

REVIEWED

By SLGFD at 2:46 pm, Dec 09, 2021

**Town of Love Valley
Love Valley, North Carolina
For the year ended
June 30, 2021**

**Independent Auditor's Reports
Basic Financial Statements
And
Information Accompanying the
Basic Financial Statements**

Town of Love Valley

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June 30, 2021

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EDDIE CARRICK, CPA, PC

Certified Public Accountant

Independent Auditor's Report

To the Honorable Mayor
and Members of the Town Council
Town of Love Valley, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of the Town of Love Valley, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Love Valley, North Carolina as of June 30, 2021, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Love Valley, North Carolina's basic financial statements. The individual fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Emphasis of Matter

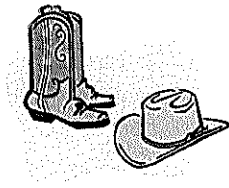
As discussed in Note V to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter

Eddie Carrick, CPA, PC

A handwritten signature in black ink, appearing to read "E. Carrick", with a stylized flourish at the end.

Lexington, North Carolina

November 16, 2021



Town of Love Valley

Management's Discussion and Analysis

As management of the Town of Love Valley, we offer readers of the Town of Love Valley's financial statements this narrative overview and analysis of the financial activities of the Town of Love Valley for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

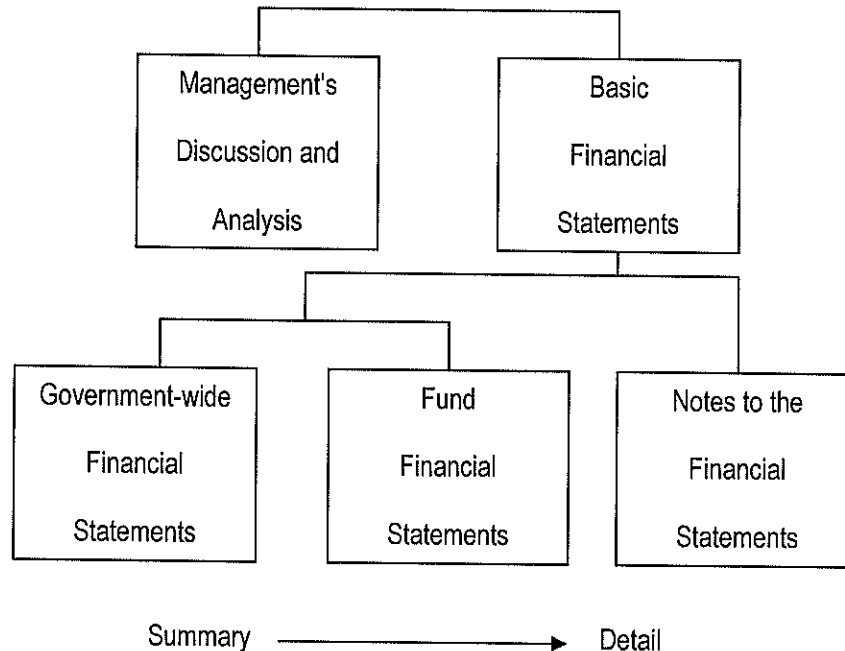
Financial Highlights

- The assets of the Town of Love Valley exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$154,648 (*net position*).
- The government's total net position increased by \$20,994, primarily due diligent cost saving measures in the General Fund.
- As of the close of the current fiscal year, the Town of Love Valley's governmental funds reported combined ending fund balances of \$155,671 with a net increase of \$35,391 in fund balance. Approximately 44 percent of this total amount, or \$69,466, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$86,205, or 156 percent of the total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Love Valley'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 Love Valley.

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 two 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 general administration, parks and recreation, and public safety. Property and sales taxes finance most of these activities. The business-type activities are those that the Town charges customers to provide. The Town has no business type activities or component units.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the 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 Love Valley, 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 Love Valley can be summarized 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 Love Valley adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted.

Management Discussion and Analysis
Town of Love Valley

The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The Town of Love Valley has only one kind 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 Love Valley uses enterprise funds to account for its sewer activity and operations. These funds are 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 begin on page 19 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 changes 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 government and other holders of publicly held U.S. Treasury Securities.

Management Discussion and Analysis
Town of Love Valley

Government-Wide Financial Analysis

Town of Love Valley's Net position
Figure 2
Town of Love Valley's Net Position (Figure 2)
June 30, 2021 and June 30, 2020

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Current and other assets	\$ 161,364	\$ 126,253	\$ (28,177)	\$ (14,536)	\$ 133,187	\$ 111,717
Capital assets	21,461	21,936	-	-	21,461	21,936
Total assets	182,825	148,189	(28,177)	(14,536)	154,648	133,653
Other liabilities	-	-	-	-	-	-
Deferred inflows of resources	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Net position:						
Net investment in						
capital assets	21,461	21,936	-	-	21,461	21,936
Restricted for:						
Stabilization by State Statute	38,907	22,057	-	-	38,907	22,057
Streets	-	-	-	-	-	-
Town Museum construction	27,627	27,627	-	-	27,627	27,627
Acrean operations	400	1,587	-	-	400	1,587
Unrestricted	94,430	74,982	(28,177)	(14,536)	66,253	60,446
Total net position	\$ 182,825	\$ 148,189	\$ (28,177)	\$ (14,536)	\$ 154,648	\$ 133,653

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Love Valley exceeded liabilities and deferred inflows by \$154,648 as of June 30, 2021. The Town's net position increased by \$20,994 for the fiscal year ended June 30, 2021. However, a large portion (25%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$66,934, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$66,253 is unrestricted.

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

- Conservative spending by management.
- Implementation of the sewer proprietary fund

Management Discussion and Analysis
Town of Love Valley

Town of Love Valley's Changes in Net position
Figure 3

Town of Love Valley's Changes in Net Position (Figure 3)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Revenues						
Program revenues:						
Charges for services	\$ 11,738	\$ 13,897	\$ 13,915	\$ 12,707	\$ 25,653	\$ 26,604
Operating grants and revenues	13,823	12,409	-	75,114	13,823	87,523
General revenues:						
Property taxes	29,876	25,135	-	-	29,876	25,135
Other taxes	-	-	-	-	-	-
Unrestricted intergovernmental revenues	45,419	39,393	-	-	45,419	39,393
Investment earnings	6	155	-	-	6	155
Miscellaneous income	-	-	1,244	-	1,244	-
Total revenues	100,862	90,989	15,159	87,821	116,021	178,810
Expenses:						
General government	51,413	45,977	-	-	51,413	45,977
Public safety	-	1,190	-	-	-	1,190
Transportation	14,120	11,396	-	-	14,120	11,396
Environmental protection	690	10,104	-	-	690	10,104
Sewer	-	-	28,800	102,357	28,800	102,357
Total expenses	66,223	68,667	28,800	102,357	95,023	171,024
Increase (decrease)	34,635	22,321	(13,641)	(14,536)	20,994	7,785
Other sources (uses)	-	-	-	-	-	-
Net position July 1	148,188	125,867	(14,536)	-	133,652	125,867
Net position June 30	\$ 182,825	\$ 148,188	\$ (28,177)	\$ (14,536)	\$ 154,648	\$ 133,652

Governmental Activities. Governmental activities increased the Town's net position by \$34,635, thereby accounting for 100% of the total increase in the net position of the Town. Town management reduced non-essential programs to a minimum and implemented cost saving strategies across Town departments. Tax revenue did not appreciably decline in the current year while the Town began to charge sewer fees. Town management acknowledges that 2021 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Key elements of this increase are as follows:

- Conservative spending by management

Business-type activities – Business-type activities decreased the Town's net position by \$13,641, accounting for 0% of the total increase in the Town's net position. Key elements of this decrease are as follows:

- Because of the second year functional pump and haul sewer system and the lack of customer base, charged rates currently do not cover the cost of the operations.

Management Discussion and Analysis
Town of Love Valley

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Love Valley'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 Love Valley'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 Love Valley. At the end of the current fiscal year, the Town of Love Valley's fund balance available in the General Fund was \$86,205, while total fund balance reached \$155,271. The Town currently has an available fund balance of 156% of general fund expenditures, while total fund balance represents 281% of the same amount.

At June 30, 2021, the governmental funds of Town of Love Valley reported a combined fund balance of \$155,671 with a net increase in fund balance of \$35,391. Included in this change in fund balance are increases in fund balance in the General Fund and an increase in the Love Valley Public Lands Corporation Fund.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget. 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.

The Town incurred various expenditures that were not originally anticipated in the original budget that required various amendments throughout the year. Other expenditures were held in check to comply with its budgetary requirements.

Proprietary Funds. The Town of Love Valley's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Sewer Fund at the end of the fiscal year amounted to \$(28,177). The total change in net position for the Sewer fund decreased net position by \$13,641. The change in net position in the Sewer Fund is a result of actual expenses exceeding revenues.

Capital Asset and Debt Administration

Capital Assets. The Town of Love Valley's investment in capital assets for its governmental activities and business-type activities as of June 30, 2021, totaled \$21,461 (net of accumulated depreciation). These assets include buildings, land, and equipment.

There were no capital asset transactions for the year.

Town of Love Valley's Capital Assets (net of depreciation) (Figure 4)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Land	\$ 8,781	\$ 8,781	\$ -	\$ -	\$ 8,781	\$ 8,781
Buildings in progress	12,286	12,286	-	-	12,286	12,286
Machinery and equipment	394	869	-	-	394	869
Plant & distribution systems	-	-	-	-	-	-
	<u>\$ 21,461</u>	<u>\$ 21,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,461</u>	<u>\$ 21,936</u>

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

Long-term Debt - The Town of Love Valley had no debt at June 30, 2021.

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 property located within that government's boundaries. The legal debt margin for the Town is \$919,520.

Economic Factors and Next Year's Budgets and Rates

The Town of Love Valley's population growth has been moderate the last decade compared to municipalities in the surrounding areas.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental and business-type Activities:

Budgeted revenue and expenditures in the General Fund are not expected to rise significantly. The Town anticipates a budget of \$22,520 for Sewer operations in 2022. The Town will be reviewing sewer income and expenses to determine an acceptable sewer rate increase.

The Town has chosen not to appropriate fund balance in the fiscal year 2022 budget. Management believes that steady revenues and continued restrictions on spending will maintain the Town's financial position. As the Town considers future revenue sources, it has determined that a \$0.01 increase in the property tax rate will result in additional revenues of approximately \$1,065 at current values and collection rate. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Love Valley at 133 Henry Martin Trail, Love Valley, NC 28625.

Town of Love Valley, North Carolina
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 86,204	\$ 3,122	\$ 89,325
Property taxes receivable	5,693	-	5,693
Other taxes receivable	7,609	-	7,609
Other receivables	-	-	-
Internal balances	31,298	(31,298)	-
Prepaid insurance	2,532	-	2,532
Restricted cash	28,027	-	28,027
Total current assets	<u>161,364</u>	<u>(28,177)</u>	<u>133,187</u>
Capital Assets:			
Land	8,781	-	8,781
Building under construction	12,286	-	12,286
Equipment	5,342	-	5,342
Infrastructure	-	20,457	20,457
Accumulated depreciation	(4,948)	(20,457)	(25,405)
Total capital assets	<u>21,461</u>	<u>-</u>	<u>21,461</u>
Total assets	<u>182,825</u>	<u>(28,177)</u>	<u>154,648</u>
LIABILITIES			
Accounts payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid fees	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	21,461	-	21,461
Restricted for:			
Stabilization by State Statute	38,907	-	38,907
Streets	-	-	-
Town Museum construction	27,627	-	27,627
Arena operations	400	-	400
Unrestricted	94,430	(28,177)	66,253
Total net position	<u>\$ 182,825</u>	<u>\$ (28,177)</u>	<u>\$ 154,648</u>

Town of Love Valley, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

EXHIBIT 2

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 51,413	\$ 11,738	\$ 5,167	\$ -	\$ (34,508)	\$ -	\$ (34,508)
Public Safety	-	-	-	-	-	-	-
Transportation	14,120	-	8,656	-	(5,464)	-	(5,464)
Environmental protection	690	-	-	-	(690)	-	(690)
Total governmental activities	<u>66,223</u>	<u>11,738</u>	<u>13,823</u>	<u>-</u>	<u>(40,662)</u>	<u>-</u>	<u>(40,662)</u>
Business-type Activities:							
Sewer	<u>28,800</u>	<u>13,915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,885)</u>	<u>(14,885)</u>
Total business-type activities	<u>28,800</u>	<u>13,915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,885)</u>	<u>(14,885)</u>
Total Government	<u>\$ 95,023</u>	<u>\$ 25,653</u>	<u>\$ 13,823</u>	<u>\$ -</u>	<u>(40,662)</u>	<u>(14,885)</u>	<u>(55,546)</u>
General revenues:							
Taxes:							
Property taxes levied for general purposes					29,876	-	29,876
Other taxes and fees levied for general purposes					-	-	-
Other taxes unrestricted intergovernmental					45,419	-	45,419
Unrestricted investment earnings					6	-	6
Miscellaneous					-	1,244	1,244
Transfers					-	-	-
Total general revenues and transfers					<u>75,300</u>	<u>1,244</u>	<u>76,544</u>
Change in net position					34,635	(13,641)	20,994
Net position-beginning					<u>148,188</u>	<u>(14,536)</u>	<u>133,652</u>
Net position-ending					<u>\$ 182,825</u>	<u>\$ (28,177)</u>	<u>\$ 154,648</u>

Notes to financial statements are an integral part of this statement

Town of Love Valley, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	Major Funds		
	General	Other Governmental Fund	Total Governmental Funds
Assets			
Cash & cash equivalents - unrestricted	\$ 86,204	\$ -	\$ 86,204
Restricted cash	27,627	400	28,027
Property taxes receivable	5,693	-	5,693
Other taxes receivable	7,609	-	7,609
Due (to) from other funds	31,298	-	31,298
Prepaid insurance	2,532	-	2,532
Other receivables	-	-	-
Total assets	<u>\$ 160,964</u>	<u>\$ 400</u>	<u>\$ 161,364</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	5,693	-	5,693
Other receivables	-	-	-
Total deferred inflows of resources	<u>5,693</u>	<u>-</u>	<u>5,693</u>
Fund balance:			
Non Spendable:			
Prepays	2,532	-	2,532
Restricted:			
Stabilization by State Statute	38,907	-	38,907
Streets	-	-	-
Town Museum construction	27,627	-	27,627
Arena operations	-	400	400
Unassigned	86,205	-	86,205
Total fund balance	<u>155,271</u>	<u>400</u>	<u>155,671</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 160,964</u>	<u>\$ 400</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	\$ 26,409	
Accumulated depreciation	<u>(4,948)</u>	21,461

Liabilities for earned revenues considered deferred inflows of resources in fund statements		5,693
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Net position of governmental activities		<u>\$ 182,825</u>
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Notes to financial statements are an integral part of this statement

Town of Love Valley, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	Major Fund		
	General	Other Governmental Fund	Total Governmental Fund
Revenues:			
Ad valorem taxes	\$ 30,157	\$ -	\$ 30,157
Other taxes and fees	-	-	-
Unrestricted intergovernmental revenues	45,419	-	45,419
Restricted intergovernmental revenues	8,656	-	8,656
Sales and services	900	-	900
Investment earnings	6	-	6
Miscellaneous	5,167	10,835	16,002
Total revenues	90,304	10,835	101,139
Expenditures:			
General government	40,419	10,518	50,938
Public Safety	-	-	-
Transportation	14,120	-	14,120
Environmental protection	690	-	690
Total expenditures	55,229	10,518	65,748
Revenues over expenditures	35,075	317	35,391
OTHER FINANCING SOURCES (USES)			
Transfers (to) from other funds	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	35,075	317	35,391
Fund balance - beginning of year	120,196	84	120,280
Fund balance - end of year	\$ 155,271	\$ 400	\$ 155,671

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

Net changes in fund balances - total governmental funds	\$ 35,391
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	(281)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense	
This is the amount by which capital outlays exceeded depreciation in current period depreciation expense.	
Capital outlay expenditures which were capitalized	-
Depreciation expense for governmental assets	(475)
Total changes in net position of governmental activities	\$ 34,635

Notes to financial statements are an integral part of this statement

Town of Love Valley, North Carolina

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	Original	Final	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 24,750	\$ 24,750	\$ 30,157	\$ 5,407
Other taxes and fees	-	-	-	-
Unrestricted intergovernmental	30,845	30,845	45,419	14,574
Restricted intergovernmental	9,500	9,500	8,656	(844)
Sales and services	-	-	900	900
Investment earnings	-	-	6	6
Miscellaneous	4,350	4,350	5,167	817
Total revenues	<u>69,445</u>	<u>69,445</u>	<u>90,304</u>	<u>20,859</u>
Expenditures:				
Current:				
General government	38,085	46,085	40,419	5,666
Public Safety	8,000	-	-	-
Transportation	14,000	14,000	14,120	(120)
Environmental protection	9,480	9,480	690	8,790
Total expenditures	<u>69,565</u>	<u>69,565</u>	<u>55,229</u>	<u>14,336</u>
Revenues over (under) expenditures	<u>(120)</u>	<u>(120)</u>	<u>35,075</u>	<u>35,195</u>
Other financing sources (uses):				
Transfers	-	-	-	-
Appropriated fund balance	120	120	-	(120)
Total other financing sources (uses)	<u>120</u>	<u>120</u>	<u>-</u>	<u>(120)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>35,075</u>	<u>\$ 35,075</u>
Fund balance, beginning of year			<u>120,196</u>	
Fund balance, end of year			<u>\$ 155,271</u>	

Notes to financial statements are an integral part of this statement

Town of Love Valley, North Carolina
Statement of Fund Net Position
Sewer Fund
June 30, 2021

	<u>Sewer Fund</u>
ASSETS	
Current assets:	
Cash & cash equivalents - unrestricted	\$ 3,122
Restricted cash & cash equivalents	-
Accounts receivable (net)	-
	<u>3,122</u>
Capital assets:	
Land and improvements	-
Other capital assets, net of accumulated depreciation	-
Net capital assets	<u>-</u>
Total assets	<u>3,122</u>
LIABILITIES	
Current liabilities:	
Accounts payable & accrued expenses	-
Due to other funds	31,298
Liabilities payable from restricted assets:	
Customer deposits	-
	<u>31,298</u>
Long-term liabilities:	
Due in more than one year	-
Total long-term liabilities	<u>-</u>
Total liabilities	<u>31,298</u>
NET POSITION	
Net investment in capital assets	-
Restricted for debt service	-
Unrestricted net position	(28,177)
Total net position	<u>\$ (28,177)</u>

Town of Love Valley, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Sewer Fund
For the Year Ended June 30, 2021

	<u>Sewer Fund</u>
Operating revenues:	
Charges for services	\$ 13,915
Other operating charges	-
Total operating revenue	<u>13,915</u>
Operating expenses:	
Waste collection & treatment	28,800
Depreciation	-
Total operating expenses	<u>28,800</u>
Operating income (loss)	<u>(14,885)</u>
Nonoperating revenues(expenses):	
Investment earnings	-
Miscellaneous income	1,244
Total nonoperating revenues (expenses)	<u>1,244</u>
Income (loss) before other sources (uses)	(13,641)
Other sources (uses):	
Grant proceeds	-
Transfers from other funds	<u>-</u>
Change in net position	(13,641)
Net position beginning of year	<u>(14,536)</u>
Net position end of year	<u>\$ (28,177)</u>

Exhibit 8

Town of Love Valley, North Carolina
Statement of Cash Flows
Sewer Fund
For the Year Ended June 30, 2021

	<u>Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 13,915
Cash paid for goods and services	(28,800)
Net Cash Used By Operating Activities	<u>(14,885)</u>
Cash flows from non-capital financing activities:	
Increase in due to other funds	15,175
Transfers from other funds	-
Miscellaneous income	1,244
Net Cash Provided By Non-Capital and Related Financing Activities	<u>16,419</u>
Cash flows from capital and related financing activities:	
Grant proceeds	-
Purchase of capital assets	-
Net Cash Used By Capital and Related Financing Activities	<u>-</u>
Cash flows from investing activities:	
Interest earnings	-
Net Cash Provided by Investing Activities	<u>-</u>
Net Increase (Decrease) In Cash	1,534
Cash - Beginning of Year, July 1	<u>1,587</u>
Cash - End of Year, June 30	<u><u>\$ 3,122</u></u>
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Net Operating Income (Loss)	<u>\$ (14,885)</u>
Adjustments to reconcile net operating income to net cash used by operating activities:	
Depreciation & amortization	-
Changes in Current Assets and Liabilities:	
Other income	-
(Increase) decrease in accounts receivable	-
Increase (Decrease) in accounts payable	-
Increase (Decrease) in customer deposits	-
Total adjustments	<u>-</u>
Net Cash Used By Operating Activities	<u><u>\$ (14,885)</u></u>
Interest paid	<u><u>\$ -</u></u>

Notes to financial statements are an integral part of this statement

Town of Love Valley, North Carolina

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

Description of the Unit

The Town of Love Valley is located in the northern section of Iredell County in the northwestern area of North Carolina and has a population of 124. The Town has one employees and provides limited police services.

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Love Valley is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit. GASB Statements number 14, 39 and 61 define component units as legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and a) it is able to impose its will on that organization or b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens upon, the primary government.

These statements provide one method for reporting component units in the financial statements of the primary government: blending. Blending means that the component unit's financial data is reported as though the unit is part of the primary government. If the unit provides services or benefits exclusively, or almost exclusively, to the primary government, or if the component units and the primary government have "substantively identical boards," the legally separate component units should be incorporated by blending. If the units do not meet these criteria, their data should be incorporated by discrete presentation. The blended presentation method presents component units as a department or unit of the Town, and offers no separate presentation as with the discrete method.

Based on evaluating these characteristics, the following is a brief review of the component unit in the Town's reporting entity:

Love Valley Public Lands Corporation

The Love Valley Public Lands Corporation is a non-profit corporation formed for the purpose of accepting gifts and donations of or to purchase property for the purpose of creating and maintaining public parks, drives, and recreation facilities for the Town of Love Valley and to use the property of the corporation in promoting activities and events such as but not limited to rodeos, horseshows, and square dances. Upon the dissolution of the corporation or the winding up of its affairs, the assets of the corporation shall be distributed exclusively to the Town of Love Valley, North Carolina. The Corporation is shown in a blended presentation as the Corporation provides services exclusively to the Town. The operating fund of the Corporation is presented in the accompanying financial statements as a nonmajor special revenue fund.

Notes to the Financial Statements (continued)

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display the information about the government. These statements include the activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. The 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 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 and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational and 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 non-major 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 the same values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

General Fund

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

The Town reports the following nonmajor governmental funds:

Special Revenue Fund

The Special Revenue Fund accounts for specific revenue sources that are legally restricted to expenditures for specific purposes. The Arena Fund accounts for the activities of the Town's arena. The primary revenue sources are donations and the rent of the arena for various activities. The primary expenditures are for repairs and maintenance, insurance, and sanitation.

Notes to the Financial Statements (continued)

B. Basis of Presentation (continued)

The Town reports the following major enterprise funds:

Sewer Fund - The Town maintains an Enterprise Fund, the Sewer Fund, to account for its sewer services. This fund is financed and operated in the same manner as a private business enterprise.

It is the intent of the governing body that costs (expenses, including depreciation) of providing these services to the public on a continuing basis be financed or recovered primarily through user charges. Therefore, periodic accounting is necessary for determination of net income and rate control.

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, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the 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 fund 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 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.

Notes to the Financial Statements (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

Sales taxes and certain intergovernmental revenues, such as 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 because the tax is levied by Iredell 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 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. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The Town Clerk is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$2,500; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500 must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

Notes to the Financial Statements (continued)

1. Deposits and Investments (continued)

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) 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, 2021, 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. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

The unexpended monies designated for the construction of the Town of Love Valley Museum are classified as restricted assets for the General Fund because their use is completely restricted to the purpose for which the monies were collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4

Town of Love Valley Restricted Cash

Governmental Activities		
General Fund	Streets	\$ -
	Town Museum	27,627
	Arena operations	400
Total Restricted Cash		<u>\$ 28,027</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 and other 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, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, Ad Valorem tax revenues are reported net of such discounts.

Notes to the Financial Statements (continued)

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. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over a three year of useful life. Infrastructure assets capitalized have an original cost of \$250,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-50 Years
Infrastructure	20-35 Years
Machinery and Equipment	5-10 Years
Improvements	20 Years

7. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no item that meets this criterion. 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 two items that meet the criterion for this category - property taxes receivable and other receivables.

8. Net position/Fund Balance

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 Balance

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

Notes to the Financial Statements (continued)

8. Net position/Fund Balance (continued)

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Arena Operations – portion of fund balance that has been budgeted by the Board of LVPL for the arena operations.

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 Love Valley'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 Love Valley intends to use for specific purposes.

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

Notes to the Financial Statements (continued)

8. Net position/Fund Balance (continued)

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes:

The Town exceeded budgeted disbursements in the transportation department by \$120. This is in violation of General Statute Chapter 159, Article 3 – The Local Government Budget and Fiscal Control Act. This is also in violation of the pre-audit certification required by this act.

B. Deficit in Fund Balance of Individual Funds not appropriated in subsequent year's budget ordinance

At June 30, 2021, the Town's Sewer Fund had a deficit fund balance of \$28,177. Although the Town's Sewer resources are limited because of few sewer customers, the Town is currently exploring the feasibility of rate increases and other alternatives such as interfund borrowings from the General Fund.

C. Excess of Expenditures over Appropriation:

The Town exceeded budgeted disbursements in the transportation department by \$120. This is in violation of General Statute Chapter 159, Article 3 – The Local Government Budget and Fiscal Control Act. This violation incurred because the Town did not adjust their budget for expenditures associated with road maintenance. The Board will more closely review the budget reports to ensure compliance in future years.

Notes to the Financial Statements (continued)

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 unit's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the 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, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit 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 designation official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$89,414 and a bank balance of \$93,554. The bank balances of the Town were fully covered by federal depository insurance.

At June 30, 2021, the Town had \$27,939 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.

2. Capital Assets

The Town of Love Valley's investment in capital assets for its governmental activities as of June 30, 2021 totals \$21,461 (net of accumulated depreciation). These assets include buildings in progress, land, and machinery. The Town is in the process of constructing a Town Hall as donations become available.

Notes to the Financial Statements (continued)

2. Capital Assets (continued)

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

Town of Love Valley's Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Construction in progress - Town Hall	\$ 12,286	\$ -	\$ -	\$ 12,286
Land	8,781	-	-	8,781
	<u>21,067</u>	<u>-</u>	<u>-</u>	<u>21,067</u>
Capital assets being depreciated				
Machinery and equipment	5,342	-	-	5,342
Less, accumulated depreciation				
Machinery and equipment	4,475	475	-	4,950
Depreciable capital assets, net	867	(475)	-	392
Governmental activity capital assets, net	<u>\$ 21,936</u>			<u>\$ 21,461</u>

Depreciation expense was charged to functions of the Town as follows:

General government \$475

Capital assets activity for the Business-type Activities for the year ending June 30, 2021:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated:				
Plant and distribution system	20,457	-	-	20,457
Equipment	-	-	-	-
Total capital assets being depreciated:	<u>20,457</u>	<u>-</u>	<u>-</u>	<u>20,457</u>
Less, accumulated depreciation for:				
Plant and distribution system	20,457	-	-	20,457
Equipment	-	-	-	-
Total accumulated depreciation	<u>20,457</u>	<u>-</u>	<u>-</u>	<u>20,457</u>
Total capital assets being depreciated, net	<u>-</u>			<u>-</u>
Business-type activity capital assets, net	<u>\$ -</u>			<u>\$ -</u>

Notes to the Financial Statements (continued)

B. Liabilities:

1. Deferred Outflows and Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
Property taxes receivable, net	\$ 5,693	\$ -
Other receivables, net	-	-
	<u>\$ 5,693</u>	<u>\$ -</u>

2. Risk Management

The Town is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has obtained general liability and workers' compensation coverage through commercial coverage.

In accordance with G.S. 159-29, any of 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 Financial Officer is individually bonded for \$50,000.

3. Claims and Judgments

At June 30, 2021, the Town had no pending or threatened assessments which could have a material adverse effect on the Town's financial position.

4. Long-Term Obligations

At June 30, 2021, the Town of Love Valley had no authorized but unissued bonds and a legal debt margin of \$919,520.

5. Interfund Receivables and Activity

At June 30, 2021, the following Interfund receivables / payable were outstanding:

To:	General Fund	\$ 31,298
From:	Sewer Fund	\$ 31,298

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

In the prior year, the Sewer Fund borrowed \$16,123 from the General Fund to fund startup operations. In the current year, the Sewer Fund borrowed an additional \$15,175 for a total amount of \$31,298 as of June 30, 2021. It is the intentions of the Town that all borrowings by Sewer Fund be paid back to the General Fund. The Town adopted a formal repayment plan of \$21 per month.

Notes to the Financial Statements (continued)

C. Net Investment in Capital Assets

	Governmental
Capital Assets	\$ 21,461
less: long-term debt	-
add: unexpended debt proceeds	-
Net investment in capital assets	<u>\$ 21,461</u>

D. Fund Balance

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>\$ 155,271</u>
Less:	
Prepays	2,532
Stabilization by State Statute	38,907
Streets	-
Town Museum Construction	27,627
Remaining Fund Balance	<u>\$ 86,205</u>

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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.

Notice of Violation – Unpermitted Wastewater Discharge and Non-Compliant Wastewater System

Previously, the Town was a defendant in a complaint and motion for injunctive relief against the State of North Carolina requiring the Town to immediately and permanently cease the illegal discharge of untreated wastewater. Previously, the Town has implemented a system to temporarily remedy the discharge and is currently working with State and local agencies to permanently resolve this issue. Currently, the Town was not under any threat of civil penalties.

Notes to the Financial Statements (continued)

V. Significant Effects of Subsequent Events

Management has evaluated subsequent events through November 16, 2021, the date on which the financial statements were available to be issued.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern", which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. The outbreak presents uncertainty and risk with respect to the Town and its ability to carry out its activities which could impact its financial results.

Town of Love Valley, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2020</u>
REVENUES:				
Ad valorem taxes				
Current year collections		\$ 30,157		\$ 28,625
Prior year taxes		-		-
Interest & penalties		-		-
	<u>\$ 24,750</u>	<u>30,157</u>	<u>\$ 5,407</u>	<u>28,625</u>
Other taxes, licenses and fees				
GVC permits		-		-
Other fees		-		-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unrestricted intergovernmental				
Local option sales tax		42,422		36,295
Utility sales tax		2,480		2,570
Beer and wine tax		517		528
	<u>30,845</u>	<u>45,419</u>	<u>14,574</u>	<u>39,393</u>
Restricted intergovernmental				
Grants		-		-
Powell Bill allocation		8,656		9,475
	<u>9,500</u>	<u>8,656</u>	<u>(844)</u>	<u>9,475</u>
Sales and services				
Sewer fees		-		-
Tags		900		642
	<u>-</u>	<u>900</u>	<u>900</u>	<u>642</u>
Investment earnings:				
Investment earnings	<u>-</u>	<u>6</u>	<u>6</u>	<u>155</u>
Miscellaneous:				
Donations		2,140		1,500
Arena rental		2,528		1,434
Other		499		-
	<u>4,350</u>	<u>5,167</u>	<u>817</u>	<u>2,934</u>
Total revenues	<u>69,445</u>	<u>90,304</u>	<u>20,859</u>	<u>81,223</u>

Town of Love Valley, North Carolina
General Fund (Continued)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2020</u>
EXPENDITURES:				
General Government:				
Salaries and wages		\$ 6,300		\$ 5,520
Payroll tax expense		482		494
Contract services		8,790		4,230
Golf cart expense		-		125
Insurance		3,158		3,133
Operating expenses		11,110		8,543
Professional services		5,500		6,220
Tags		591		672
Arena expenses		2,488		-
Donations		2,000		400
Capital outlay		-		-
	<u>\$ 46,085</u>	<u>40,419</u>	<u>\$ 5,666</u>	<u>29,337</u>
Total general government	<u>46,085</u>	<u>40,419</u>	<u>5,666</u>	<u>29,337</u>
Public Safety:				
Security services		-		1,190
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,190</u>
Transportation:				
Street and sidewalk maintenance		5,464		645
Maintenance - Powell		8,656		10,751
Total transportation	<u>14,000</u>	<u>14,120</u>	<u>(120)</u>	<u>11,396</u>

Town of Love Valley, North Carolina
General Fund (Continued)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2020</u>
EXPENDITURES (continued):				
Environmental protection				
Garbage collection		\$ 690		\$ 10,104
Total environmental protection	<u>\$ 9,480</u>	<u>690</u>	<u>\$ 8,790</u>	<u>10,104</u>
Total expenditures	<u>69,565</u>	<u>55,229</u>	<u>14,336</u>	<u>52,028</u>
Revenues over expenditures	<u>(120)</u>	<u>35,075</u>	<u>35,195</u>	<u>29,195</u>
OTHER FINANCING SOURCES (USES)				
Transfer to Sewer Fund	-	-	-	-
Appropriated fund balance	<u>120</u>	<u>-</u>	<u>(120)</u>	<u>-</u>
	<u>120</u>	<u>-</u>	<u>(120)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>35,075</u>	<u>\$ 35,075</u>	<u>29,195</u>
Fund balances - beginning of year		<u>120,196</u>		<u>91,001</u>
Fund balances - end of year		<u>\$ 155,271</u>		<u>\$ 120,196</u>

Town of Love Valley, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Love Valley Public Lands Corporation Fund
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2020</u>
REVENUES:				
Miscellaneous:				
Arena rental		\$ 8,320		\$ 5,445
Donations		2,515		1,015
Insurance proceeds		-		-
Concessions		-		6,795
	<u>\$ 16,600</u>	<u>10,835</u>	<u>\$ (5,765)</u>	<u>13,255</u>
Total revenues	<u>16,600</u>	<u>10,835</u>	<u>(5,765)</u>	<u>13,255</u>
EXPENDITURES:				
General government:				
Repairs and maintenance		5,228		6,033
Insurance		-		916
Sanitation		535		790
Rent		4,544		3,898
Supplies		145		3,686
Other		66		842
Capital outlay		-		-
	<u>16,600</u>	<u>10,518</u>	<u>6,082</u>	<u>16,164</u>
Total expenditures	<u>16,600</u>	<u>10,518</u>	<u>6,082</u>	<u>16,164</u>
Revenues over expenditures	<u>-</u>	<u>317</u>	<u>317</u>	<u>(2,909)</u>
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>317</u>	<u>\$ 317</u>	<u>(2,909)</u>
Fund balances - beginning of year		<u>83</u>		<u>2,993</u>
Fund balances - end of year		<u>\$ 400</u>		<u>\$ 83</u>

Town of Love Valley, North Carolina
Sewer Fund - Enterprise Fund
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2020</u>
Revenues:				
Operating revenues:				
Sewer charges, net of bad debts		\$ 13,915		\$ 12,707
Other charges		-		-
	<u>\$ 18,200</u>	<u>13,915</u>	<u>\$ (4,285)</u>	<u>12,707</u>
Non-operating Revenues:				
Investment earnings		-		-
Miscellaneous income		1,244		-
	<u>2,100</u>	<u>1,244</u>	<u>(856)</u>	<u>-</u>
Total revenues	<u>20,300</u>	<u>15,159</u>	<u>(5,141)</u>	<u>12,707</u>
Expenditures:				
Sewer Operations:				
Annual communication fee		360		360
Utilities		481		479
Land lease		1,000		1,000
Pump and haul		24,859		23,110
Engineering fees		-		75,114
Inspections		2,100		2,275
Repairs and maintenance		-		-
Miscellaneous		-		19
Capital outlays		-		-
	<u>30,920</u>	<u>28,800</u>	<u>2,120</u>	<u>102,357</u>
Total expenditures	<u>30,920</u>	<u>28,800</u>	<u>2,120</u>	<u>102,357</u>
Other sources (uses) of funds				
Grant proceeds	-	-	-	75,114
Transfer from General Fund	-	-	-	-
Appropriated fund balance	10,620	-	(10,620)	-
Total other sources (uses) of funds	<u>10,620</u>	<u>-</u>	<u>(10,620)</u>	<u>75,114</u>
Revenues and other sources over (under) expenditures and other sources	<u>\$ -</u>	<u>\$ (13,641)</u>	<u>\$ (13,641)</u>	<u>\$ (14,536)</u>

Town of Love Valley, North Carolina
Sewer Fund - Enterprise Fund
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis:		
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (13,641)	\$ (14,536)
Budgetary appropriations:		
Capital outlay	-	-
Debt service - principal portion	-	-
Depreciation & amortization	<u>-</u>	<u>-</u>
Change in net position	<u><u>\$ (13,641)</u></u>	<u><u>\$ (14,536)</u></u>

Town of Love Valley, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
		\$ 28,735	\$ 26,629	\$ 2,106
2019-2020	\$ 2,553		1,678	875
2018-2019	769		183	586
2017-2018	700		91	609
2016-2017	631		322	309
2015-2016	303		22	281
2014-2015	327		22	305
2013-2014	249		97	152
2012-2013	190		96	94
2011-2012	132		56	76
2010-2011	120		120	-
	<u>\$ 5,974</u>	<u>\$ 28,735</u>	<u>\$ 29,316</u>	<u>5,393</u>
Less allowance for uncollectible accounts: General Fund				<u>-</u>
Ad valorem taxes receivable-net				<u>\$ 5,393</u>
Reconciliation with revenues:				
Taxes-Ad Valorem-General				\$ 30,157
Adjustments & credits				<u>(841)</u>
Total collections and credits				<u>\$ 29,316</u>

Town of Love Valley, North Carolina
Analysis of Current Tax Levy
Town-Wide Levy
For the Year Ended June 30, 2021

	Total Property Valuation	Rate	Amount of Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current years rate	\$ 11,494,000	0.25	\$ 28,735	\$ 24,592	\$ 4,143
Penalties	-		-	-	-
Total	<u>11,494,000</u>		<u>28,735</u>	<u>24,592</u>	<u>4,143</u>
Discoveries:					
Current year rates	-	0.25	-	-	-
Prior year taxes	-		-	-	-
Total	<u>11,494,000</u>		<u>28,735</u>	<u>24,592</u>	<u>4,143</u>
Abatements	-	0.25	-	-	-
Total property valuation	<u>\$ 11,494,000</u>				
Net levy			28,735	24,592	4,143
Uncollected taxes at June 30, 2021			<u>(2,106)</u>	<u>(2,106)</u>	-
Current year's taxes collected			<u>\$ 26,629</u>	<u>\$ 22,486</u>	<u>\$ 4,143</u>
Percent current year collected			<u>92.67%</u>	<u>91.44%</u>	<u>100.00%</u>