

**TOWN OF SPRING HOPE**

**SPRING HOPE, NORTH CAROLINA**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**TOWN OF SPRING HOPE  
AUDITED FINANCIAL STATEMENTS  
SPRING HOPE, NORTH CAROLINA  
JUNE 30, 2020**

James F. Gwaltney, III  
Mayor

TOWN COUNCIL MEMBERS

Drew Griffin

Brent Cone

Ricky Tucker

Brenda Lucas

Prudence Wilkins

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, 2020, 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, 2020, 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 February 9, 2021 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  
February 9, 2021

## **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, 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

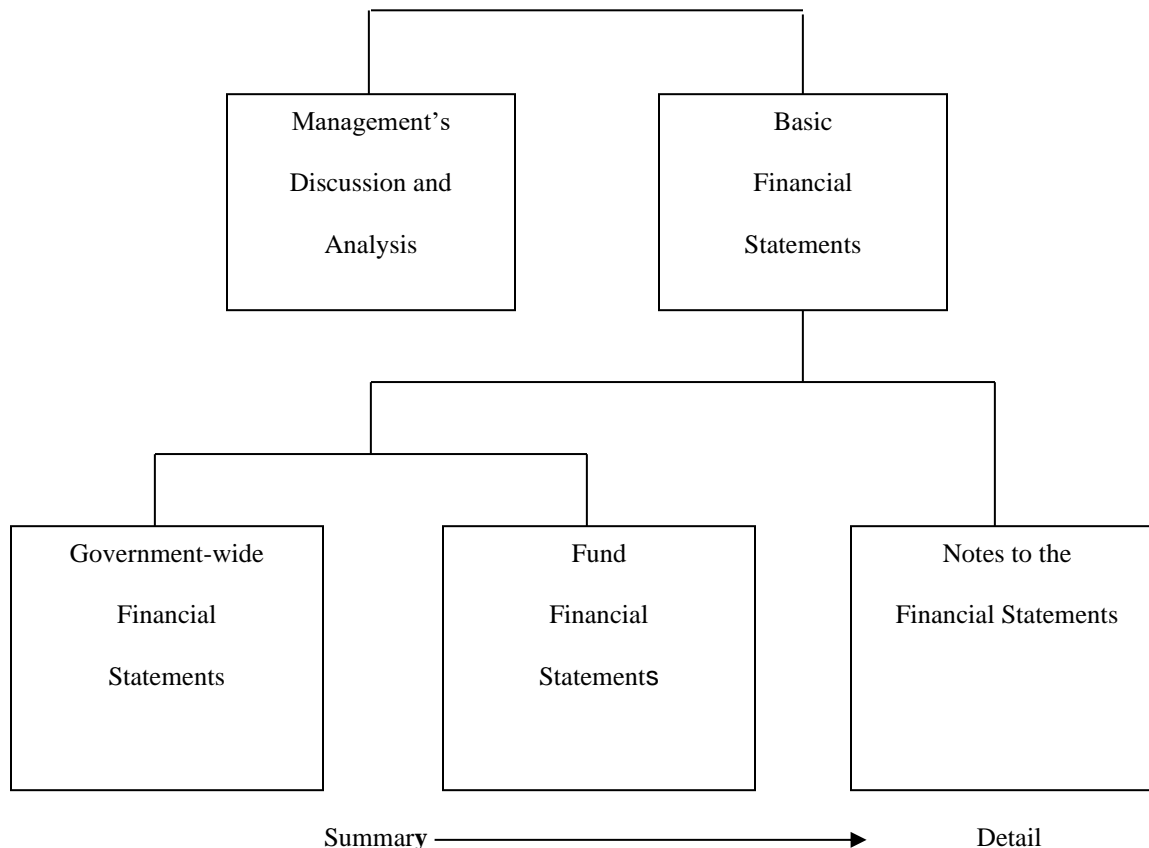
- The assets and deferred outflows of resources of the Town of Spring Hope exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,456,767 (*net position*).
- As of the close of the current fiscal year, the Town of Spring Hope's governmental funds reported combined ending fund balances of \$1,435,089, an increase of \$188,694 from the prior year. Approximately 65.91 percent of this total amount, or \$945,850, 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 \$945,850, or 81.81 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1 485 486	\$ 1 284 757	\$ 472 985	\$ 425 553	\$ 1 958 471	\$ 1 710 310
Capital assets	1 945 612	1 999 601	3 383 890	3 493 110	5 329 502	5 492 711
Deferred outflows of resources	131 425	140 636	5 838	11 542	137 263	152 178
Total assets and deferred outflows of resources	<u>3 562 523</u>	<u>3 424 994</u>	<u>3 862 713</u>	<u>3 930 205</u>	<u>7 425 236</u>	<u>7 355 199</u>
Long-term liabilities outstanding	1 100 208	1 057 372	734 916	760 801	1 835 124	1 818 173
Other liabilities	41 606	38 421	73 077	75 017	114 683	113 438
Deferred inflows of resources	18 305	21 717	357	553	18 662	22 270
Total liabilities and deferred inflows of resources	<u>1 160 119</u>	<u>1 117 510</u>	<u>808 350</u>	<u>836 371</u>	<u>1 968 469</u>	<u>1 953 881</u>
Net position:						
Net investment in capital assets	1 310 399	1 346 707	2 642 972	2 729 156	3 953 371	4 075 863
Restricted	489 239	460 074	-	-	489 239	460 074
Unrestricted	602 766	500 703	411 391	364 678	1 014 157	865 381
Total net position	<u>\$ 2 402 404</u>	<u>\$ 2 307 484</u>	<u>\$ 3 054 363</u>	<u>\$ 3 093 834</u>	<u>\$ 5 456 767</u>	<u>\$ 5 401 318</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 \$5,456,767 as of June 30, 2020. The Town’s net position increased by \$55,449 for the fiscal year ended June 30, 2020. However, the largest portion (72.45%) 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, \$489,239 (8.97%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,014,157 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 96.56%, which is comparable to the statewide average of 99.21%.
- 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	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 190 188	\$ 187 348	\$ 492 195	\$ 490 705	\$ 682 383	\$ 678 053
Operating grants & contributions	115 552	61 797	-	-	115 552	61 797
Capital grants & contributions	-	-	-	-	-	-
General revenues						
Property taxes	603 327	605 564	-	-	603 327	605 564
Other taxes	435 094	442 682	-	-	435 094	442 682
Other	47 234	7 408	3 491	8 373	50 725	15 781
Total revenues	<u>1 391 395</u>	<u>1 304 799</u>	<u>495 686</u>	<u>499 078</u>	<u>1 887 081</u>	<u>1 803 877</u>
Expenses						
General government	408 498	388 197	-	-	408 498	388 197
Public safety	523 303	508 542	-	-	523 303	508 542
Streets and highways	92 974	70 624	-	-	92 974	70 624
Environmental protection	217 397	158 132	-	-	217 397	158 132
Culture and recreation	28 054	28 009	-	-	28 054	28 009
Interest on long term debt	26 249	27 857	-	-	26 249	27 857
Water and sewer	-	-	535 157	524 986	535 157	524 986
Total expenses	<u>1 296 475</u>	<u>1 181 361</u>	<u>535 157</u>	<u>524 986</u>	<u>1 831 632</u>	<u>1 706 347</u>
Increase (decrease) in net position before transfers and extraordinary item	94 920	123 438	(39 471)	(25 908)	55 449	97 530
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	<u>94 920</u>	<u>123 438</u>	<u>(39 471)</u>	<u>(25 908)</u>	<u>55 449</u>	<u>97 530</u>
Net position July 1, restated	<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>
Net position, June 30	<u>\$ 2 402 404</u>	<u>\$ 2 307 484</u>	<u>\$ 3 054 363</u>	<u>\$ 3 093 834</u>	<u>\$ 5 456 767</u>	<u>\$ 5 401 318</u>

**Governmental activities:** Governmental activities increased the Town’s net position by \$94,920, accounting for 171.18% 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 2020 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 \$39,471.

### 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 \$1,435,089, 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 65.91 percent of total general fund expenditures.

At June 30, 2020, the governmental funds of the Town of Spring Hope reported a combined fund balance of \$1,435,089, a 15.14 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 \$3,054,363. The decrease in net position for the Water and Sewer fund was \$39,471. 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, 2020 totals \$5,329,502 (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	
	2020	2019	2020	2019	2020	2019
Land	\$ 50 000	\$ 50 000	\$ -	\$ -	\$ 50 000	\$ 50 000
Construction in Progress	-	-	-	-	-	-
Plant Distribution System	1 755 772	1 807 515	3 383 796	3 492 736	5 139 568	5 300 251
Machinery and Equipment	17 575	22 811	93	374	17 668	23 185
Vehicles and Motorized Equipment	122 265	119 275	1	-	122 266	119 275
<b>Total</b>	<b>\$ 1 945 612</b>	<b>\$ 1 999 601</b>	<b>\$ 3 383 890</b>	<b>\$ 3 493 110</b>	<b>\$ 5 329 502</b>	<b>\$ 5 492 711</b>

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

Major capital asset transactions during the year include the following:

- Acquisition of two patrol vehicles.

**Long-term Debt.** As of June 30, 2020, the Town of Spring Hope had total installment debt of \$1,376,130. 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	
	2020	2019	2020	2019	2020	2019
Installment debt	\$ 635 212	\$ 652 894	\$ 740 918	\$ 763 954	\$ 1 376 130	\$ 1 416 848
Compensated absences	40 869	32 029	7 078	5 555	47 947	37 584
Pension related debt (LGERS)	183 437	156 277	10 185	14 294	193 622	170 571
Pension related debt (LEO)	275 792	251 703	-	-	275 792	251 703
<b>Total</b>	<b>\$ 1 135 310</b>	<b>\$ 1 092 903</b>	<b>\$ 758 181</b>	<b>\$ 783 803</b>	<b>\$ 1 893 491</b>	<b>\$ 1 876 706</b>

**Town of Spring Hope’s Outstanding Debt**

The Town of Spring Hope’s total debt increased by \$16,785 or 0.89% 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 \$7,221,282.

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, 2021**

**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, 2021.

**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](mailto:m.collins@springhope.net), or telephoned at (252)478-5186.

**Town of Spring Hope, North Carolina**  
**Statement of Net Position**  
**June 30, 2020**

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 934 079	\$ 335 651	\$ 1 269 730
Taxes receivables (net)	46 716	-	46 716
Accrued interest receivable	4 708	-	4 708
Accounts receivable (net)	111 741	43 829	155 570
Internal balances	(27 351)	27 351	-
Inventories	-	500	500
Restricted cash and cash equivalents	415 593	65 654	481 247
Total current assets	<u>1 485 486</u>	<u>472 985</u>	<u>1 958 471</u>
Non-Current Assets:			
Capital Assets:			
Land, non-depreciable improvements, and construction in progress	50 000	-	50 000
Other assets, net of depreciation	1 895 612	3 383 890	5 279 502
Total capital assets	<u>1 945 612</u>	<u>3 383 890</u>	<u>5 329 502</u>
Total assets	<u>3 431 098</u>	<u>3 856 875</u>	<u>7 287 973</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	<u>131 425</u>	<u>5 838</u>	<u>137 263</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	6 503	5 543	12 046
Current portion of long-term liabilities	35 103	23 265	58 368
Payable from restricted assets	-	44 269	44 269
Total current liabilities	<u>41 606</u>	<u>73 077</u>	<u>114 683</u>
Long-term liabilities:			
Compensated absences	40 869	7 078	47 947
Due in more than one year	600 110	717 653	1 317 763
Net pension liability – LGERS	183 437	10 185	193 622
Total pension liability – LEO	275 792	-	275 792
Total long-term liabilities	<u>1 100 208</u>	<u>734 916</u>	<u>1 835 124</u>
Total liabilities	<u>1 141 814</u>	<u>807 993</u>	<u>1 949 807</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	<u>18 305</u>	<u>357</u>	<u>18 662</u>
<b>NET POSITION</b>			
Net investment in capital assets	1 310 399	2 642 972	3 953 371
Restricted for:			
Public Safety	1 572	-	1 572
Economic Development	34 772	-	34 772
Town Hall Payment	50 532	-	50 532
Streets	105 270	-	105 270
Stabilization by State Statute	119 271	-	119 271
Channel Fund	177 822	-	177 822
Unrestricted	602 766	411 391	1 014 157
Total net position	<u>\$ 2 402 404</u>	<u>\$ 3 054 363</u>	<u>\$ 5 456 767</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, 2020**

<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	\$ 408 498	\$ 9 642	\$ -	\$ -	\$ (398 856)	\$ -	\$ (398 856)
Public safety	523 303	-	238	-	(523 065)	-	(523 065)
Transportation	92 974	-	38 985	-	(53 989)	-	(53 989)
Environmental protection	217 397	166 501	76 329	-	25 433	-	25 433
Cultural and recreation	28 054	14 045	-	-	(14 009)	-	(14 009)
Interest on long term debt	26 249	-	-	-	(26 249)	-	(26 249)
Total governmental activities	<u>1 296 475</u>	<u>190 188</u>	<u>115 552</u>	<u>-</u>	<u>(990 735)</u>	<u>-</u>	<u>(990 735)</u>
Business-type activities:							
Water and sewer	535 157	492 195	-	-	-	(42 962)	(42 962)
Total business-type activities	<u>535 157</u>	<u>492 195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42 962)</u>	<u>(42 962)</u>
Total primary government	<u>\$ 1 831 632</u>	<u>\$ 682 383</u>	<u>\$ 115 552</u>	<u>\$ -</u>	<u>(990 735)</u>	<u>(42 962)</u>	<u>(1 033 697)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					603 327	-	603 327
Other taxes					435 094	-	435 094
Unrestricted investment earnings					2 277	463	2 740
Miscellaneous					30 667	3 028	33 695
Insurance recovery					14 290	-	14 290
Total general revenues, not including transfers					<u>1 085 655</u>	<u>3 491</u>	<u>1 089 146</u>
Transfers					-	-	-
Total general revenues and transfers					<u>1 085 655</u>	<u>3 491</u>	<u>1 089 146</u>
Change in net position					94 920	(39 471)	55 449
Net position, beginning					2 307 484	3 093 834	5 401 318
Net position, ending					<u>\$ 2 402 404</u>	<u>\$ 3 054 363</u>	<u>\$ 5 456 767</u>

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



**Town of Spring Hope  
Balance Sheet  
Governmental Funds  
June 30, 2020**

	<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>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 934 079	\$ -	\$ 934 079
Restricted cash and cash equivalents	415 526	67	415 593
Receivables, net:			
Taxes	46 716	-	46 716
Accounts	111 741	-	111 741
Due from other funds	67	(67)	-
Total Assets	<u>1 508 129</u>	<u>-</u>	<u>1 508 129</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	6 503	-	6 503
Due to water and sewer	27 351	-	27 351
Total liabilities	<u>33 854</u>	<u>-</u>	<u>33 854</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	<u>39 186</u>	<u>-</u>	<u>39 186</u>
<b>FUND BALANCES</b>			
Restricted:			
Public Safety	1 572	-	1 572
Economic Development	34 772	-	34 772
Stabilization by State Statute	119 271	-	119 271
Town Hall Payment	50 532	-	50 532
Streets	105 270	-	105 270
Channel Fund	177 822	-	177 822
Unassigned	945 850	-	945 850
Total fund balances	<u>1 435 089</u>	<u>-</u>	<u>1 435 089</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1 508 129</u>	<u>\$ -</u>	<u>\$ 1 508 129</u>

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

**Town of Spring Hope  
Balance Sheet  
Governmental Funds  
June 30, 2020**

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

Total Fund Balance, Governmental Funds	\$	1 435 089
Capital Assets used in governmental activities are not reported in the funds.		
Gross capital assets at historical cost	\$	3 012 357
Accumulated depreciation		<u>(1 066 745)</u>
		1 945 612
Deferred outflows of resources related to pensions are not reported in the funds		131 425
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		4 708
Liabilities for earned revenues considered deferred inflows of resources in fund statements		39 186
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)		(635 213)
Net pension liability – LGERS		(183 437)
Net pension liability – LEO		(275 792)
Deferred inflows of resources related to pensions are not reported in the funds		(18 305)
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>(40 869)</u>
Net position of governmental activities	\$	<u>2 402 404</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, 2020**

	<u>Major Fund</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Total Non- Major Funds</u>	
<b>REVENUES</b>			
Ad valorem taxes	\$ 594 905	\$ -	\$ 594 905
Other taxes and licenses	90	-	90
Unrestricted intergovernmental	443 691	-	443 691
Restricted intergovernmental	44 916	76 329	121 245
Permits and fees	4 302	-	4 302
Sales and services	185 796	-	185 796
Investment earnings	2 277	-	2 277
Miscellaneous	30 667	-	30 667
Total revenues	<u>1 306 644</u>	<u>76 329</u>	<u>1 382 973</u>
<b>EXPENDITURES</b>			
Current:			
General government	336 980	-	336 980
Public safety	489 233	-	489 233
Transportation	92 974	-	92 974
Environmental protection	141 068	76 329	217 397
Culture and recreation	28 054	-	28 054
Debt service:			
Principal	41 556	-	41 556
Interest and other charges	26 279	-	26 249
Total expenditures	<u>1 156 114</u>	<u>76 329</u>	<u>1 232 443</u>
Excess (deficiency) of revenues over expenditures	<u>150 530</u>	<u>-</u>	<u>150 530</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to other funds	-	-	-
Sale of capital assets	-	-	-
Insurance recovery	14 290	-	14 290
Installment purchase obligations	23 874	-	23 874
Total other financing sources (uses)	<u>38 164</u>	<u>-</u>	<u>38 164</u>
Net change in fund balance	188 694	-	188 694
Fund balances, beginning	1 246 395	-	1 246 395
Fund balances, ending	<u>\$ 1 435 089</u>	<u>\$ -</u>	<u>\$ 1 435 089</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, 2020**

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

Net changes in fund balances -total governmental funds	\$	188 694
<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	\$	41 013
Depreciation expense for governmental assets		(95 002)
		(53 989)
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		39 461
Benefit payments paid and administrative expense for the LEOWSA are not included on the Statement of Activities		11 649
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		7 566
Change in accrued interest receivable on taxes		856
<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		(23 874)
Principal payments on long-term debt		41 556
<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		(8 840)
Pension expense		(108 159)
		(117 000)
Total changes in net position of governmental activities	\$	94 920

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, 2020**

	<u>General Fund</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Revenues:</b>				
Ad valorem taxes	\$ 594 600	\$ 594 600	\$ 594 905	\$ 305
Other taxes and licenses	-	-	90	90
Unrestricted intergovernmental	398 000	401 000	443 691	42 691
Restricted intergovernmental	39 000	39 600	44 916	5 316
Permits and fees	3 000	3 250	4 302	1 052
Sales and services	166 000	166 000	185 796	19 796
Investment earnings	-	400	2 277	1 877
Miscellaneous	7 250	5 000	30 667	25 667
Total revenues	<u>1 207 850</u>	<u>1 209 850</u>	<u>1 306 644</u>	<u>96 794</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	364 809	361 592	336 980	24 612
Public safety	471 033	496 428	489 233	7 195
Transportation	135 000	136 717	92 974	43 743
Environmental protection	141 000	141 500	141 068	432
Cultural and recreation	28 203	29 203	28 054	1 149
<b>Debt service:</b>				
Principal retirement	41 556	41 556	41 556	-
Interest	26 249	26 249	26 249	-
Total expenditures	<u>1 207 850</u>	<u>1 233 245</u>	<u>1 156 114</u>	<u>77 131</u>
Revenues over (under) expenditures	<u>-</u>	<u>(23 395)</u>	<u>150 530</u>	<u>173 925</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	-	-	-	-
Insurance recovery	-	11 875	14 290	2 415
Sale of capital assets	-	-	-	-
Installment purchase obligations	-	-	23 874	23 874
Total other financing sources (uses)	<u>-</u>	<u>11 875</u>	<u>38 164</u>	<u>26 289</u>
Fund balance appropriated	<u>-</u>	<u>11 520</u>	<u>-</u>	<u>(11 520)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>188 694</u>	<u>\$ 188 694</u>
Fund balances, beginning			<u>1 246 395</u>	
Fund balances, ending			<u>\$ 1 435 089</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, 2020**

	<b>Major Enterprise Fund</b>	
	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 335 651	\$ 335 651
Accounts receivable (net)	43 829	43 829
Due from general fund	27 351	27 351
Inventories	500	500
Restricted cash and cash equivalents	65 654	65 654
Total current assets	472 985	472 985
Noncurrent assets:		
Capital assets:		
Land and non-depreciable improvements	-	-
Other capital assets, net of depreciation	3 383 890	3 383 890
Total noncurrent assets	3 383 890	3 383 890
Total assets	3 856 875	3 856 875
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension deferrals	5 838	5 838
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	5 543	5 543
Notes payable – current	23 265	23 265
Liabilities payable from restricted assets:		
Customer deposits	44 269	44 269
Total current liabilities	73 077	73 077
Noncurrent liabilities:		
Notes payable – noncurrent	717 653	717 653
Compensated absences	7 078	7 078
Net pension liability	10 185	10 185
Total noncurrent liabilities	734 916	734 916
Total liabilities	807 993	807 993
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals	357	357
<b>NET POSITION</b>		
Net investment in capital assets	2 642 972	2 642 972
Unrestricted	411 391	411 391
Total net position	\$ 3 054 363	\$ 3 054 363

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, 2020**

	<b>Major Enterprise Fund</b>	
	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 445 643	\$ 445 643
Water and sewer taps	5 680	5 680
Other operating revenues	40 872	40 872
Total operating revenues	492 195	492 195
<b>OPERATING EXPENSES</b>		
Administration	183 605	183 605
Water treatment and distribution	230 080	230 080
Waste collection and treatment	-	-
Depreciation	109 220	109 220
Total operating expenses	522 905	522 905
<b>Operating income (loss)</b>	(30 710)	(30 710)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest and other charges	(12 252)	(12 252)
Other revenue	3 028	3 028
Interest income	463	463
Total nonoperating revenue (expenses)	(8 761)	(8 761)
Income (loss) before contributions and transfers	(39 471)	(39 471)
Transfer to general fund	-	-
Change in net position	(39 471)	(39 471)
Total net position, previously reported	3 093 834	3 093 834
Total net position, ending	\$ 3 054 363	\$ 3 054 363

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, 2020**

	<b>Major Enterprise Fund</b>	
	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 492 195	\$ 492 195
Cash paid on behalf of employees	(36 244)	(36 244)
Other operating expenses	(369 288)	(369 288)
Net cash provided (used) by operating activities	86 663	86 663
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer from other funds	-	-
Transfer to other funds	-	-
Total cash flows from noncapital financing activities	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	-	-
Proceeds installment purchase obligations	-	-
Principal paid on notes payable	(23 036)	(23 036)
Interest paid on notes payable	(12 252)	(12 252)
Net cash provided (used) by capital and related financing activities	(35 288)	(35 288)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Other revenue	3 028	3 028
Interest income	463	463
Net cash provided (used) by investing activities	3 491	3 491
Net increase (decrease) in cash and cash equivalents	54 866	54 866
Balances, beginning	346 439	346 439
Balances, ending	\$ 401 305	\$ 401 305

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, 2020**

	<b>Major Enterprise Fund</b>	
	<b>Water and Sewer Fund</b>	<b>Total</b>
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	\$ (30 710)	\$ (30 710)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	109 220	109 220
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
(Increase) decrease in accounts receivable	7 434	7 434
Increase (decrease) in accounts payable	(1 188)	(1 188)
Increase (decrease) in compensated absences	1 523	1 523
(Increase) decrease in deferred outflows – pensions	5 704	5 704
Increase (decrease) in net pension liability	(4 109)	(4 109)
Increase (decrease) in deferred inflows – pensions	(196)	(196)
Increase (decrease) in customer deposits	(1 015)	(1 015)
Total adjustments	117 373	117 373
Net cash provided by operating activities	\$ 86 663	\$ 86 663

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, 2020**

**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 reports the following non-major governmental funds:

**Grant Project Special Revenue Fund.** This fund is used to account for grant funds that are restricted for use for a particular purpose.

The Town 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). The Town's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and 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, 2020, the USDA restricted amount of cash in the bank is \$73,489.

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	\$	67
	Public Safety		1 572
	Economic Development		34 772
	Streets		150 828
	Town Hall Payment		50 532
	Channel Fund		177 822
Total Governmental Activities		\$	<u>415 593</u>
Business-type Activities			
Water and Sewer Fund	Economic Development	\$	21 385
	Customer Deposits		44 269
Total Business-Type Activities		\$	<u>65 654</u>
Total Restricted Cash		\$	<u>481 247</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 2020 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

For the fiscal year ended June 30, 2020, the Town had no violations of stewardship, compliance, or accountability.

## 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, 2020, the Town's deposits had a carrying amount of \$1,736,268 and a bank balance of \$1,785,778. Of the bank balance, \$317,194 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$1,600.

2. Investments

At June 30, 2020, the Town of Spring Hope had \$14,309 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. 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, 2020, is net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>6/30/20</u>
General Fund:	
Taxes receivable	\$ 13 062
Accounts receivable	10 555
Total	<u>\$ 23 617</u>
Enterprise Funds:	
Water and Sewer	
Accounts Receivable	\$ 13 856
Total	<u>\$ 13 856</u>

4. Capital Assets

**Primary Government**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
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>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	2 591 012	-	-	2 591 012
Equipment	123 986	-	-	123 986
Vehicles and motorized equipment	206 347	41 013	-	247 360
Total capital assets being depreciated	<u>2 921 345</u>	<u>41 013</u>	<u>-</u>	<u>2 962 358</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	783 497	51 743	-	835 240
Equipment	101 175	5 236	-	106 411
Vehicles and motorized equipment	87 072	38 023	-	125 095
Total accumulated depreciation	<u>971 744</u>	<u>\$ 95 002</u>	<u>\$ -</u>	<u>1 066 746</u>
Total capital assets being depreciated, net	<u>1 949 601</u>			<u>1 895 612</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 1 999 601</u>			<u>\$ 1 945 612</u>

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

General government	\$ 51 743
Public safety	43 259
Total depreciation expense	<u>\$ 95 002</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Water and Sewer Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
<b>Capital assets being depreciated:</b>				
Plant distribution/collection systems	4 535 877	-	-	4 535 877
Equipment	66 555	-	-	66 555
Vehicles and motorized equipment	34 905	-	-	34 905
Total capital assets being depreciated	4 637 337	-	-	4 637 337
<b>Less accumulated depreciation for:</b>				
Plant distribution/collection systems	1 043 141	108 940	-	1 152 081
Equipment	66 182	280	-	66 462
Vehicles and motorized equipment	34 904	-	-	34 904
Total accumulated depreciation	1 144 227	\$ 109 220	\$ -	1 253 447
Total capital assets being depreciated, net	3 493 110			3 383 890
<b>Business-type activities capital assets, net</b>	<b>\$ 3 493 110</b>			<b>\$ 3 383 890</b>

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](http://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, 2020, was 9.70% of compensation for law enforcement officers and 8.95% 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 \$38,061 for the year ended June 30, 2020.

*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, 2020, the Town reported a liability of \$193,622 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019 (measurement date), the Town’s proportion was 0.00709%, which was a decrease of 0.00010% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$88,044. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 33 153	\$ -
Changes of assumptions	31 557	-
Net difference between projected and actual earnings on pension plan investments	4 723	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	3 500	6 794
Town contributions subsequent to the measurement date	38 061	-
Total	<u>\$ 110 994</u>	<u>\$ 6 794</u>

\$38,061 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30</b>	
2020	\$ 33 757
2021	10 730
2022	17 050
2023	4 601
2024	-
Thereafter	-
Total	<u>\$ 66 138</u>

*Actuarial Assumptions.* 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	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, 2018 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, 2019 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 2018 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:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 442 850	\$ 193 622	\$ (13 536)

*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, 2018, 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>7</u>
Total	<u>8</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, 2018 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 8.10 percent, including inflation and productivity factor
Discount rate	2.98 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, 2018.

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, 2020, the Town reported a total pension liability of \$275,792. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$20,115.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7 988	\$ 3 667
Changes of assumptions	12 616	8 201
Town benefit payments and plan administrative expense made subsequent to the measurement date	5 665	-
Total	<u>\$ 26 269</u>	<u>\$ 11 868</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:

<b>Year ended June 30</b>	
2020	\$ 1 625
2021	1 625
2022	1 591
2023	1 697
2024	2 198
Thereafter	-
Total	<u>\$ 8 736</u>

\$11,330 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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	<u>1% Decrease (2.26%)</u>	<u>Discount Rate (3.26%)</u>	<u>1% Increase (4.26%)</u>
Total pension liability	\$ 296 974	\$ 275 792	\$ 256 411

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

	<u>2020</u>
Beginning balance	\$ 251 703
Service cost	9 215
Interest on the total pension liability	8 956
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	9 677
Changes of assumptions or other inputs	7 571
Benefit payments	(11 330)
Other changes	-
Ending balance of the total pension liability	<u>\$ 275 792</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, 2018 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:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 88 044	\$ 20 115	\$ 108 159
Pension Liability	193 622	275 792	469 414
Proportionate share of the net pension liability	0.00709%	N/A	N/A
<b>Deferred of Outflows of Resources</b>			
Differences between expected and actual experience	33 153	7 988	41 141
Changes of assumptions	31 557	12 616	44 173
Net difference between projected and actual earnings on plan investments	4 723	-	4 723
Changes in proportion and differences between contributions and proportionate share of contributions	3 500	-	3 500
Benefit payments and administrative costs paid subsequent to the measurement date	38 061	5 665	43 726
<b>Deferred of Inflows of Resources</b>			
Differences between expected and actual experience	-	3 667	3 667
Changes of assumptions	-	8 201	8 201
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	6 794	-	6 794

**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, 2020 were \$29,382, which consisted of \$20,177 from the Town and \$9,205 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	\$	38 061
Benefit payments made and administrative expenses for LEOSSA		5 665
Differences between expected and actual experience		41 141
Changes of assumptions		44 173
Net difference between projected and actual		4 723
Changes in proportion and differences between employer contributions and proportionate share of contributions		3 500
Total	\$	<u>137 263</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)	-	39 186
Changes in assumptions	8 201	-
Differences between expected and actual experience	3 667	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6 794	-
Total	\$ <u>18 662</u>	\$ <u>39 186</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, 2020.

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, 2020, is \$431,922 with payments of interest and principal due at May 15<sup>th</sup> of each year. On May 15, 2020, interest of \$18,531 was paid as well as principal of \$17,325.

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, 2020, is \$143,974 with payments of interest and principal due at May 15<sup>th</sup> of each year. On May 15, 2020, interest of \$6,177 was paid as well as principal of \$5,775.

The Town of Spring Hope executed a note on October 2, 2019, for \$23,874 to finance the purchase of a 2019 Ram 1500 Classic with First Citizens Bank. The term is for 5 years. Interest is at 3.50%. The outstanding principal at June 30, 2020, is \$23,874 with payments of interest and principal due at October 2<sup>nd</sup> of each year.

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, 2020, is \$0. For the year ended June 30, 2020, the Town paid interest of \$76 as well as principal of \$12,070.

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, 2020, is \$35,442 with payments of interest and principal due at June 15<sup>th</sup> of each year. For the year ended June 30, 2020, the Town paid interest of \$1,464 as well as principle of \$6,387.

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, 2020, is \$261,757 with payments of interest and principal due at March 5<sup>th</sup> of each year. On March 5, 2020, interest of \$6,996 was paid as well as principal of \$4,739.

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, 2020, is \$257,550 with payments of interest and principal due at March 5<sup>th</sup> of each year. On March 5, 2020, interest of \$5,256 was paid as well as principal of \$5,261.

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, 2020, is \$221,610 with payments of principal due at May 1st of each year. On May 1, 2020, principal of \$13,036 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>
2021	\$ 35 103	\$ 25 843	\$ 23 265	\$ 12 023
2022	36 482	24 464	23 500	11 785
2023	37 916	23 031	23 740	11 548
2024	39 347	21 599	23 955	11 333
2025	40 947	19 999	24 237	11 051
2026-2030	159 717	79 053	125 146	51 294
2031-2035	195 506	43 534	132 388	44 051
2036-2040	90 194	5 423	101 397	35 934
2041-2045	-	-	84 486	26 774
2046-2050	-	-	94 757	16 503
2050-2054	-	-	84 047	4 962
2055-2057	-	-	-	-
Total	\$ <u>635 212</u>	\$ <u>242 946</u>	\$ <u>740 918</u>	\$ <u>237 258</u>

At June 30, 2020, the Town of Spring Hope had no bonds authorized and unissued and a legal debt margin of \$7,221,282.

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>
<b>Governmental activities:</b>					
General Fund:					
Installment purchase	\$ 652 894	\$ 23 874	\$ 41 556	\$ 635 212	\$ 35 103
General obligation bonds	-	-	-	-	-
Capitalized leases	-	-	-	-	-
Compensated absences	32 029	8 840	-	40 869	-
Other postemployment benefits	-	-	-	-	-
Net pension liability (LGERS)	156 277	27 160	-	183 437	-
Total pension liability (LEO)	251 703	24 089	-	275 792	-
Governmental activity long-term liabilities	\$ <u>1 092 903</u>	\$ <u>83 963</u>	\$ <u>41 556</u>	\$ <u>1 135 310</u>	\$ <u>35 103</u>
<b>Business-type activities:</b>					
Water and Sewer Fund:					
Installment purchase	\$ 763 954	\$ -	\$ 23 036	\$ 740 918	\$ 23 265
General obligation bonds	-	-	-	-	-
Revenue bonds	-	-	-	-	-
Bond anticipation notes	-	-	-	-	-
Net pension liability (LGERS)	14 294	-	4 109	10 185	-
Other postemployment benefits	-	-	-	-	-
Compensated absences	5 555	1 523	-	7 078	-
Water Sewer Fund long-term liabilities	\$ <u>783 803</u>	\$ <u>1 523</u>	\$ <u>27 145</u>	\$ <u>758 181</u>	\$ <u>23 265</u>

c. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2020, 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>1 508 129</u>
<u>Less:</u>	
Public Safety	1 572
Town Hall	50 532
Stabilization by State Statute	119 271
Streets-Powell Bill	105 270
Channel Fund	177 822
Economic Development	34 772
<u>Remaining fund balance</u>	<u>945 850</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 \$842 to the Council during the fiscal year ended June 30, 2020.

**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 Seven Fiscal Years\***

**Local Government Employees' Retirement System**

	<u>2020</u>	<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)	0.00709%	0.00719%	0.00723%	0.00566%	0.00667%	0.00479%	0.00570%
Town of Spring Hope's proportion of net pension liability (assets)	\$ 193 622	\$ 170 571	\$ 110 454	\$ 120 124	\$ 29 935	\$ (26 437)	\$ 68 707
Town of Spring Hope's covered-employee payroll	\$ 426 477	\$ 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	45.40%	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%	99.07%	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 Seven Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 38 061	\$ 35 108	\$ 31 110	\$ 29 137	\$ 25 578	\$ 24 569	\$ 24 358
Contributions in relation to the contractually required contribution	<u>38 061</u>	<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>	<u>\$ -</u>
Town of Spring Hope's covered-employee payroll	\$ 403 544	\$ 426 477	\$ 391 397	\$ 378 614	\$ 367 101	\$ 339 339	\$ 347 202
Contributions as a percentage of covered-employee payroll	9.43%	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, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 251 703	\$ 257 405	\$ 243 106	\$ 242 118
Service cost	9 215	9 061	7 616	9 920
Interest on the total pension liability	8 956	7 955	9 165	8 441
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	9 677	(2 222)	(4 778)	-
Changes of assumptions or other inputs	7 571	(9 166)	13 626	(6 043)
Benefit payments	(11 330)	(11 330)	(11 330)	(11 330)
Other changes	-	-	-	-
Ending balance of the total pension liability	\$ <u>275 792</u>	\$ <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, 2020**

	<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
Total pension liability	\$ 275 792	\$	251 703	\$	257 405	\$	243 106
Covered payroll	276 512		242 825		237 021		312 845
Total pension liability as a percentage of covered payroll	99.74%		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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	\$ 592 194	\$
Penalties and interest		2 711	
Total	<u>594 600</u>	<u>594 905</u>	<u>305</u>
Other taxes and licenses:			
Privilege licenses		90	
Total	<u>-</u>	<u>90</u>	<u>90</u>
Unrestricted intergovernmental:			
Local option sales taxes		314 350	
Telecommunications sales tax		30 916	
Sales tax refund		-	
Utility franchise tax		80 816	
Beer and wine tax		5 656	
Sales tax video poker		8 563	
ABC profit distribution		3 390	
Total	<u>401 000</u>	<u>443 691</u>	<u>42 691</u>
Restricted intergovernmental:			
Controlled substances tax		4 692	
Powell Bill allocation		38 985	
Solid waste disposal tax		1 001	
FEMA		-	
NC Department of Public Safety		238	
US Department of Agriculture		-	
Total	<u>39 600</u>	<u>44 916</u>	<u>5 316</u>
Permits and fees:			
Zoning permits		3 625	
Jail and officers' fees		677	
Total	<u>3 250</u>	<u>4 302</u>	<u>1 052</u>
Sales and services:			
Rent		5 250	
Cemetery fees		14 045	
Garbage fees		166 501	
Total	<u>166 000</u>	<u>185 796</u>	<u>19 796</u>
Investment earnings	<u>400</u>	<u>2 277</u>	<u>1 877</u>
Miscellaneous:			
Other income		30 667	
Total	<u>5 000</u>	<u>30 667</u>	<u>25 667</u>
Total revenues	<u>\$ 1 209 850</u>	<u>\$ 1 306 644</u>	<u>\$ 96 794</u>

(continued)

**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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
General government:			
Administration:			
Governing body	\$	\$ 6 997	\$
Salaries and employee benefits		176 315	
Professional services		18 300	
Contracted services		29 781	
Capital outlay		-	
Other operating expenditures		49 738	
Membership dues		2 690	
Total	<u>299 809</u>	<u>283 821</u>	<u>15 988</u>
Public buildings:			
Utilities		22 144	
Building maintenance		4 446	
Other operating expenditures		431	
Contracted services		26 138	
Total	<u>61 783</u>	<u>53 159</u>	<u>8 624</u>
Total general government	<u>361 592</u>	<u>336 980</u>	<u>24 612</u>
Public safety:			
Police:			
Salaries and employee benefits		392 197	
Vehicle maintenance		11 379	
Other operating expenditures		44 644	
Capital outlay		41 013	
Total	<u>496 428</u>	<u>489 233</u>	<u>7 195</u>
Transportation:			
Streets and Highways:			
Maintenance		-	
Streetlights		35 634	
Contracted services		39 698	
Other operating expenditures		17 642	
Total transportation	<u>136 717</u>	<u>92 974</u>	<u>43 743</u>
Environmental protection:			
Solid waste:			
Contracted services		141 068	
Total environmental protection	<u>\$ 141 500</u>	<u>\$ 141 068</u>	<u>\$ 432</u>

(continued)

**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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Culture and recreation:			
Parks and recreation:			
Other operating expenditures	\$	\$ 7 000	\$
Total	<u>7 000</u>	<u>7 000</u>	<u>-</u>
Cemetery:			
Contracted services		12 055	
Total	<u>13 200</u>	<u>12 055</u>	<u>1 145</u>
Libraries:			
Contribution for library			
Total		8 999	
Total culture and recreation	<u>9 003</u>	<u>8 999</u>	<u>4</u>
Debt service:			
Principal retirement	41 556	41 556	-
Interest and other charges	<u>26 249</u>	<u>26 249</u>	<u>-</u>
Total debt service	<u>67 805</u>	<u>67 805</u>	<u>-</u>
Total expenditures	<u>1 233 245</u>	<u>1 156 114</u>	<u>77 131</u>
Revenues over (under) expenditures	<u>(23 395)</u>	<u>150 530</u>	<u>173 925</u>
Other financing sources (uses):			
Transfers from other funds:			
Water and sewer	-	-	-
Insurance recovery	11 875	14 290	2 415
Sale of capital assets	-	-	-
Installment purchase obligations	<u>-</u>	<u>23 874</u>	<u>23 874</u>
Total	<u>11 875</u>	<u>38 164</u>	<u>26 289</u>
Fund balance appropriated	<u>11 520</u>	<u>-</u>	<u>(11 520)</u>
Net change in fund balance	<u>\$ -</u>	<u>188 694</u>	<u>\$ 188 694</u>
Fund balance, beginning		<u>1 246 395</u>	
Fund balance, ending		<u>\$ 1 435 089</u>	

**Town of Spring Hope  
Combining Balance Sheet  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2020**

	<b>Grant Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ <u>67</u>	\$ <u>67</u>
Total assets	\$ <u>67</u>	\$ <u>67</u>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Due to other funds	\$ <u>67</u>	\$ <u>67</u>
Fund balances:		
Nonspendable-perpetual maintenance	<u>-</u>	<u>-</u>
Total liabilities and fund balances	\$ <u>67</u>	\$ <u>67</u>

**Town of Spring Hope**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2020**

	<u>Grant Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:		
Restricted intergovernmental	\$ 76 329	\$ 76 329
Sales and services	-	-
Investment earnings	-	-
	<hr/>	<hr/>
Total revenues	<u>76 329</u>	<u>76 329</u>
Expenditures:		
Economic and physical development	<u>76 329</u>	<u>76 329</u>
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, 2020**

	<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	\$ 76 329	\$ 98 551	\$ 201 449
Expenditures:					
Current:					
Hazardous Substance					
Travel	4 000	2 808	1 192	4 000	-
Supplies	1 000	-	1 000	1 000	-
Contractual	195 000	11 708	36 932	48 640	146 360
Total Expenditures	<u>200 000</u>	<u>14 516</u>	<u>39 124</u>	<u>53 640</u>	<u>146 360</u>
Petroleum					
Travel	2 000	-	2 000	2 000	-
Supplies	500	-	222	222	278
Contractual	97 500	7 706	34 983	42 689	54 811
Total Expenditures	<u>100 000</u>	<u>7 706</u>	<u>37 205</u>	<u>44 911</u>	<u>55 089</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Water sales:			
Residential	\$	\$	\$
Total	<u>200 000</u>	<u>198 692</u>	<u>(1 308)</u>
Sewer charges:			
Residential			
Total	<u>250 000</u>	<u>246 951</u>	<u>(3 049)</u>
Water and sewer taps	<u>3 000</u>	<u>5 680</u>	<u>2 680</u>
Other operating revenues	<u>40 000</u>	<u>40 872</u>	<u>872</u>
Total operating revenues	<u>493 000</u>	<u>492 195</u>	<u>(805)</u>
Nonoperating revenues:			
Other revenues	1 000	3 028	2 028
Interest earnings	-	463	463
Total nonoperating revenues	<u>1 000</u>	<u>3 491</u>	<u>2 491</u>
Total revenues	<u>494 000</u>	<u>495 686</u>	<u>1 686</u>
<b>Expenditures:</b>			
Water and sewer administration:			
Salaries and employee benefits		36 244	
Professional services		-	
Other operating expenditures		144 439	
Total water and sewer administration	<u>211 022</u>	<u>180 683</u>	<u>30 339</u>
Water treatment and distribution:			
Contracted services		207 750	
Other operating expenditures		22 330	
Total treatment and distribution	<u>245 300</u>	<u>230 080</u>	<u>15 220</u>
Debt service:			
Interest and other charges		12 252	
Principal retirement		23 036	
Total debt service	<u>37 678</u>	<u>35 288</u>	<u>2 390</u>
Capital outlay:			
Miscellaneous water and sewer		-	
Total capital outlay	<u>-</u>	<u>-</u>	<u>-</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Total expenditures	\$ 494 000	\$ 446 051	\$ 47 949
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>49 635</u>	<u>49 635</u>
<b>Other financing sources (uses):</b>			
Installment purchase obligations	-	-	-
Transfer to Water and Sewer Capital Projects Fund	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>49 635</u>	\$ <u>49 635</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
(Increase) decrease in vacation payable		(1 523)	
Depreciation expense		(109 220)	
Principal retirement		23 036	
Increase (decrease) in deferred outflows of resources – pensions		(5 704)	
(Increase) decrease in net pension liability		4 109	
(Increase) decrease in deferred inflows of resources – pensions		196	
Capital outlay		-	
Total reconciling items		<u>(89 106)</u>	
Change in net position		\$ <u>(39 471)</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, 2020**

<b>Fiscal Year</b>	<b>Uncollected Balance June 30, 2019</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2020</b>
2019-2020	\$ -	\$ 605 135	\$ 584 335	\$ 20 800
2018-2019	16 460	-	6 504	9 956
2017-2018	8 460	-	2 475	5 985
2016-2017	5 758	-	825	4 933
2015-2016	4 835	-	377	4 458
2014-2015	2 206	-	43	2 163
2013-2014	1 140	-	-	1 140
2012-2013	1 310	-	-	1 310
2011-2012	917	-	-	917
2010-2011	594	-	8	586
2009-2010	481	-	481	-
<b>Totals</b>	<b>\$ 42 161</b>	<b>\$ 605 135</b>	<b>\$ 595 048</b>	<b>52 248</b>

Less allowance for uncollectable accounts: 13 062

Ad valorem taxes receivable – net \$ 39 186

Reconciliation with revenues:

Ad valorem taxes – General Fund	\$ 594 905
Penalties and interest	(2 711)
Taxes written off	481
Discounts allowed	2 373
Total collections and credits	<u>\$ 595 048</u>

**Town of Spring Hope  
Analysis of Current Tax Levy  
For the Year Ended June 30, 2020**

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current rate	\$ 90 286 038	.67	\$ 605 269	\$ 530 511	\$ 74 758
Discoveries:					
Discoveries	16 439		110	110	-
Releases	(36 458)		(244)	(244)	-
Total property valuation	<u>\$ 90 266 019</u>				
Net levy			<u>605 135</u>	<u>530 377</u>	<u>74 758</u>
Uncollected taxes at June 30, 2019			<u>20 800</u>	<u>20 800</u>	<u>-</u>
Current year's taxed collected			<u>\$ 584 335</u>	<u>\$ 509 577</u>	<u>\$ 74 758</u>
Current levy collection percentage			<u>96.56%</u>	<u>96.07%</u>	<u>100.00%</u>

## Compliance Section

# *May & Place, PA*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 900  
LOUISBURG, NC  
27549  
Bus: 919-496-3041  
Fax: 919-496-6342

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, 2020, 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 February 9, 2021.

#### 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. 2020-1.

### 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

February 9, 2021



**Town of Spring Hope, North Carolina  
Schedule of Findings and Responses  
For the Fiscal Year Ended June 30, 2020**

**SIGNIFICANT DEFICIENCY**

Finding: 2020-1

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.

**TOWN OF SPRING HOPE**  
118 WEST RAILROAD STREET  
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SPRING HOPE, NORTH CAROLINA 27882  
252-478-5186

Corrective Action Plan  
For the Fiscal Year Ended June 30, 2020

**Financial Statement Findings**

**Finding:** 2020-1

**Name of contract person:**

Jae Kim, Town Manager

**Corrective action:**

Management will implement additional controls and separate duties in order to compensate for lack of segregation. In addition, the Town Council will provide additional oversight in order to provide additional controls.

**Proposed Completion Date:**

Management will implement the above procedure during the fiscal year ending June 30, 2021.