cash and investments with a maturity of three months or less when purchased are essentially demand deposits and are considered cash and cash equivalents.

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

4. 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.

Town of Patterson Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

5. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	40
Improvements	25
Furniture and equipment	10
Computer equipment	3

6. 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 be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a 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 one item that meets this criterion: property taxes receivable.

7. Long-Term Obligations

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

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.

The Town has no long-term debt.

Town of Patterson Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

8. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Assigned Fund Balance-portion of fund balance that Town of Patterson Springs intends to use for specific purposes.

Town of Patterson Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the Finance Officer to modify the appropriations by resource or appropriation within funds up to \$2,500.

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

The Town of Patterson Springs has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: loan proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to 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 Patterson Springs has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures. Any portion of the general fund balance in excess of 8% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

G.S. 159-12 requires the Town to publish a statement that the budget is available for public inspection. The budget should be available for public inspection for at least 10 days prior to the public hearing and adoption of the budget. The notice was published 5 days prior to the public hearing and the Council approving the budget. The public was not made aware that the budget was available for the required 10 days. The Town will put procedures in place to ensure that the statement is published at least 10 days prior to the public hearing and budget adoption.

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 the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories

Town of Patterson Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits.

At June 30, 2020, the Town's deposits had a carrying amount of \$309,043 and a bank balance of \$310,291. Of the bank balance, \$310,291 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Receivables – Allowances for Doubtful Accounts

The amount of property tax receivable presented in the Balance Sheet and Statement of Net Position for the year ended June 30, 2020 are net of the following allowances for doubtful accounts:

Taxes Receivable \$250

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 48,071	\$ -	\$ -	\$ 48,071
Construction in progress	-	-	-	-
Total capital assets not being depreciated	48,071	-	-	48,071
Capital assets being depreciated:				
Buildings	101,807	11,000	-	112,807
Other improvements	17,480	-	-	17,480
Equipment	22,687	-	-	22,687
Infrastructure	19,625	-	-	19,625
Total capital assets being depreciated	161,599	11,000	-	172,599
Less accumulated depreciation for:				
Buildings	73,660	1,814	-	75,474
Other improvements	10,054	543	-	10,597
Equipment	22,687	-	-	22,687
Infrastructure	17,659	654	-	18,313
Total accumulated depreciation	124,060	3,011	-	127,071
Total capital assets being depreciated, net	37,539			45,528
Governmental activity capital assets, net	\$ 85,610			\$ 93,599

Town of Patterson Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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

General government	\$	3,011
Cultural and recreation		-
Total depreciation		3,011

B. Liabilities

1. 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 has general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy. 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 have flood insurance. The Town does have the required \$50,000 fidelity bond on the finance officer.

C. Fund Balance

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

Total fund balance-General Fund	\$314,338
Less;	
Stabilization by State Statute	6,479
Appropriated Fund Balance in 2021 budget	2,249
Working Capital / Fund Balance Policy	6,214
Remaining Fund Balance	305,610

The Town of Patterson Springs has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures.

D. COVID-19

In mid-March the Governor of North Carolina issued shelter in place executive orders and limits on mass gatherings in order to slow the spread of COVID-19. The Town's revenue for rentals decreased over \$5,000 due to the limit on gatherings. This decrease is expected to continue into 20/21 due to gathering limits being extended through the end of calendar year 2020. The Town does not expect any other significant effects as they have no utility funds and collections of property taxes should not be affected.

Supplementary Statements

This section contains additional statements required by the Local Government Commission in North Carolina.

TOWN OF PATTERSON SPRINGS, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEARS ENDED JUNE 30

	2020		Variance Favorable (Unfavorable)	2019
	Budget	Actual		Actual
Revenues				
Ad Valorem Taxes				
Taxes	\$ 29,582	\$ 33,668	\$ 4,086	\$ 31,316
Interest	-	179	179	126
	<u>29,582</u>	<u>33,847</u>	<u>4,265</u>	<u>31,442</u>
Unrestricted intergovernmental				
Franchise Tax	\$ 18,187	\$ 18,353	\$ 166	\$ 18,754
Sales and Use Tax	-	12,927	12,927	14,191
Beer and Wine Tax	2,685	2,707	22	2,696
	<u>20,872</u>	<u>33,987</u>	<u>13,115</u>	<u>35,641</u>
Restricted Intergovernmental				
Cleveland County Recreation Grant	8,069	8,069	-	8,069
Solid Waste Disposal Tax	-	479	479	438
	<u>8,069</u>	<u>8,548</u>	<u>479</u>	<u>8,507</u>
Other Revenue				
Rental Fees	18,000	12,000	(6,000)	17,200
Investment Earnings	-	5,000	5,000	2,500
	<u>18,000</u>	<u>17,000</u>	<u>(1,000)</u>	<u>19,700</u>
Total Revenues	<u>\$ 76,523</u>	<u>\$ 93,382</u>	<u>\$ 16,859</u>	<u>\$ 95,290</u>

TOWN OF PATTERSON SPRINGS, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEARS ENDED JUNE 30

	2020			2019
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Expenditures				
General Governments				
Professional Services	\$ 6,800	\$ 7,004	\$ (204)	\$ 6,450
Salaries and taxes	9,685	9,043	642	9,045
Insurance	3,800	3,705	95	3,532
Town Hall	15,518	17,140	(1,622)	1,779
Elections	3,000	431	2,569	-
Other General Expense	591	1,651	(1,060)	1,797
Total General Governments	<u>39,394</u>	<u>38,974</u>	<u>420</u>	<u>22,603</u>
Enviornmental Protection				
Sanitation	<u>26,580</u>	<u>26,031</u>	<u>549</u>	<u>24,930</u>
Cultural and Recreation				
Operating Expenses	9,581	9,566	15	36,335
Capital Outlay	-	-	-	-
Total Cultural and Recreation	<u>9,581</u>	<u>9,566</u>	<u>15</u>	<u>36,335</u>
	<u>75,555</u>	<u>74,571</u>	<u>984</u>	<u>83,868</u>

TOWN OF PATTERSON SPRINGS, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEARS ENDED JUNE 30

	2020			2019
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Other Expenditures				
Street Lights	3,217	3,107	110	2,992
	<u>3,217</u>	<u>3,107</u>	<u>110</u>	<u>2,992</u>
Total Expenditures	<u>78,772</u>	<u>77,678</u>	<u>1,094</u>	<u>86,860</u>
Revenue Over(Under) Expenditures	<u>(2,249)</u>	<u>15,704</u>	<u>17,953</u>	<u>8,430</u>
Other Financing Sources (Uses)				
Transfers from other funds	-	-	-	20,911
Fund Balance Appropriated	<u>2,249</u>	<u>-</u>	<u>2,249</u>	<u>-</u>
Revenues and Other Financing Sources Over(Under) Expenditures	<u>\$ -</u>	<u>15,704</u>	<u>\$ 15,704</u>	<u>29,341</u>
Fund Balance Beginning of Year		298,634		269,293
Fund Balance End of Year		<u>\$ 314,338</u>		<u>\$ 298,634</u>

Other Schedules

This section contains additional information required on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

TOWN OF PATTERSON SPRINGS, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2019</u>	<u>Additions</u>	<u>Collections</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 33,388	\$ 32,763	\$ 625
2018-2019	829	170	659	340
2017-2018	489	147	343	293
2016-2017	-	-	-	-
2015-2016	-	-	-	-
2014-2015	-	-	-	-
2013-2014	-	-	-	-
2012-2013	-	-	-	-
2011-2012	-	-	-	-
2010-2011	-	-	-	-
2009-2010	-	-	-	-
Ad Valorem Taxes Receivable	<u>\$ 1,318</u>	<u>\$ 33,705</u>	<u>\$ 33,765</u>	1,258
Allowance for Doubtful Accounts Taxes Receivable				250
				<u>\$ 1,008</u>
Reconcilement with Revenues: Ad Valorem Taxes				<u>\$ 33,847</u>
Reconciling items:				
Interest Collected				(179)
Collection Fees				-
Discounts/Adjustments				97
Total Reconciling items				<u>(82)</u>
Total Collections and Credits				<u>\$ 33,765</u>

**TOWN OF PATTERSON SPRINGS, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
JUNE 30, 2020**

	District-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy: Property Taxed at Current Year's Rate	\$ 22,258,667	\$ 0.15	\$ 33,388	\$ 31,403	\$ 1,985
Discoveries: Current Year Taxes	-	0.15	-	-	-
Total Property Valuation	<u>\$ 22,258,667</u>		33,388	31,403	1,985
Net Levy: Uncollected Taxes at June 30, 2020			625	625	-
Current Year's Taxes Collected			<u>\$ 32,763</u>	<u>\$ 30,778</u>	<u>\$ 1,985</u>
Current Levy Collection Percentage			<u>98.13%</u>	<u>98.01%</u>	<u>100.00%</u>