

**TOWN OF SEVEN SPRINGS, NORTH CAROLINA**

**FINANCIAL STATEMENTS AND**

**INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED JUNE 30, 2021**

**GREGORY T. REDMAN, CPA**  
TARBORO, NORTH CAROLINA

# Financial Statements

Town of Seven Springs, North Carolina

June 30, 2021

## Board of Commissioners

Stephen Potter, Mayor

Alan Cash

Alan Hughes

Ronda Hughes

John Lee

Jackie Rouse

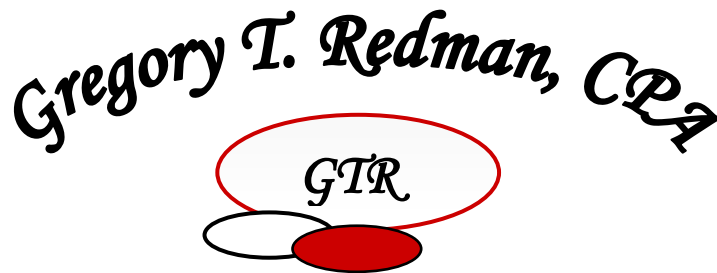
## Administrative Staff

Patricia Jones, Town Clerk

**Town of Seven Springs, North Carolina**  
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**June 30, 2021**

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## **Financial Section**



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## **Independent Auditor's Report**

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

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Seven Springs, as of and for the year ended June 30, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Seven Springs as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Supplementary and Other Information

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

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

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



Gregory T. Redman, CPA  
Tarboro, North Carolina  
November 22, 2021

## **Management's Discussion and Analysis**

**Town of Seven Springs, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

As management of the Town of Seven Springs, North Carolina, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Seven Springs for the fiscal year ended June 30, 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 Seven Springs exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,394,805 (net position).
- The government's total net position decreased by \$65,870 primarily due to decreases in both business-type activities and governmental activities net position.
- At the close of the current fiscal year, the Town of Seven Springs' governmental funds reported an ending fund balance of \$236,387, an increase of \$3,072 in comparison with the prior year. Approximately 28 percent of this total amount, or \$51,091, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$170,313 or 347 percent of total general fund expenditures for the fiscal year.

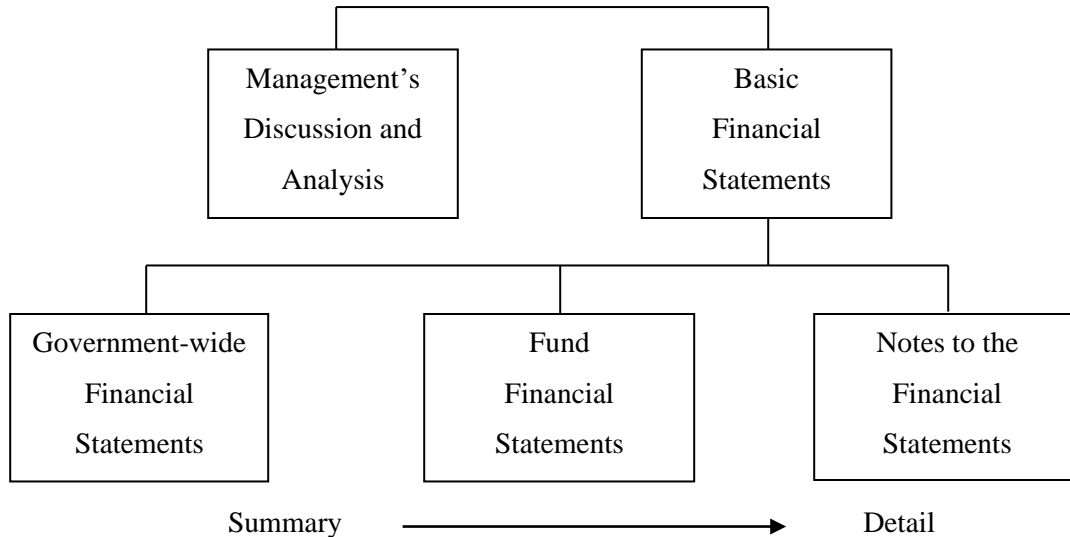
**Overview of the Financial Statements**

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



**Town of Seven Springs, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

**Required Components of Annual Financial Report**



**Basic Financial Statements**

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

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

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

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

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

**Town of Seven Springs, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

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

**Fund Financial Statements**

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

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

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

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

**Town of Seven Springs, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

**Government-wide Financial Analysis**

**The Town of Seven Springs' Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 243,763	\$ 242,082	\$ 634,172	\$ 559,836	\$ 877,935	\$ 801,918
Capital assets	11,571	19,957	2,535,464	2,647,310	2,547,035	2,667,267
Total Assets	255,334	262,039	3,169,636	3,207,146	\$ 3,424,970	\$ 3,469,185
Long-term liabilities outstanding	-	-	-	-	\$ -	\$ -
Other liabilities	4,007	4,261	26,158	4,249	30,165	8,510
Deferred inflows of resources	-	-	-	-	-	-
Total Liabilities	4,007	4,261	26,158	4,249	30,165	8,510
Net Position:						
Net investment in capital assets	11,571	19,957	2,535,464	2,647,310	\$ 2,547,035	\$ 2,667,267
Restricted	51,091	44,533	-	-	51,091	44,533
Unrestricted	188,665	193,288	608,014	555,587	796,679	748,875
Total Net Position	\$ 251,327	\$ 257,778	\$ 3,143,478	\$ 3,202,897	\$ 3,394,805	\$ 3,460,675

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Seven Springs exceeded liabilities and deferred inflows of resources by \$3,394,805 as of June 30, 2021. The Town's net position decreased by \$65,870 for the fiscal year ended June 30, 2021. However, the largest portion (75%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Seven Springs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town of Seven Springs' net position, \$51,091 (2%), represents resources that are subject to external restrictions in how they may be used. The remaining balance of the Town of Seven Springs' net position, \$796,679 (23%), is unrestricted.

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

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

**Town of Seven Springs, North Carolina**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

**Town of Seven Springs' Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 445,270	\$ 419,521	\$ 445,270	\$ 419,521
Operating grants and contributions	4,116	4,376	-	-	4,116	4,376
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	17,852	15,244	-	-	17,852	15,244
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	16,037	15,732	-	-	16,037	15,732
Other	6,579	3,111	432	2,404	7,011	5,515
Total Revenues	<u>\$ 44,584</u>	<u>\$ 38,463</u>	<u>\$ 445,702</u>	<u>\$ 421,925</u>	<u>\$ 490,286</u>	<u>\$ 460,388</u>
Expenses:						
General government	36,880	35,408	-	-	36,880	35,408
Public safety	1,134	1,102	-	-	1,134	1,102
Transportation	3,163	6,689	-	-	3,163	6,689
Environmental protection	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Cultural and recreation	9,858	8,007	-	-	9,858	8,007
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	505,121	430,149	505,121	430,149
Total Expenses	<u>\$ 51,035</u>	<u>\$ 51,206</u>	<u>\$ 505,121</u>	<u>\$ 430,149</u>	<u>\$ 556,156</u>	<u>\$ 481,355</u>
Increase(decrease) in net position before transfers	(6,451)	(12,743)	(59,419)	(8,224)	(65,870)	(20,967)
Extraordinary item: Gain on insurance recovery	-	-	-	-	-	-
Increase(decrease) in net position	(6,451)	(12,743)	(59,419)	(8,224)	(65,870)	(20,967)
Net position, July 1	<u>257,778</u>	<u>270,521</u>	<u>3,202,897</u>	<u>3,211,121</u>	<u>3,460,675</u>	<u>3,481,642</u>
Net position, June 30	<u>\$ 251,327</u>	<u>\$ 257,778</u>	<u>\$ 3,143,478</u>	<u>\$ 3,202,897</u>	<u>\$ 3,394,805</u>	<u>\$ 3,460,675</u>

**Governmental Activities.** Governmental activities decreased the Town's net position by (\$6,451). The decrease is due to less funding from operating grants.

**Business-type Activities.** Business-type activities decreased the Town of Seven Springs' net position by (\$59,419). This decrease was primarily due to an increase in sewer capacity charges.

**Town of Seven Springs, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

**Financial Analysis of the Town's Funds**

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

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

The general fund is the chief operating fund of the Town of Seven Springs. At the end of the current fiscal year, Town of Seven Springs' fund balance available in the General Fund was \$170,313, while total fund balance was \$236,387. The Governing Body of the Town of Seven Springs has determined that the Town should maintain an available fund balance of 20% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 347% of general fund expenditures, and total fund balance represents 482% of the same amount.

At June 30, 2021, the governmental fund of Town of Seven Springs reported a fund balance of \$236,387 with a net increase in fund balance of \$3,072.

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

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

**Proprietary Funds:** The Town of Seven Springs' proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water & Sewer Fund at the end of the fiscal year amounted to \$608,014. The total decrease in overall Water & Sewer Fund net position was \$59,419. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

**Capital Asset and Debt Administration**

**Capital Assets:** The Town of Seven Springs' investments in capital assets for its governmental and business-type activities as of June 30, 2021 total \$2,547,035 (net of accumulated depreciation). These assets include buildings, water systems, sewer systems, land, machinery, equipment, park facilities, and vehicles.

**Town of Seven Springs, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 10,753	\$ 10,753	\$ -	\$ -	\$ 10,753	\$ 10,753
Buildings	818	9,204	-	-	818	9,204
Plant and distribution system	-	-	2,487,835	2,589,891	2,487,835	2,589,891
Machinery and equipment	-	-	47,629	57,419	47,629	57,419
Other	-	-	-	-	-	-
Total	<u>\$ 11,571</u>	<u>\$ 19,957</u>	<u>\$ 2,535,464</u>	<u>\$ 2,647,310</u>	<u>\$ 2,547,035</u>	<u>\$ 2,667,267</u>

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

**Long-term Debt:** As of June 30, 2021 the Town of Seven Springs had no long-term debt. The Town paid the debt off during the current year with insurance proceeds collected on the town hall from flooding.

**Economic Factors and Next Year's Budgets and Rates**

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

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

**Budget Highlights for the Fiscal Year Ending June 30, 2022**

The General Fund budget for the 21-22 fiscal year reflected very little change compared to the prior year.

**Requests for Information**

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

## **Financial Section**

## **Basic Financial Statements**



**Town of Seven Springs, North Carolina**  
**Statement of Net Position**  
**June 30, 2021**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 189,303	\$ 549,898	\$ 739,201
Taxes receivables (net)	2,654	-	2,654
Accrued interest receivable on taxes	715	-	715
Accounts receivable (net)	-	81,774	81,774
Utility deposits receivable	525	-	525
Due from other governments	13,012	-	13,012
Restricted cash and cash equivalents	37,554	2,500	40,054
Total Current Assets	<u>\$ 243,763</u>	<u>\$ 634,172</u>	<u>\$ 877,935</u>
Non-current Assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	\$ 10,753	\$ -	\$ 10,753
Other capital assets, net of depreciation	818	2,535,464	2,536,282
Total capital assets	<u>\$ 11,571</u>	<u>\$ 2,535,464</u>	<u>\$ 2,547,035</u>
Total Assets	<u>\$ 255,334</u>	<u>\$ 3,169,636</u>	<u>\$ 3,424,970</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 4,007	\$ 23,658	\$ 27,665
Accrued interest payable	-	-	-
Current portion of long-term liabilities	-	-	-
Payable from restricted assets	-	2,500	2,500
Total Current Liabilities	<u>\$ 4,007</u>	<u>\$ 26,158</u>	<u>\$ 30,165</u>
Long-term liabilities:			
Due in more than one year	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ 4,007</u>	<u>\$ 26,158</u>	<u>\$ 30,165</u>
Deferred Inflows of Resources			
Prepaid taxes	\$ -	\$ -	\$ -
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 11,571	\$ 2,535,464	\$ 2,547,035
Restricted for:			
Stabilization by State Statute	13,537	-	13,537
Transportation	37,554	-	37,554
Unrestricted	188,665	608,014	796,679
Total Net Position	<u>\$ 251,327</u>	<u>\$ 3,143,478</u>	<u>\$ 3,394,805</u>

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

**Town of Seven Springs, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities:							
General government	\$ 36,880	\$ -	\$ -	\$ -	\$ (36,880)	\$ -	\$ (36,880)
Public safety	1,134	-	-	-	(1,134)	-	(1,134)
Transportation	3,163	-	4,116	-	953	-	953
Economic and physical development	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-
Cultural and recreation	9,858	-	-	-	(9,858)	-	(9,858)
Interest on long-term debt	-	-	-	-	-	-	-
Total Governmental Activities	<u>\$ 51,035</u>	<u>\$ -</u>	<u>\$ 4,116</u>	<u>\$ -</u>	<u>\$ (46,919)</u>	<u>\$ -</u>	<u>\$ (46,919)</u>
Business-type activities:							
Sewer	505,121	445,270	-	-	-	(59,851)	(59,851)
Total business-type activities	<u>\$ 505,121</u>	<u>\$ 445,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (59,851)</u>	<u>\$ (59,851)</u>
Total Primary Government	<u>\$ 556,156</u>	<u>\$ 445,270</u>	<u>\$ 4,116</u>	<u>\$ -</u>	<u>\$ (46,919)</u>	<u>\$ (59,851)</u>	<u>\$ (106,770)</u>
General Revenues							
Taxes:							
Property taxes, levied for general purpose					\$ 17,852	\$ -	\$ 17,852
Other taxes					-	-	-
Grants and contributions not restricted to specific programs					16,037	-	-
Unrestricted investment earnings					94	432	526
Miscellaneous					6,485	-	6,485
Insurance proceeds					-	-	-
Total General Revenues					<u>40,468</u>	<u>432</u>	<u>24,863</u>
Change in Net Position					\$ (6,451)	\$ (59,419)	\$ (65,870)
Net Position, previously reported					<u>257,778</u>	<u>3,202,897</u>	<u>3,460,675</u>
Net Position, end of year					<u>\$ 251,327</u>	<u>\$ 3,143,478</u>	<u>\$ 3,394,805</u>

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

**Town of Seven Springs, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	<u><b>Major Funds</b></u> <u><b>General</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 189,303
Restricted cash	37,554
Receivables, net:	
Taxes	2,654
Utility deposits receivable	525
Due from other governments	13,012
Prepaid insurance	-
Total Assets	<u><u>\$ 243,048</u></u>
<b>Liabilities</b>	
Liabilities:	
Accounts payable and accrued liabilities	\$ 4,007
Total Liabilities	<u><u>\$ 4,007</u></u>
<b>Deferred Inflows of Resources</b>	
Property taxes receivable	\$ 2,654
Prepaid taxes	-
Total Deferred Inflows of Resources	<u><u>\$ 2,654</u></u>
<b>Fund Balances</b>	
Restricted:	
Stabilization by State Statute	\$ 13,537
Streets	37,554
Assigned	
Historical committee and park	5,545
Auditorium improvements	2,038
Seven Springs improvements	1,110
Subsequent year's expenditures	6,290
Unassigned	170,313
Total fund balance	<u><u>\$ 236,387</u></u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 243,048</u></u>

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

**Town of Seven Springs, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

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

Total Fund Balance:	\$ 236,387
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	11,571
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds	715
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	-
Liabilities for earned revenues considered deferred inflows of resources in fund statements	<u>2,654</u>
Net Position of Governmental Activities	<u><u>\$ 251,327</u></u>

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

**Town of Seven Springs, North Carolina**  
**Statement of Revenues, Expenditures And Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	<u><b>Major Funds</b></u> <u><b>General</b></u>
Revenues	
Ad valorem taxes	\$ 16,715
Other taxes and licenses	-
Unrestricted intergovernmental	16,037
Restricted intergovernmental	4,116
Sales and services	-
Investment earnings	94
Miscellaneous	15,165
Total Revenues	<u>\$ 52,127</u>
Expenditures	
Current:	
General government	\$ 35,190
Transportation	3,163
Public safety	1,134
Environmental protection	-
Cultural and recreation	9,568
Debt service:	
Principal	-
Interest and other charges	-
Total Expenditures	<u>\$ 49,055</u>
Excess of Revenues Over (Under) Expenditures	\$ 3,072
Other Financing Sources (Uses)	
Transfers-in from other funds	<u>\$ -</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>
Net Change in Fund Balance	\$ 3,072
Fund Balances	
Beginning of year	233,315
End of year	<u><u>\$ 236,387</u></u>

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

**Town of Seven Springs, North Carolina**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement Activities**  
**For the Year Ended June 30, 2021**

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

Net Change in Fund Balance - Total Governmental Funds	\$	3,072
Change in fund balance due to change in prepaid expenses		-

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period

Capital outlay expenditures which were capitalized	-	
Depreciation expense for governmental assets	(1,980)	
Asset impairment loss	-	(1,980)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Amount of donated assets	-	
Change in unavailable revenue for tax revenues	1,137	
Difference in sale of assets	(8,680)	\$ (7,543)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	-	
Decrease in accrued interest payable	-	\$ -

Total Changes in Net Position of Governmental Activities	\$	<u>(6,451)</u>
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The notes to the financial statements are an integral part of this statement.

**Town of Seven Springs, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, And**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	<b>General Fund</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
			<b>Amounts</b>	<b>Positive</b>
				<b>(Negative)</b>
Revenues				
Ad valorem taxes	\$ 13,700	\$ 13,600	\$ 16,715	\$ 3,115
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	12,885	12,885	16,037	3,152
Restricted intergovernmental	4,300	4,300	4,116	(184)
Sales and services	-	-	-	-
Investment earnings	260	260	94	(166)
Miscellaneous	5,650	700	15,165	14,465
Total Revenues	<u>\$ 36,795</u>	<u>\$ 31,745</u>	<u>\$ 52,127</u>	<u>\$ 20,382</u>
Expenditures				
Current				
General government	\$ 37,165	\$ 35,269	\$ 35,190	\$ 79
Transportation	4,300	6,966	3,163	3,803
Public Safety	1,000	1,134	1,134	-
Environmental protection	-	-	-	-
Cultural and recreation	620	10,081	9,568	513
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenditures	<u>\$ 43,085</u>	<u>\$ 53,450</u>	<u>\$ 49,055</u>	<u>\$ 4,395</u>
Revenues Over (Under) Expenditures	<u>\$ (6,290)</u>	<u>\$ (21,705)</u>	<u>\$ 3,072</u>	<u>\$ 24,777</u>
Other Financing Sources (Uses)				
Fund balance appropriated	\$ 6,290	\$ 19,205	\$ -	\$ (19,205)
Transfers-in	-	2,500	-	(2,500)
Total Other Financing Sources (Uses)	<u>\$ 6,290</u>	<u>\$ 21,705</u>	<u>\$ -</u>	<u>\$ (21,705)</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>3,072</u>	<u>3,072</u>
Fund Balances				
Beginning of year			233,315	
End of year			<u>\$ 236,387</u>	

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

**Town of Seven Springs, North Carolina**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	<b>Major Enterprise Fund Sewer Fund</b>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 549,898
Accounts receivable (net) - billed	34,068
Accounts receivable - SEWSD	19,377
Accounts receivable (net) - unbilled	24,336
Other receivables	3,993
Prepaid items	-
Restricted cash and cash equivalents	2,500
Total Current Assets	<u>\$ 634,172</u>
Noncurrent Assets:	
Capital Assets:	
Land and other non-depreciable assets	-
Other capital assets, net of depreciation	2,535,464
Capital assets (net)	<u>\$ 2,535,464</u>
Total Noncurrent Assets	<u>\$ 2,535,464</u>
Total Assets	<u><u>\$ 3,169,636</u></u>
Liabilities	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 23,658
Due to other funds	-
Total Current Liabilities	<u>\$ 23,658</u>
Noncurrent Liabilities:	
Meter deposits	2,500
Total Noncurrent Liabilities	<u>\$ 2,500</u>
Total Liabilities	<u>\$ 26,158</u>
Net Position	
Net invested in capital assets	\$ 2,535,464
Unrestricted	608,014
Total Net Position	<u><u>\$ 3,143,478</u></u>

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



**Town of Seven Springs, North Carolina**  
**Statement of Revenues, Expenses, And Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<b>Major</b>
	<b>Enterprise Fund</b>
	<b>Sewer Fund</b>
Operating Revenues	
Charges for services	\$ 445,196
Other operating revenues	74
Total Operating Revenues	<u>\$ 445,270</u>
Operating Expenses	
General operations	\$ 393,276
Depreciation	111,845
Total Operating Expenses	<u>\$ 505,121</u>
Operating income (loss)	<u>\$ (59,851)</u>
Non-operating Revenues (Expenses)	
Interest income	\$ 432
Total Non-operating Revenues (expenses)	<u>\$ 432</u>
Income (loss) Before Contributions and Transfers	\$ (59,419)
Capital contributions	-
Transfers	-
Total Non-operating Revenues (expenses)	<u>\$ -</u>
Change in Net Position	<u>\$ (59,419)</u>
Net Position, beginning	<u>3,202,897</u>
Net Position, ending	<u><u>\$ 3,143,478</u></u>

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

**Town of Seven Springs, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<b>Major Enterprise Fund Sewer Fund</b>
Cash Flows From Operating Activities	
Cash received from customers	\$ 437,503
Cash paid for goods and services	(370,746)
Cash paid to or on behalf of employees for services	-
Net Cash Provided (used) by Operating Activities	<u>\$ 66,757</u>
Cash Flows From Noncapital Financing Activities	
Transfers in from other funds	\$ -
Cash received from interfund repayments/borrowings	-
Net Cash Provided by Noncapital Financing Activities	<u>\$ -</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	\$ -
Capital contributions	-
Other miscellaneous revenue	-
Net Cash Provided (used) by Capital and Related Financing Activities	<u>\$ -</u>
Cash Flows From Investing Activities	
Interest and dividends	\$ 432
Net Increase (decrease) in Cash and Cash Equivalents	\$ 67,189
Balances - Beginning of year	<u>485,209</u>
Balances - End of year	<u><u>\$ 552,398</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	<u>\$ (59,851)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	\$ 111,845
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(7,147)
Increase (decrease) in accounts payable and accrued liabilities	21,710
Increase (decrease) in customer deposits	200
Total adjustments	<u>\$ 126,608</u>
Net Cash Provided by Operating Activities	<u><u>\$ 66,757</u></u>

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

**Town of Seven Springs, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

**B. Basis of Presentation**

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

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

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

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

**Town of Seven Springs, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

**Town of Seven Springs, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

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

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

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

**D. Budgetary Data**

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

**Town of Seven Springs, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

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

**1. Deposits and Investments**

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

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

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

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

**Town of Seven Springs Restricted Cash**

Town of Seven Springs	
Governmental Activities:	
General Fund	
Streets	\$ 37,554
Total Governmental Activities	<u>\$ 37,554</u>
Business-type Activities:	
Sewer Fund	
Customer deposits	\$ 2,500
Total Business-type Activities	<u>\$ 2,500</u>
Total Restricted Cash	<u><u>\$ 40,054</u></u>

**Town of Seven Springs, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

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<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2020.

5. Allowances for Doubtful Accounts

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

6. Prepaid Items

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of \$1,000. Minimum capitalization costs is \$1,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 have not been capitalized as the Town has elected not to retroactively implement the capitalization of infrastructure. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	40
Buildings	30
Furniture and equipment	10
Computer software	5
Computer equipment	3

**Town of Seven Springs, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, pension deferrals in the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only two items that meet the criterion for this category – prepaid taxes and property taxes receivables.

8. Long-Term Obligations

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

9. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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



**Town of Seven Springs, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

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

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

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

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

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

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

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

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

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

**Town of Seven Springs, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

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

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

**II. Stewardship, Compliance, and Accountability**

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

**1. Noncompliance with North Carolina General Statutes**

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

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

**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

**Town of Seven Springs, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designing official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$739,722 and a bank balance of \$745,863. Of the bank balance, all of it was covered by federal depository insurance.

**2. Investments**

At June 30, 2021, the Town of Seven Springs had \$39,533 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

<b>Investment by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2021</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust Government Portfolio	Fair Value Level 1	\$ 39,533	N/A	AAAm
Total		\$ 39,533		

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

b. Credit Risk

The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAm-mf by Moody's Investors Service as of June 30, 2021.

**Town of Seven Springs, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

3. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts:

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

4. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,753	\$ -	\$ -	\$ 10,753
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>\$ 10,753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,753</u>
Capital assets being depreciated:				
Buildings	\$ 56,822	\$ -	\$ 6,406	\$ 50,416
Furniture and maintenance equipment	135,527	-	-	135,527
Infrastructure and other	11,838	-	-	11,838
Total capital assets being depreciated	<u>\$ 204,187</u>	<u>\$ -</u>	<u>\$ 6,406</u>	<u>\$ 197,781</u>
Less accumulated depreciation for:				
Buildings	\$ 49,462	\$ 954	\$ -	\$ 50,416
Furniture and maintenance equipment	134,638	889	-	135,527
Infrastructure and other	10,883	137	-	11,020
Total accumulated depreciation	<u>\$ 194,983</u>	<u>\$ 1,980</u>	<u>\$ -</u>	<u>\$ 196,963</u>
Total capital assets being depreciated, net	<u>\$ 9,204</u>			<u>\$ 818</u>
Governmental activity capital assets, net	<u>\$ 19,957</u>			<u>\$ 11,571</u>

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

General government	\$ 1,690
Transportation	-
Cultural and recreational	290
Total Depreciation Expense	<u>\$ 1,980</u>

**Town of Seven Springs, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated:				
Sewer equipment	\$ 88,914	\$ -	\$ -	\$ 88,914
Plant and distributions systems	4,110,738	-	-	4,110,738
Total capital assets being depreciated	\$ 4,199,652	\$ -	\$ -	\$ 4,199,652
Less accumulated depreciation for:				
Sewer equipment	\$ 31,495	\$ 9,790	\$ -	\$ 41,285
Plant and distributions systems	1,520,848	102,055	-	1,622,903
Total capital assets being depreciated	\$ 1,552,343	\$ 111,845	\$ -	\$ 1,664,188
Total capital assets being depreciated, net	\$ 2,647,309			\$ 2,535,464
Business-type activities capital assets, net	\$ 2,647,309			\$ 2,535,464

**B. Liabilities**

**1. Deferred Outflows and Inflows of Resources**

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

	Unavailable Revenue
Prepaid taxes (General Fund)	\$ -
Taxes receivable (General Fund)	2,654
Total	\$ 2,654

**2. Risk Management**

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

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

**Town of Seven Springs, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

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

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

3. Claims, Judgements, and Contingent Liabilities

No claims or judgements existed at June 30, 2021.

4. Interfund Balances and Activities

There were no transfers to/from other funds for the year ended June 30, 2021.

5. Fund Balance

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

Total fund balance - General Fund	\$ 236,387
Less:	
Stabilization by State Statute	13,537
Streets-Powell Bill	37,554
Historical Committee Park	5,545
Auditorium Improvements	2,038
Seven Springs Improvements	1,110
Appropriated Fund Balance in 2022 budget	6,290
Remaining Fund Balance	170,313

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

**IV. Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**Town of Seven Springs, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**V. Utility Agreement**

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

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

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

**VI. Subsequent Events**

As of November 22, 2021, the date of the completion of the financial statements, there were no material subsequent events that were required to be reported.

## **Individual Fund Statements and Schedules**



**Town of Seven Springs, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, And**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Revenues			
Ad valorem taxes:			
Current year	\$ -	\$ 14,276	\$ 14,276
Prior years	-	2,135	2,135
Penalties and interest	-	304	304
Total	<u>\$ 13,600</u>	<u>\$ 16,715</u>	<u>\$ 3,115</u>
Other taxes and licenses:			
Auto licenses	\$ -	\$ -	\$ -
Privilege licenses	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unrestricted intergovernmental:			
Local option sales taxes	\$ -	\$ 9,135	\$ 9,135
Beer and wine tax	-	170	170
Utility franchise tax	-	6,732	6,732
Total	<u>\$ 12,885</u>	<u>\$ 16,037</u>	<u>\$ 3,152</u>
Restricted intergovernmental:			
Powell Bill allocation	\$ 4,300	\$ 4,116	\$ (184)
Revitalization grant	-	-	-
Total	<u>\$ 4,300</u>	<u>\$ 4,116</u>	<u>\$ (184)</u>
Investment earnings:			
Unrestricted	<u>\$ 260</u>	<u>\$ 94</u>	<u>\$ (166)</u>
Miscellaneous:			
Sale of capital assets	\$ -	\$ 10,000	\$ 10,000
Other	-	5,165	5,165
Total	<u>\$ 700</u>	<u>\$ 15,165</u>	<u>\$ 14,465</u>
Total Revenues	<u>\$ 31,745</u>	<u>\$ 52,127</u>	<u>\$ 20,382</u>
Expenditures			
General Government:			
Governing Board	\$ -	\$ 3,750	\$ -
Professional services	-	5,325	-
Other operating expenditures	-	13,941	-
Capital outlay	-	-	-
Total	<u>\$ 23,035</u>	<u>\$ 23,016</u>	<u>\$ 19</u>

(continued)

**Town of Seven Springs, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, And**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

(continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Administration:			
Salaries and employee benefits	\$ 12,174	\$ 12,174	\$ -
Total	<u>\$ 12,174</u>	<u>\$ 12,174</u>	<u>\$ -</u>
Elections:			
Other operating expenditures	\$ 60	\$ -	\$ 60
Total	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ 60</u>
Total General Government	<u>\$ 35,269</u>	<u>\$ 35,190</u>	<u>\$ 79</u>
Transportation:			
Streets and Highways:			
Street lights	\$ -	\$ 2,563	\$ -
Other operating expenditures	-	600	-
Capital outlay	-	-	-
Total Transportation	<u>\$ 6,966</u>	<u>\$ 3,163</u>	<u>\$ 3,803</u>
Public Safety:			
Fire:			
Pro-rate share of tax	\$ -	\$ 1,134	\$ -
Total	<u>\$ 1,134</u>	<u>\$ 1,134</u>	<u>\$ -</u>
Cultural and Recreation:			
Other operating expenditures	\$ -	\$ 9,568	\$ -
Total Culture and Recreation	<u>\$ 10,081</u>	<u>\$ 9,568</u>	<u>\$ 513</u>
Debt Service:			
Principal retirement	\$ -	\$ -	\$ -
Interest and other charges	-	-	-
Total Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 53,450</u>	<u>\$ 49,055</u>	<u>\$ 4,395</u>
Revenues Over (Under) Expenditures	<u>\$ (21,705)</u>	<u>\$ 3,072</u>	<u>\$ (18,633)</u>
Other Financing Sources (uses):			
Appropriated fund balance	\$ 19,205	\$ -	\$ (19,205)
Transfers-in	2,500	-	(2,500)
Total	<u>\$ 21,705</u>	<u>\$ -</u>	<u>\$ (21,705)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 3,072</u>	<u>\$ 3,072</u>
Fund Balances			
Beginning of year		<u>233,315</u>	
End of year		<u>\$ 236,387</u>	

**Town of Seven Springs, North Carolina**  
**Water and Sewer Enterprise Fund**  
**Schedule of Revenues And Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Revenues			
Operating Revenues:			
Charges for services	\$ 435,000	\$ 445,196	\$ 10,196
Sewer taps	-	-	-
Other operating revenues	-	74	74
Total Operating Revenues	<u>\$ 435,000</u>	<u>\$ 445,270</u>	<u>\$ 10,270</u>
Nonoperating Revenues:			
Interest earnings	\$ 2,600	\$ 432	\$ (2,168)
Total Operating Revenues	<u>\$ 2,600</u>	<u>\$ 432</u>	<u>\$ (2,168)</u>
Total Revenues	<u>\$ 437,600</u>	<u>\$ 445,702</u>	<u>\$ 8,102</u>
Expenditures			
Operating Expenditures:			
Accounting and auditing	\$ 4,000	\$ 2,600	\$ 1,400
Bank charges	400	252	148
Billing charges	2,400	1,885	515
Electricity	16,000	11,622	4,378
Maintenance and service contracts	13,000	3,162	9,838
Operations contract	32,000	28,000	4,000
Engineering fees	1,200	1,200	-
Legal fees	600	600	-
Office supplies and postage	500	-	500
Repairs and line location	35,000	31,094	3,906
Site maintenance	4,000	2,803	1,197
Sewage treatment fees	300,000	286,627	13,373
Supplies and chemicals	10,000	5,664	4,336
Telephone and internet	16,000	15,810	190
Water purchases	2,500	1,957	543
Total	<u>\$ 437,600</u>	<u>\$ 393,276</u>	<u>\$ 44,324</u>
Capital Outlay:			
Equipment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 437,600</u>	<u>\$ 393,276</u>	<u>\$ 44,324</u>

**Town of Seven Springs, North Carolina**  
**Water and Sewer Enterprise Fund**  
**Schedule of Revenues And Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Other Financing Sources (Uses)			
Contingencies	\$ -	\$ -	\$ -
Appropriated retained earnings	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues and Other Sources Over (Under)			
Expenditures and Other Uses	<u>\$ -</u>	\$ 52,426	<u>\$ 52,426</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital contributions		-	
Capital outlay		-	
Depreciation		(111,845)	
Total Reconciling Items		<u>\$ (111,845)</u>	
Change in Net Position		<u>\$ (59,419)</u>	

## **Other Schedules**

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This section contains additional information on property taxes.

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

**Town of Seven Springs, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**For the Year Ended June 30, 2021**

<b>Fiscal Year</b>	<b>Uncollected Balance June 30, 2020</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2021</b>
2020-2021	\$ -	\$ 15,119	\$ 14,276	\$ 843
2019-2020	1,163	-	650	513
2018-2019	1,016	-	737	279
2017-2018	735	-	472	263
2016-2017	302	-	-	302
2015-2016	89	-	-	89
2014-2015	87	-	-	87
2013-2014	93	-	-	93
2012-2013	146	-	43	103
2011-2012	83	-	1	82
<b>Total</b>	<u>\$ 3,714</u>	<u>\$ 15,119</u>	<u>\$ 16,179</u>	<u>\$ 2,654</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 16,715
Taxes written off	<u>(232)</u>
Subtotal	16,483
Less interest and penalties collected	<u>(304)</u>
Total collections and credits	<u>\$ 16,179</u>

**Town of Seven Springs, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**For the Fiscal Year Ended June 30, 2021**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 2,799,815	0.54	\$ 15,119	\$ 13,425	\$ 1,694
Total Property Valuation	<u>\$ 2,799,815</u>				
Net levy			\$ 15,119	\$ 13,425	\$ 1,694
Uncollected taxes at June 30, 2021			<u>843</u>	<u>843</u>	<u>-</u>
Current year's taxes collected			<u>\$ 14,276</u>	<u>\$ 12,582</u>	<u>\$ 1,694</u>
Current levy collection percentage			<u>94.42%</u>	<u>93.72%</u>	<u>100.00%</u>