

**TOWN OF SPRING HOPE
NORTH CAROLINA

FINANCIAL STATEMENTS

SPRING HOPE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2021**

**TOWN OF SPRING HOPE
NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2021**

Mayor:	William "Kyle" Pritchard
Town Council:	Brent Cone
	Tony Jefferys
	Prudence Wilkins
	Brenda Lucas
	Drew Griffin
Town Manager:	Andrew Delonno
Finance Officer and Town Clerk	Michele Collins
Administration Specialist and Tax Collector	Sandra Morris

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FINANCIAL STATEMENTS
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FINANCIAL SECTION



PETWAY

MILLS &

PEARSON, PA

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

Raleigh Office
9121 Anson Way
Raleigh, NC 27615
919-781-1047

www.pmpcpa.com

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Association

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Town of Spring Hope, 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 of Spring Hope's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Town of Spring Hope, North Carolina 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 and the Other Postemployment Benefits' Schedules of Changes in the Total OPEB Liability and Related Ratios on page 66, respectively, the Local Government Employees' Retirement System's Schedules of Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 53 and 54, respectively, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 55 and 56, respectively, to 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Spring Hope, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, 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, other schedules, and Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion, the combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2022 on our consideration of the Town of Spring Hope' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Spring Hope's internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

March 25, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Spring Hope, we offer readers of the Town of Spring Hope's financial statements this narrative overview and analysis of the financial activities of the Town of Spring Hope for the fiscal year ended June 30, 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

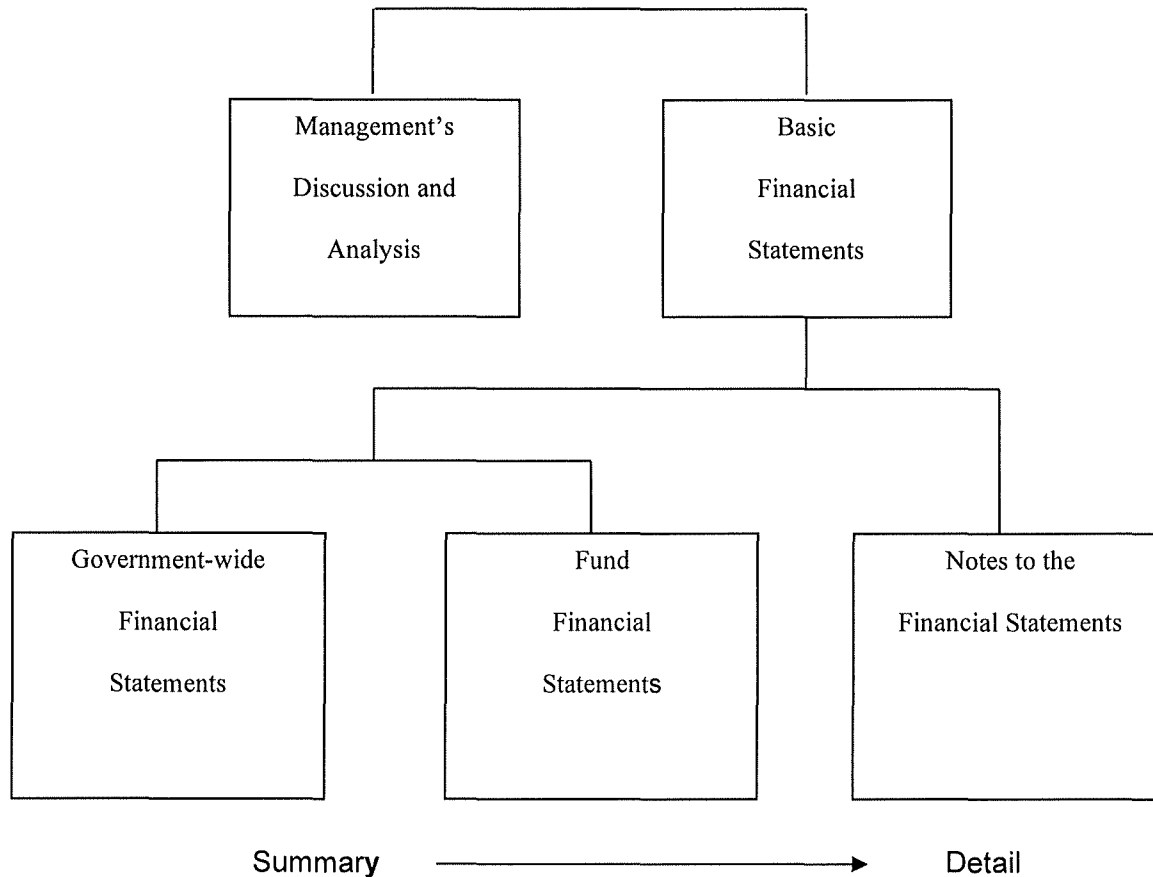
- The assets and deferred outflows of resources of the Town of Spring Hope exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,529,574 (*net position*).
- As of the close of the current fiscal year, the Town of Spring Hope's governmental funds reported combined ending fund balances of \$1,608,327, an increase of \$173,238 from the prior year. Approximately 66.04 percent of this total amount, or \$1,062,203 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,062,203, or 89.70 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Spring Hope, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Spring Hope can be divided into two categories: governmental funds and proprietary funds.

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

The Town of Spring Hope adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and

whether the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 33 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Spring Hope's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 52 of this report.

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

Government-Wide Financial Analysis

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,654,949	\$ 1,485,486	\$ 562,558	\$ 472,985	\$ 2,217,507	\$ 1,958,471
Capital assets	1,838,923	1,945,612	3,274,855	3,383,890	5,113,778	5,329,502
Deferred outflows of resources	198,259	131,425	7,506	5,838	205,765	137,263
Total assets and deferred outflows of resources	3,692,131	3,562,523	3,844,949	3,862,713	7,537,080	7,425,236
Long-term liabilities outstanding	1,064,782	1,100,208	724,843	734,916	1,789,625	1,835,124
Other liabilities	43,582	41,606	69,252	73,077	112,834	114,683
Deferred inflows of resources	104,402	18,305	615	357	105,017	18,662
Total liabilities and deferred inflows of resources	1,212,766	1,160,119	794,710	808,350	2,007,476	1,968,469
Net position:						
Net investment in capital assets	1,238,825	1,310,399	2,544,167	2,642,972	3,782,992	3,953,371
Restricted	572,758	489,239	-	-	572,758	489,239
Unrestricted	667,782	602,766	506,042	411,391	1,173,824	1,014,157
Total net position	\$ 2,479,365	\$ 2,402,404	\$ 3,050,209	\$ 3,054,363	\$ 5,529,574	\$ 5,456,767

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Spring Hope exceeded liabilities and deferred inflows by \$5,529,574 as of June 30, 2021. The Town's net position increased by \$72,807 for the fiscal year ended June 30, 2021. However, the largest portion (68.41%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Spring Hope uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Spring Hope's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Spring Hope's net position, \$572,758 (10.36%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,173,824 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.93%, which is comparable to the statewide average of 99.21%.
- Increased collection of past due water bills and property taxes due to the Town's participation in the NC Debt Setoff Program, where individuals' income tax returns are garnished if they owe the Town over \$50.00.

Town of Spring Hope Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 187,865	\$ 190,188	\$ 522,702	\$ 492,195	\$ 710,567	\$ 682,383
Operating grants & contributions	74,327	115,552	-	-	74,327	115,552
Capital grants & contributions	177,369	-	-	-	177,369	-
General revenues						
Property taxes	615,661	603,327	-	-	615,661	603,327
Other taxes	455,320	435,094	-	-	455,320	435,094
Other	24,267	47,234	4,656	3,491	28,923	50,725
Total revenues	<u>1,534,809</u>	<u>1,391,395</u>	<u>495,686</u>	<u>495,686</u>	<u>2,062,167</u>	<u>1,887,081</u>
Expenses						
General government	377,459	408,498	-	-	377,459	408,498
Public safety	486,618	523,303	-	-	486,618	523,303
Streets and highways	232,252	92,974	-	-	232,252	92,974
Environmental protection	327,180	217,397	-	-	327,180	217,397
Culture and recreation	8,496	28,054	-	-	8,496	28,054
Interest on long term debt	25,843	26,249	-	-	25,843	26,249
Water and sewer	-	-	584,512	535,157	584,512	535,157
Total expenses	<u>1,457,848</u>	<u>1,296,475</u>	<u>584,512</u>	<u>535,157</u>	<u>2,042,360</u>	<u>1,831,632</u>
Increase (decrease) in net position before transfers and extraordinary item	76,961	94,920	(4,154)	(39,471)	72,807	55,449
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	<u>76,961</u>	<u>94,920</u>	<u>(4,154)</u>	<u>(39,471)</u>	<u>72,807</u>	<u>55,449</u>
Net position, beginning	<u>2,402,404</u>	<u>2,307,484</u>	<u>3,054,363</u>	<u>3,093,834</u>	<u>5,426,767</u>	<u>5,01,318</u>
Net position, ending	<u>\$ 2,479,365</u>	<u>\$ 2,402,404</u>	<u>\$ 3,050,209</u>	<u>\$ 3,054,363</u>	<u>\$ 5,529,574</u>	<u>\$ 5,456,767</u>

Governmental activities: Governmental activities increased the Town's net position by \$76,961, accounting for 105.71% of the total growth in net position of the Town of Spring Hope. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Town management reduced non-essential programs to minimum and implemented cost saving strategies across Town departments. Certain nonrecurring expenses were either postponed or renegotiated in an attempt to maintain a healthy net position. Management believes healthy investment in the Town will result in additional revenues. Increased efforts to maximize tax collections contributed to the favorable net position. Tax revenues did not appreciably decline in the current year. Town management acknowledges that 2021 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Business-type activities: Business-type activities decreased the Town of Spring Hope's net assets by \$4,154.

Financial Analysis of the Town of Spring Hope Funds

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

Governmental Funds. The focus of the Town of Spring Hope's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Spring Hope's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Spring Hope. At the end of the current fiscal year, the Town of Spring Hope's total fund balance reached \$1,608,327, which is in the General Fund. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. The Town of Spring Hope has not adopted a policy for maintaining a certain percentage of fund balance over general fund expenditures to maintain unforeseen needs or opportunities. Unassigned fund balance represents 66.04 percent of total general fund expenditures.

At June 30, 2021, the governmental funds of the Town of Spring Hope reported a combined fund balance of \$1,163,961, a 12.22 percent increase over last year. Included in this change in fund balance are increases in fund balance in the General Fund.

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

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

Proprietary Funds. The Town of Spring Hope's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,050,209. The decrease in net position for the Water and Sewer fund was \$4,154. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Spring Hope's investment in capital assets for its governmental and business-type activities as of June 30, 2021 totals \$5,113,778 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Town of Spring Hope's Capital Assets

Figure 4
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ 5,000
Construction in Progress	-	-	-	-	-	-
Plant Distribution System	1,704,029	1,755,772	3,274,853	3,383,796	4,978,882	5,139,568
Machinery and Equipment	12,772	17,575	-	93	12,772	17,668
Vehicles and Motorized Equipment	72,122	122,265	1	1	72,123	122,266
Total	\$ 1,838,923	\$ 1,945,612	\$ 3,274,854	\$ 3,383,890	\$ 5,113,777	\$ 5,329,502

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

Major capital asset transactions during the year include the following:

- Disposal of one patrol vehicle.

Long-term Debt. As of June 30, 2021, the Town of Spring Hope had total installment debt of \$1,330,785. The installment debt is backed by security interests in the property for which it was issued.

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

Outstanding Liabilities

Figure 5

Town of Spring Hope's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Installment debt	\$ 600,097	\$ 635,212	\$ 730,688	\$ 740,918	\$ 1,330,785	\$ 1,376,130
Compensated absences	44,319	40,869	4,397	7,078	48,716	47,947
Pension related debt (LGERS)	230,450	183,437	13,258	10,185	243,708	193,622
Pension related debt (LEO)	226,571	275,792	-	-	226,571	275,792
Total	\$ 1,101,437	\$ 1,135,310	\$ 748,343	\$ 758,181	\$ 1,849,780	\$ 1,893,491

Town of Spring Hope's Outstanding Debt

The Town of Spring Hope's total debt decreased by \$43,711 or 2.31% during the past fiscal year, primarily due to the increase in installment debt.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Spring Hope is \$4,909,902.

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

Economic Factors and Next Year's Budgets and Rates

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

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

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Property taxes (benefiting from the economic growth of recent new business) and revenues from permits and fees are expected to show a slight increase in budgeted revenue. Property tax rate has been maintained at .67 per \$100 valuation in the fiscal year ending June 30, 2022.

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

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Jae Kim, Town Manager, P. O. Box 87, Spring Hope, N. C. 27882. He can also be emailed at m.collins@springhope.net, or telephoned at (252)478-5186.

BASIC FINANCIAL STATEMENTS

Town of Spring Hope
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,107,035	\$ 328,970	\$ 1,436,005
Restricted cash	464,406	135,762	600,168
Taxes receivables (net)	13,062	-	13,062
Accounts receivable (net)	30,741	48,103	78,844
Due from other governments	67,056	21,872	88,928
Internal balances	(27,351)	27,351	-
Inventories	-	500	500
Total current assets	1,654,949	562,558	2,217,507
Noncurrent asset:			
Capital assets:			
Land, non-depreciable			
improvements, and construction in progress	50,000	-	50,000
Other capital assets, net of depreciation	1,788,923	3,274,855	5,063,778
Total capital assets (net)	1,838,923	3,274,855	5,113,778
Total assets	3,493,872	3,837,413	7,331,285
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	198,259	7,506	205,765
Total deferred outflows of resources	198,259	7,506	205,765
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	6,926	813	7,739
Current portion of long-term debt	36,656	23,500	60,156
Payable from restricted assets	-	44,939	44,939
Total current liabilities	43,582	69,252	112,834
Long-term liabilities:			
Compensated absences	44,319	4,397	48,716
Due in more than one year	563,442	707,188	1,270,630
Net pension liability - LGERS	230,450	13,258	243,708
Total pension liability - LEO	226,571	-	226,571
Total long-term liabilities	1,064,782	724,843	1,789,625
Total liabilities	1,108,364	794,095	1,902,459
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	104,402	615	105,017
Total deferred inflows of resources	104,402	615	105,017
NET POSITION			
Net investment in capital assets	1,238,825	2,544,167	3,782,992
Restricted for:			
Public Safety	9,494	-	9,494
Economic Development	44,772	-	44,772
Brownsfield	26,634	-	26,634
Debt Service	50,552	-	50,552
Streets	131,659	-	131,659
Stabilization by State Statute	108,352	-	108,352
Channel Fund	201,295	-	201,295
Unrestricted	667,782	506,042	1,173,824
Total net position	\$ 2,479,365	\$ 3,050,209	\$ 5,529,574

**Town of Spring Hope
Statement of Activities
For the Year Ended June 30, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 377,459	\$ 8,680	\$ 37,320	\$ -	\$ (331,459)	\$ -	\$ (331,459)	
Public safety	486,618	608	-	-	(486,010)	-	(486,010)	
Transportation	232,252	-	37,007	-	(195,245)	-	(195,245)	
Environmental protection	327,180	159,482	-	177,369	9,671	-	9,671	
Cultural and recreational	8,496	19,095	-	-	10,599	-	10,599	
Interest on long term debt	25,843	-	-	-	(25,843)	-	(25,843)	
Total governmental activities	1,457,848	187,865	74,327	177,369	(1,018,287)	-	(1,018,287)	
Business-type activities:								
Water and sewer	584,512	522,702	53,000	-	-	(8,810)	(8,810)	
Total business-type activities	584,512	522,702	53,000	-	-	(8,810)	(8,810)	
Total primary government	\$ 2,042,360	\$ 710,567	\$ 127,327	\$ 177,369	(1,018,287)	(8,810)	(1,027,097)	
General revenues:								
Taxes:								
Property taxes, levied for general purpose					615,661	-	615,661	
Other taxes					135	-	135	
Unrestricted intergovernmental					454,783	-	454,783	
Unrestricted investment earnings					402	18	420	
Miscellaneous					17,586	4,638	22,224	
Insurance recovery					6,681	-	6,681	
Total general revenues not including transfers					1,095,248	4,656	1,099,904	
Transfers					-	-	-	
Total general revenues and transfers					1,095,248	4,656	1,099,904	
Change in net position					76,961	(4,154)	72,807	
Net position, beginning					2,402,404	3,054,363	5,456,767	
Net position, ending					\$ 2,479,365	\$ 3,050,209	\$ 5,529,574	

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

**Town of Spring Hope
Balance Sheets
Governmental Funds
June 30, 2021**

	Major General Fund	Non-Major Capital Project Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,107,035	\$ -	\$ 1,107,035
Restricted cash	437,772	26,634	464,406
Receivables, net:			
Taxes	13,062	-	13,062
Accounts	30,741	-	30,741
Due from other governments	67,056	-	67,056
Total assets	<u>\$ 1,655,666</u>	<u>\$ 26,634</u>	<u>\$ 1,682,300</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 6,926	\$ -	\$ 6,926
Due to other funds	27,351	-	27,351
Total liabilities	<u>34,277</u>	<u>-</u>	<u>34,277</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	13,062	-	13,062
Total deferred inflows of resources	<u>13,062</u>	<u>-</u>	<u>13,062</u>
FUND BALANCES			
Restricted:			-
Public Safety	9,494	-	9,494
Brownfields	-	26,634	26,634
Economic Development	44,772	-	44,772
Debt Service	50,552	-	50,552
Streets	131,659	-	131,659
Stabilization by State Statute	108,352	-	108,352
Channel Fund	201,295	-	201,295
Committed			
Braswell Memorial Public Library	8,500	-	8,500
Unassigned	1,053,703	-	1,053,703
Total fund balances	<u>1,608,327</u>	<u>26,634</u>	<u>1,634,961</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,655,666</u>	<u>\$ 26,634</u>	

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

Total Fund Balance, Governmental Funds	1,634,961
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,838,923
Deferred outflows of resources related to pensions are not reported in the funds	198,259
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds	-
Earned revenues considered deferred inflows of resources in fund statements.	13,062
Long-term liabilities used in governmental activities are not financial uses and therefore, are not reported in the funds.	
Long-term debt included as net position below (includes the addition of longer-term debt and principal payments during the year)	(600,098)
Net pension liability - LGERS	(230,450)
Net pension liability - LEO	(226,571)
Compensated absences	(44,319)
Deferred inflows of resources related to pensions are not reported in the funds	(104,402)
Net position of governmental activities	<u>\$ 2,479,365</u>

Town of Spring Hope
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	Major General Fund	Non-Major Capital Project Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 628,723	\$ -	\$ 628,723
Other taxes and licenses	135	-	135
Unrestricted intergovernmental	452,016	-	452,016
Restricted intergovernmental	77,094	177,369	254,463
Permits and fees	9,288	-	9,288
Sales and services	178,377	-	178,377
Investment earnings	402	-	402
Miscellaneous	3,227	-	3,227
Total revenues	<u>1,349,262</u>	<u>177,369</u>	<u>1,526,631</u>
EXPENDITURES			
Current:			
General government	329,072	-	329,072
Public safety	483,169	-	483,169
Transportation	89,456	-	89,456
Environmental protection	143,656	150,735	294,391
Cultural and recreational	77,894	-	77,894
Debt Services:			
Principal	35,115	-	35,115
Interest and other charges	25,843	-	25,843
Total expenditures	<u>1,184,205</u>	<u>150,735</u>	<u>1,334,940</u>
Revenues over (under) expenditures	<u>165,057</u>	<u>26,634</u>	<u>191,691</u>
Other financing sources:			
Transfer (to) from other funds	-	-	-
Insurance recovery	6,681	-	6,681
Sale of capital assets	1,500	-	1,500
Total other financing sources	<u>8,181</u>	<u>-</u>	<u>8,181</u>
Net change in fund balance	173,238	26,634	199,872
Fund balances, beginning	1,435,089	-	1,435,089
Fund balances, ending	<u>\$ 1,608,327</u>	<u>\$ 26,634</u>	<u>\$ 1,634,961</u>

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

Town of Spring Hope
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	\$ 199,872
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 the current period.	
Capital outlay expenditures which were capitalized	-
Depreciation expense for governmental assets	(96,620)
	(96,620)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	
	-
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	
	36,059
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	
	5,665
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	(8,877)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
New long-term debt issued	-
Principal payments on long-term debt	35,115
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(3,450)
Pension Expense	(90,803)
	(94,253)
Total changes in net position of governmental activities	\$ 76,961

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

Town of Spring Hope
Annually Budgeted Major General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 578,900	\$ 578,900	\$ 628,723	\$ 49,823
Other taxes and licenses	-	-	135	135
Unrestricted intergovernmental	377,770	377,770	452,016	74,246
Restricted intergovernmental	38,700	38,700	77,094	38,394
Permits and fees	3,300	3,300	9,288	5,988
Sales and services	162,500	162,500	178,377	15,877
Investment earnings	400	400	402	2
Miscellaneous	3,000	1,815	3,227	1,412
Total revenues	1,164,570	1,163,385	1,349,262	185,877
Expenditures:				
General government	334,445	341,442	329,072	12,370
Public safety	474,264	474,264	483,169	(8,905)
Transportation	90,000	90,000	89,456	544
Environmental protection	144,400	144,400	143,656	744
Cultural and recreation	60,503	60,502	77,894	(17,392)
Debt Service:				
Principal retirement	35,115	35,115	35,115	-
Interest	25,843	25,843	25,843	-
Total expenditures	1,164,570	1,171,566	1,184,205	(12,639)
Revenues over (under) expenditures	-	(8,181)	165,057	173,238
Other financing sources (uses):				
Transfers (to) from other funds	-	-	-	-
Insurance recovery	-	6,681	6,681	-
Sale of capital assets	-	1,500	1,500	-
Total other financing sources (uses)	-	8,181	8,181	-
Fund Balance appropriated	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	173,238	\$ 173,238
Fund balances, beginning			1,435,089	
Fund balances, ending			\$ 1,608,327	

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

**Town of Spring Hope
Statement of Net Position
Proprietary Fund
June 30, 2021**

	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 328,970	\$ 328,970
Restricted cash	135,762	135,762
Accounts receivable, net - billed	48,103	48,103
Due from other governments	21,872	21,872
Due from other funds	27,351	27,351
Inventories	500	500
Total current assets	<u>562,558</u>	<u>562,558</u>
Capital assets:		
Land and other non-depreciable assets	-	-
Other capital assets, net of depreciation	3,274,855	3,274,855
Total noncurrent assets	<u>3,274,855</u>	<u>3,274,855</u>
Total assets	<u>3,837,413</u>	<u>3,837,413</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	7,506	7,506
Total deferred outflows of resources	<u>7,506</u>	<u>7,506</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	813	813
Notes payable - current	23,500	23,500
Payable from restricted assets	44,939	44,939
Total current liabilities	<u>69,252</u>	<u>69,252</u>
Non-current liabilities:		
Compensated absences	4,397	4,397
Notes payable- noncurrent	707,188	707,188
Net pension liability	13,258	13,258
Total noncurrent liabilities	<u>724,843</u>	<u>724,843</u>
Total liabilities	<u>794,095</u>	<u>794,095</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	615	615
Total deferred inflows of resources	<u>615</u>	<u>615</u>
NET POSITION		
Net investment in capital assets	2,544,167	2,544,167
Unrestricted	506,042	506,042
Total net position	<u>\$ 3,050,209</u>	<u>\$ 3,050,209</u>

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

Town of Spring Hope
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	<u>Water and Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES		
Charges for services	\$ 473,193	\$ 473,193
Water and sewer taps	1,500	1,500
Other operating revenues	48,008	48,008
Total operating revenues	<u>522,701</u>	<u>522,701</u>
OPERATING EXPENSES		
Administration	184,901	184,901
Water distribution	277,542	277,542
Depreciation	109,032	109,032
Total operating expenses	<u>571,475</u>	<u>571,475</u>
Operating income (loss)	<u>(48,774)</u>	<u>(48,774)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest and other charges	(13,036)	(13,036)
Other revenue	4,638	4,638
Interest income	18	18
Grant projects	53,000	53,000
Total nonoperating revenue (expenses)	<u>44,620</u>	<u>44,620</u>
Income (loss) before contributions and transfers	<u>(4,154)</u>	<u>(4,154)</u>
Transfers (to) from other funds	-	-
Total income (loss) after contributions and transfers	<u>(4,154)</u>	<u>(4,154)</u>
Change in net position	(4,154)	(4,154)
Total net position, beginning	3,054,363	3,054,363
Total net position, ending	<u>\$ 3,050,209</u>	<u>\$ 3,050,209</u>

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

**Town of Spring Hope
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2021**

	<u>Water and Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 469,258	\$ 469,258
Cash paid to or on behalf of employees for services	(39,795)	(39,795)
Other operating expenses	(416,276)	(416,276)
Net customer deposits	70,108	70,108
Other operating revenues	-	-
Net cash provided (used) by operating activities	<u>83,295</u>	<u>83,295</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Decrease (increase) in due from other governments	(21,872)	(21,872)
Interfund activity	-	-
Net cash provided (used) by non-capital financing activities	<u>(21,872)</u>	<u>(21,872)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from grants	53,000	53,000
Principal paid on installment purchases	(22,252)	(22,252)
Interest paid on installment purchases	(13,036)	(13,036)
Net cash provided (used) by capital and related financing activities	<u>17,712</u>	<u>17,712</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	18	18
Net cash provided (used) by investing activities	<u>18</u>	<u>18</u>
Net increase (decrease) in cash and cash equivalents	79,153	79,153
Balances, beginning	401,305	401,305
Balances, ending	<u><u>\$ 480,458</u></u>	<u><u>\$ 480,458</u></u>

Exhibit 8 (cont.)

**Town of Spring Hope
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2021**

	<u>Water and Sewer Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ (48,774)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	109,032
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(4,274)
Increase (decrease) in due from other funds	27,351
(Increase) decrease in due from other governments	5,554
Increase (decrease) in accounts payable and accrued liabilities	(4,730)
Increase (decrease) in customer deposits	670
Increase (decrease) in compensated absences	(2,681)
(Increase) decrease in deferred outflows of resources - pensions	(1,668)
Increase (decrease) in net pension liability	3,073
Increase (decrease) in deferred inflows of resources - pensions	<u>(258)</u>
Total adjustments	<u>132,069</u>
Net cash provided by operating activities	<u><u>\$ 83,295</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

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

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

The Town reports the following non-major governmental funds:

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

The Town reports the following major enterprise funds:

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

Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

The Town of Spring Hope is required to maintain restricted cash in the bank. This is for the General Fund (USDA Loan). In the General Fund an account is required by USDA to be consistent with the Loan Resolution, borrower of loans secured with Promissory Notes are required to fund and maintain a Reserve Account in an amount equal to one annual payment. These funds can be established as restricted cash for USDA reserve in a single deposit equal to one year's debt service or in annual deposits equal to ten percent of the annual payment until the reserve has an amount equal to one year's debt service. In order to fulfill the loan resolution requirement, the reserve will be shown as restricted cash and restricted net assets. As of June 30, 2021, the USDA restricted amount of cash in the bank is \$50,552.

Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

**Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021**

Town of Spring Hope Restricted Cash

Governmental Activities
General Fund

Public Safety	\$ 9,494
Economic Development	44,772
Streets	131,659
Brownsfield	26,634
Debt Service	50,552
Channel Fund	201,295
	<u>\$ 464,406</u>

Total Governmental Activities

\$ 464,406

Business-type Activities
Water and Sewer Fund

Economic Development	\$ 90,813
Customer Deposits	44,949

Total Business-Type Activities

\$ 135,762

Total Restricted Cash

\$ 573,534

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$3,000; vehicles, \$5,000; computer software \$3,000; and computer equipment \$3,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, which were assets acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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

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

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 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 several items that meet the criterion for this category – prepaid taxes, property taxes receivable and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

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

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021**

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted 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 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 encumbrance are included within RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the balance sheet.

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

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

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

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

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

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

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

**Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021**

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

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

12. Defined Benefit Cost-Sharing Plans

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

II. Stewardship, Compliance, and Accountability

For the fiscal year ended June 30, 2021, the Town had audit findings that are included in the schedule of findings and responses section of the audit report.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$2,018,657 and a bank balance of \$2,058,520. Of the bank balance, \$317,210 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$1,600.

2. Investments

At June 30, 2021, the Town of Spring Hope had \$15,916 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.

Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

3. Receivables – Allowance for Doubtful Accounts

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

Fund	6/30/21
General Fund:	
Taxes receivable	\$ 39,186
Accounts receivable	10,555
Total	<u>\$ 49,741</u>
Enterprise Funds:	
Water and Sewer	
Accounts Receivable	\$ 13,856
Total	<u>\$ 13,856</u>

4. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Capital assets being depreciated:				
Buildings and improvements	2,591,012	-	-	2,591,012
Equipment	123,986	-	-	123,986
Vehicles and motorized equipment	247,360	-	22,301	225,059
Total capital assets being depreciated	<u>2,962,358</u>	<u>-</u>	<u>22,301</u>	<u>2,940,057</u>
Less accumulated depreciation for:				
Buildings and improvements	835,240	51,743	-	886,983
Equipment	106,411	4,803	-	111,214
Vehicles and motorized equipment	125,095	40,074	12,232	152,937
Total accumulated depreciation	<u>1,066,746</u>	<u>\$ 96,620</u>	<u>\$ 12,232</u>	<u>1,151,134</u>
Total capital assets being depreciated, net	<u>1,855,612</u>			<u>1,788,923</u>
Governmental activity capital assets, net	<u>\$ 1,945,612</u>			<u>\$ 1,838,923</u>

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

General government	\$ 52,624
Public safety	43,996
Total depreciation expense	<u>\$ 96,620</u>

Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Plant distribution/collection systems	4,535,873	-	-	4,535,873
Equipment	66,555	-	-	66,555
Vehicles and motorized equipment	34,905	-	-	34,905
Total capital assets being depreciated	4,637,333	-	-	4,637,333
Less accumulated depreciation for:				
Plant distribution/collection systems	1,152,081	108,939	-	1,261,020
Equipment	66,462	93	-	66,555
Vehicles and motorized equipment	34,904	-	-	34,904
Total accumulated depreciation	1,253,447	\$ 109,032	\$ -	1,362,479
Total capital assets being depreciated, net	3,383,886			3,274,854
Business-type activities capital assets, net	\$ 3,383,886			\$ 3,274,854

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employee's Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit

Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50 or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Spring Hope employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Spring Hope's contractually required contribution rate for the year ended June 30, 2021, was 10.9% of compensation for law enforcement officers and 10.15% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Spring Hope were \$44,906 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$243,708 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was 0.00709%, which was a decrease of 0.00010% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2021, the Town recognized pension expense of \$80,636. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,776	\$ -
Changes of assumptions	18,137	-
Net difference between projected and actual earnings on pension plan investments	34,296	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,750	11,309
Town contributions subsequent to the measurement date	44,906	-
Total	<u>\$ 129,865</u>	<u>\$ 11,309</u>

\$44,906 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

Year ended June 30		
2022	\$	21,137
2023		27,150
2024		15,213
2025		10,150
2026		-
Thereafter		-
Total	\$	<u>73,650</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and

Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 494,456	\$ 243,708	\$ 35,318

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	7
Total	<u>8</u>

2. Summary of Significant Accounting Policies:

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

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

3. Actuarial Assumptions

Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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

Inflation	2.50 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Discount rate	2.98 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

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

4. Contributions.

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

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

At June 30, 2021, the Town reported a total pension liability of \$226,571. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$10,167.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,299	\$ 88,070
Changes of assumptions	48,402	5,638
Town benefit payments and plan administrative expense made subsequent to the measurement date	5,665	-
Total	<u>\$ 60,366</u>	<u>\$ 93,708</u>

\$5,665 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2022	\$ (7,786)
2023	(7,820)
2024	(7,714)
2025	(7,213)
2026	(8,474)
Thereafter	-
Total	<u>\$ (39,007)</u>

\$11,330 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability

Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 247,386	\$ 226,571	\$ 207,794

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

	2021
Beginning balance	\$ 275,792
Service cost	8,832
Interest on the total pension liability	8,806
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(103,123)
Changes of assumptions or other inputs	47,594
Benefit payments	(11,330)
Other changes	-
Ending balance of the total pension liability	\$ 226,571

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 80,636	\$ 10,167	\$ 90,803
Pension Liability	243,708	226,571	470,279
Proportionate share of the net pension liability	0.00682%	N/A	N/A
Deferred of Outflows of Resources			
Differences between expected and actual experience	30,776	6,299	37,075
Changes of assumptions	18,137	48,402	66,539
Net difference between projected and actual earnings on plan investments	34,296	-	34,296
Changes in proportion and differences between contributions and proportionate share of contributions	1,750	-	1,750
Benefit payments and administrative costs paid subsequent to the measurement date	44,906	5,665	50,571
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	88,070	88,070
Changes of assumptions	-	5,638	5,638
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	11,309	-	11,309

Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$31,108, which consisted of \$21,102 from the Town and \$10,006 from the law enforcement officers.

d. Other Post-Employment Benefits

Healthcare Benefits

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

2. Other Employment Benefits

The Town has elected to provide other employment benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (other post-employment benefits), a multiple employer, State administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$	44,906
Benefit payments made and administrative expenses for LEOSSA		5,665
Differences between expected and actual experience		52,609
Changes of assumptions		66,539
Net difference between projected and actual		34,296
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,750
Total	\$	<u>205,765</u>

Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable, less penalties (General Fund)	-	13,062
Changes in assumptions	5,638	-
Differences between expected and actual experience	88,070	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,309	-
Total	\$ <u>105,017</u>	\$ <u>13,062</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in single year, with the reinsurance limit based upon a percentage of the total insurance of values.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. The Town does not carry flood insurance. The Town is not in a flood plain as designated by FEMA.

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

5. Claims, Judgments and Contingent Liabilities/Subsequent Events

There are no apparent claims or assessments against the Town as of June 30, 2021.

6. Long-term Obligations

a. Direct Borrowing and Direct Placement Agreements

The Town of Spring Hope executed a direct placement agreement (#3) on May 15, 2007, for \$600,000 to construct the Town Hall with the USDA. The term is for 30 years. Interest is at 4.125%. The outstanding principal at June 30, 2021, is \$413,883 with payments of interest and principal due at May 15th of each year. On May 15, 2021, principal of principal of \$18,039 was paid.

The Town of Spring Hope executed a direct placement agreement (#5) on May 15, 2007, for \$200,000 to construct the Town Hall with the USDA. The term is for 30 years. Interest is at 4.125%. The outstanding principal at June 30, 2021, is \$137,961 with payments of interest and principal due at May 15th of each year. On May 15, 2021, principal of \$6,013 was made.

The Town of Spring Hope executed a direct borrowing agreement on October 2, 2019, for \$23,874 to finance the purchase of a 2019 Ram 1500 Classic with First Citizens Bank. The term is for 5 years. Interest is at 3.50%. The outstanding principal

Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

at June 30, 2021, is \$19,422 with payments of interest and principal due at October 2nd of each year. On October 2, 2021, principal of \$4,452 was made.

The Town of Spring Hope executed a direct placement agreement (#10) on June 15, 2018, for \$48,000 to purchase three police cars with the USDA. The term is for 7 years. Interest is at 3.50%. The outstanding principal at June 30, 2021, is \$28,831 with payments of interest and principal due at June 15th of each year. For the year ended June 30, 2021, a principal of \$6,611 was made.

The Town of Spring Hope executed a direct placement agreement (#6) on March 5, 2014, for \$280,000 to refinance the Waste Water Treatment Plant Rehabilitation project with the USDA. The term is for 40 years. Interest is at 2.625%. The outstanding principal at June 30, 2021, is \$256,893 with payments of interest and principal due at March 5th of each year. On March 5, 2021, principal of \$4,864 was made.

The Town of Spring Hope executed a direct placement agreement (#8) on March 5, 2014, for \$278,000 to refinance the Waste Water Treatment Plant Rehabilitation project with the USDA. The term is for 40 years. Interest is at 2.00%. The outstanding principal at June 30, 2021, is \$252,184 with payments of interest and principal due at March 5th of each year. On March 5, 2021, principal of \$5,366 was made.

The Town of Spring Hope executed a direct borrowing agreement on September 13, 2017, for \$265,024 to finance the water infrastructure project. The term is for 20 years. Interest is at 0.00%. The outstanding principal at June 30, 2021, is \$208,575 with payments of principal due at May 1st of each year. On May 1, 2021, principal of \$12,292 was paid.

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 36,655	\$ 24,291	\$ 23,500	\$ 11,785
2023	37,916	23,031	23,740	11,548
2024	39,347	21,599	23,955	11,333
2025	40,947	19,999	24,237	11,051
2026	29,440	18,368	24,710	10,793
2027-2031	166,447	72,593	127,604	49,912
2032-2036	203,728	36,312	134,995	42,521
2037-2041	45,618	1,884	90,341	34,170
2042-2046	-	-	86,445	24,815
2047-2051	-	-	96,958	14,302
2052-2056	-	-	74,203	3,002
Total	\$ <u>600,098</u>	\$ <u>217,077</u>	\$ <u>730,688</u>	\$ <u>225,232</u>

At June 30, 2021, the Town of Spring Hope had no bonds authorized and unissued and a legal debt margin of \$4,909,902.

Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

b. Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Governmental activities:					
General Fund:					
Installment purchase	\$ 635,212	\$ -	\$ 35,115	\$ 600,097	\$ 36,655
General obligation bonds	-	-	-	-	-
Capitalized leases	-	-	-	-	-
Compensated absences	40,869	3,450	-	44,319	-
Other postemployment benefits	-	-	-	-	-
Net pension liability (LGERS)	183,437	47,013	-	230,450	-
Total pension liability (LEO)	275,792	-	49,221	226,571	-
Governmental activity long-term liabilities	<u>\$ 1,135,310</u>	<u>\$ 50,463</u>	<u>\$ 84,336</u>	<u>\$ 1,101,437</u>	<u>\$ 36,655</u>
Business-type activities:					
Water and Sewer Fund:					
Installment purchase	\$ 753,210	\$ -	\$ 22,522	\$ 730,688	\$ 23,500
General obligation bonds	-	-	-	-	-
Revenue bonds	-	-	-	-	-
Bond anticipation notes	-	-	-	-	-
Net pension liability (LGERS)	10,185	3,073	-	13,258	-
Other postemployment benefits	-	-	-	-	-
Compensated absences	7,078	-	2,681	4,397	-
Water Sewer Fund long-term liabilities	<u>\$ 770,473</u>	<u>\$ 3,073</u>	<u>\$ 25,203</u>	<u>\$ 748,343</u>	<u>\$ 23,500</u>

c. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2021, consist of the following:

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

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

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

d. Fund Balances

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

Total Fund Balance – General Fund	<u>\$ 1,608,327</u>
Less:	
Public Safety	9,494
Town Hall	50,552
Stabilization by State Statute	108,352
Streets-Powell Bill	131,659
Channel Fund	201,295
Economic Development	44,772
Remaining fund balance	<u>1,062,203</u>

**Town of Spring Hope, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021**

IV. Jointly Governed Organization

The Town, in conjunction with various counties and other municipalities, established the Upper Coastal Plain Council of Governments (Council). The participating government established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$1,317 to the Council during the fiscal year ended June 30, 2021.

V. Related Party Transactions

No significant or improper related party transactions have been identified.

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VII. Significant Effects of Subsequent Events

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

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll for Law Enforcement Officers' Special Separation Allowance

Town of Spring Hope
Town of Spring Hope's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years*
Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Spring Hope's proportion of the net pension liability (asset) (%)	0.00682%	0.00709%	0.00719%	0.00723%	0.00566%	0.00667%	0.00479%	0.00057%
Spring Hope's proportion of the net pension liability (asset) (\$)	\$ 243,708	\$ 193,622	\$ 170,571	\$ 110,454	\$ 120,124	\$ 29,935	\$ (26,437)	\$ 68,707
Spring Hope's covered-employee payroll	\$ 403,544	\$ 426,477	\$ 391,397	\$ 378,614	\$ 367,101	\$ 347,202	\$ 347,202	\$ 349,929
Spring Hope's proportionate share of the net pension liability as a percentage of its covered employee payroll	60.39%	45.40%	43.58%	29.17%	32.72%	8.62%	-7.61%	19.63%
Plan fiduciary net position as a percentage of total pension liability**	91.63%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

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

Town of Spring Hope
Town of Spring Hopes' Contributions
Required Supplementary Information
Last Eight Fiscal Years
Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 44,906	\$ 38,061	\$ 35,108	\$ 31,110	\$ 29,137	\$ 25,578	\$ 24,569	\$ 24,358
Contributions in relation to the contractually required contribution	44,906	38,061	35,108	31,110	29,137	25,578	24,569	24,358
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Spring Hope's covered-employee payroll	\$ 429,354	\$ 403,544	\$ 426,477	\$ 391,397	\$ 378,614	\$ 367,101	\$ 339,339	\$ 347,202
Contributions as a percentage of covered-employee payroll	10.46%	9.43%	8.23%	7.95%	7.70%	6.97%	7.24%	7.02%

Town of Spring Hope
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2021

	2021	2020	2019	2018	2017
Beginning balance	\$ 275,792	\$ 251,703	\$ 257,405	\$ 243,106	\$ 242,118
Service cost	8,832	9,215	9,061	7,616	9,920
Interest on the total pension liability	8,806	8,956	7,955	9,165	8,441
Changes on benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(103,123)	9,677	(2,222)	(4,778)	-
Changes of assumptions or other inputs	47,594	7,571	(9,166)	13,626	(6,043)
Benefit payments	(11,330)	(11,330)	(11,330)	(11,330)	(11,330)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 226,571</u>	<u>\$ 275,792</u>	<u>\$ 251,703</u>	<u>\$ 257,405</u>	<u>\$ 243,106</u>

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

Town of Spring Hope
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2021

	<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
Total pension liability	\$ 226,571	\$	275,792	\$	251,703	\$	257,405	\$	243,106
Covered payroll	266,066		276,512		242,825		237,021		312,845
Total pension liability as a percentage of covered payroll	85.16%		99.74%		103.66%		108.60%		77.71%

Notes to the schedules:

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

**INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES**

This section contains additional information on the Governmental and Proprietary Funds (budget and actual comparison) and other schedules (ad valorem taxes receivable and current tax levy).

Town of Spring Hope
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	2021		
	Final Budget	Actual	Variance Over/Under
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 623,219	\$ -
Penalties and interest	-	5,504	-
Total ad valorem taxes	<u>578,900</u>	<u>628,723</u>	<u>49,823</u>
Other taxes and licenses:			
Privilege licenses	-	135	-
Total other taxes and licenses	<u>-</u>	<u>135</u>	<u>135</u>
Unrestricted intergovernmental:			
Local option sales tax	-	271,077	-
Telecommunications sales tax	-	22,565	-
Sales tax/video program	-	6,667	-
Sales tax refund	-	3,633	-
Utility franchise tax	-	61,003	-
Beer and wine tax	-	12,613	-
Hold harmless funds	-	63,735	-
Economic Development sales tax	-	10,723	-
Total unrestricted intergovernmental	<u>377,770</u>	<u>452,016</u>	<u>74,246</u>
Restricted intergovernmental:			
Controlled substances tax	-	1,786	-
Powell Bill allocation	-	37,007	-
Solid waste disposal tax	-	981	-
CRF COVID 19	-	37,320	-
Total restricted intergovernmental	<u>38,700</u>	<u>77,094</u>	<u>38,394</u>
Permits and fees:			
Zoning permits	-	8,680	-
Jail and officer's fees	-	608	-
Total permits and fees	<u>3,300</u>	<u>9,288</u>	<u>5,988</u>
Sales and services			
Rent	-	(200)	-
Cemetery fees	-	19,095	-
Garbage fees	-	159,482	-
Total sales and services	<u>162,500</u>	<u>178,377</u>	<u>15,877</u>
Investment earnings	<u>400</u>	<u>402</u>	<u>2</u>
Miscellaneous:			
Other income	-	3,227	-
Total miscellaneous	<u>1,815</u>	<u>3,227</u>	<u>1,412</u>
Total revenues	<u>1,163,385</u>	<u>1,349,262</u>	<u>185,877</u>

Town of Spring Hope
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	2021		
	Final Budget	Actual	Variance Over/Under
Expenditures:			
General Government:			
Governing Body			
Administration:			
Governing body	6,997	6,997	-
Salaries and employee benefits	-	166,235	-
Professional services	-	19,235	-
Contracted services	-	28,229	-
Capital Outlay	-	-	-
Other operating expenditures	-	61,579	-
Membership dues	-	1,317	-
Total administrative	298,290	276,595	21,695
Public buildings:			
Utilities	-	25,794	-
Building and maintenance	-	4,892	-
Other operating expenditures	-	2,781	-
Contracted services	-	12,013	-
Total	43,151	45,480	(2,329)
Total general government	348,438	329,072	19,366

Town of Spring Hope
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	2021		
	Final Budget	Actual	Variance Over/Under
Public Safety:			
Police:			
Salaries and benefits	-	407,360	-
Vehicle maintenance	-	20,634	-
Contracted Services	-	4,139	-
Other operating expenditures	-	51,036	-
Capital outlay	-	-	-
Total police	474,264	483,169	(8,905)
Transportation:			
Maintenance	-	-	-
Streetlights	-	32,405	-
Contracted services	-	42,019	-
Other operating expenditures	-	15,032	-
Total transportation	90,000	89,456	544
Environmental Protection:			
Solid Waste:			
Contracted services	-	143,656	-
Total solid waste	144,400	143,656	744

Town of Spring Hope
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	2021		
	Final Budget	Actual	Variance Over/Under
Cultural and recreational:			
Parks and recreation:			
Other operating expenditures	-	503	-
Total parks and recreation	503	503	-
Libraries			
Contribution for library	-	8,496	-
Total	8,500	8,496	4
Building			
Contracted services	-	56,175	-
Total	38,000	56,175	(18,175)
Cemetery:			
Contracted Services	-	12,720	-
Total cemetery	13,499	12,720	779
Debt service			
Principal retirement	-	35,115	-
Interest and other charges	-	25,843	-
Total debt service	60,958	60,958	-
Total expenditures	1,171,566	1,184,205	(12,639)
Revenues over (under) expenditures	(8,181)	165,057	173,238
Other financing sources (uses):			
Transfers from other funds:			
Water and sewer	-	-	-
Insurance recovery	6,681	6,681	-
Sale of capital assets	1,500	1,500	-
Installment purchase obligations	-	-	-
Total other financing sources (uses)	8,181	8,181	-
Fund balance appropriated	-	-	-
Net change in fund balance	\$ -	173,238	\$ 173,238
 Fund balances, beginning		1,435,089	
Fund balances, ending		<u>\$ 1,608,327</u>	

**Town of Spring Hope
Combining Balance Sheet
Non-Major Governmental Funds
For the Year Ended June 30, 2021**

	Grant Project Fund	Total Nonmajor Governmental Funds
Assets:		
Cash and investments	\$ -	\$ -
Restricted cash	26,634	26,634
Accounts receivable	-	-
Taxes receivable	-	-
Due from other governments	-	-
Total assets	<u>26,634</u>	<u>26,634</u>
Liabilities and Fund Balances:		
Due to other funds	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:		
MSD taxes receivable	<u>-</u>	<u>-</u>
Fund Balances:		
Restricted	26,634	26,634
Total liabilities and fund balances	<u>\$ 26,634</u>	<u>\$ 26,634</u>

Town of Spring Hope
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2021

	Grant Project Fund	Total Non-major Governmental Funds
Revenues:		
Restricted intergovernmental	\$ 177,369	\$ 177,369
Sales and Services	-	-
Total Revenues	<u>177,369</u>	<u>177,369</u>
Expenditures:		
Economic and physical development	150,735	150,735
Administration	-	-
Total Expenditures	<u>150,735</u>	<u>150,735</u>
Revenues over (under) expenditures	<u>26,634</u>	<u>26,634</u>
Net Change in Fund Balances	<u>26,634</u>	<u>26,634</u>
Fund balances, beginning	-	-
Fund balances, ending	<u><u>\$ 26,634</u></u>	<u><u>\$ 26,634</u></u>

Town of Spring Hope
Municipal Services District Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021

	Budget	Actual		Total Project	Variance Over
	Authorization	Prior Years	Current Year	To Date	(Under)
Revenues:					
Restricted intergovernmental:					
Brownsfield Assessment Grant	\$ 300,000	\$ 98,551	\$ 177,369	\$ 275,920	\$ (24,080)
Total revenue	<u>300,000</u>	<u>98,551</u>	<u>177,369</u>	<u>275,920</u>	<u>(24,080)</u>
Expenditures:					
Hazardous Substance					
Travel	4,000	4,000	-	4,000	-
Supplies	1,000	1,000	-	1,000	-
Contractual	195,000	48,640	105,638	154,278	40,722
Total Expenditures	<u>200,000</u>	<u>53,640</u>	<u>105,638</u>	<u>159,278</u>	<u>40,722</u>
Petroleum					
Travel	2,000	2,000	-	2,000	-
Supplies	500	222	-	222	278
Contractual	97,500	42,689	45,097	87,786	9,714
Total Expenditures	<u>100,000</u>	<u>44,911</u>	<u>45,097</u>	<u>90,008</u>	<u>9,992</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>26,634</u>	<u>26,634</u>	<u>(74,794)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>26,634</u>	<u>\$ 26,634</u>	<u>\$ (74,794)</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 26,634</u>		

**Town of Spring Hope
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021**

	2021		
	Final Budget	Actual	Variance Over/Under
Revenues:			
Water sales:			
Residential and commercial	\$ -	\$ -	\$ -
Total	200,000	208,660	8,660
Sewer charges:			
Residential and commercial	-	264,533	-
Total	240,000	264,533	24,533
Water and sewer taps	1,000	1,500	500
Other operating revenues	28,000	48,008	20,008
Total operating revenues	469,000	522,701	53,701
Non-Operating Revenues:			
Other revenues	-	4,638	-
Interest earnings	-	18	-
Total non-operating revenues	3,500	4,656	1,156
Total revenues	472,500	527,357	54,857
Expenditures:			
Water and Sewer Administration:			
Salaries and benefits	-	39,795	-
Other operating expenses	-	134,104	-
Total water and sewer administration	191,500	173,899	17,601
Water distribution:			
Contracted services	-	224,542	-
AIA grant expenses	-	53,000	-
Total water distribution	295,960	277,542	18,418
Debt Services:			
Interest and other charges	-	13,036	-
Principal repayment	-	22,252	-
Total debt service	38,040	35,288	2,752
Total expenditures	525,500	486,729	38,771
Revenues over (under) expenditures	(53,000)	40,628	93,628

**Town of Spring Hope
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021**

	2021		
	Final Budget	Actual	Variance Over/Under
Other financing sources (uses):			
Transfers (to) from other funds			
CIP	-	-	-
Water and Sewer Capital Reserve Fund	-	-	-
AIA Grant Project	53,000	53,000	-
Fund balance appropriated	-	-	-
Total other financing sources (uses)	<u>53,000</u>	<u>53,000</u>	<u>-</u>
Revenue and other financing sources over			
(under) expenditures and other financing uses	<u>\$ -</u>	93,628	<u>\$ 93,628</u>

**Reconciliation from Budgetary Basis
(Modified Accrual) to Full Accrual:**

Reconciling items:

Principal retirement	22,252
Increase in accrued vacation pay	1,963
Decrease in deferred outflows of resources - pension	1,227
Increase in net pension liability	(3,073)
Increase in deferred inflows resources - pension	(258)
Depreciation	(109,032)
Pension expense	<u>(10,861)</u>
Total reconciling items	<u>(97,782)</u>

Change in net position	<u>\$ (4,154)</u>
------------------------	-------------------

OTHER SUPPLEMENTARY INFORMATION

This section contains additional information required
on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Town of Spring Hope
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 522,629	\$ 517,047	5,582
2019-2020	13,985	1,748	10,390	5,343
2018-2019	7,886	3,218	(71)	11,175
2017-2018	6,428	2,020	443	8,005
2016-2017	2,932	3,320	2,246	4,006
2015-2016	3,381	3,718	2,246	4,853
2014-2015	2,919	2,315	756	4,478
2013-2014	1,977	2,032	837	3,172
2012-2013	1,139	822	(15)	1,976
2011-2012	1,208	1,006	291	1,923
2010-2011	875	1,149	289	1,735
	<u>\$ 42,730</u>	<u>\$ 543,977</u>	<u>\$ 534,459</u>	<u>52,248</u>

Less: allowance for uncollectible accounts - taxes (39,186)

Ad valorem taxes receivable-net \$ 13,062

Reconciliation with revenues:

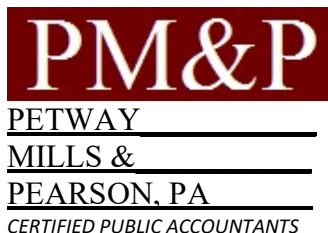
Ad valorem taxes-General Fund	\$ 628,723
Reconciling items:	
Penalties and interest	(5,504)
NC DMV taxes	(79,048)
Adjustments	(12,269)
Discounts allowed	2,557
Subtotal	<u>(94,264)</u>
Total collections and credits	<u><u>\$ 534,459</u></u>

Town of Spring Hope
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2021

	Town - Wide		Total Levy		
			Property excluding		Registered Motor Vehicles
	Property Valuation	Rate	Total Levy	Registered Motor Vehicles	
Original Levy:					
Real and personal property	\$ 78,008,600	0.67	\$ 522,658	\$ 522,629	\$ 74,710
Total	<u>78,008,600</u>		<u>522,658</u>	<u>522,629</u>	<u>74,710</u>
Discoveries					
Current year txes	-		-	-	-
Prior year taxes	-		-	-	-
Penalties	-		(29)	-	-
Abatements (Releases)	-		-	-	-
Total Property Valuation	<u>\$ 78,008,600</u>				
Net levy			522,629	522,629	74,710
Uncollected taxes at June 30, 2021			(5,582)	(5,582)	-
Current year's taxes collected			<u>\$ 517,047</u>	<u>\$ 517,047</u>	<u>\$ 74,710</u>
Current levy collection percentage			<u>98.93%</u>	<u>98.93%</u>	<u>100.00%</u>

COMPLIANCE SECTION

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C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

Raleigh Office
9121 Anson Way
Raleigh, NC 27615
919-781-1047

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
Of Certified Public
Accountants

Medical Group
Management
Association

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

To the Honorable Mayor
and Members of the Town Council
Town of Spring Hope
Spring Hope, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Spring Hope, 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 of Spring Hope's basic financial statements, and have issued our report thereon dated March 25, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. as items 2021-001, 2021-003, 2021-004. that

we consider to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2021-002, 2021-2005 and 2021-006 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Spring Hope's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2021-001, 2021-002, 2021-003, 2021-004, 2021-005, and 2021-006.

Town of Spring Hope's Response to Findings

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

Purpose of this Report

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

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

March 25, 2022

**Town of Spring Hope
Schedule of Findings and Responses
For the Year Ended June 30, 2021**

SECTION II - FINANCIAL STATEMENTS

Material Weakness

Finding: 2021-001

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

Significant Deficiency

Finding 2021-002

Criteria:	The accounting records are required to be complete and accurate.
Condition:	Property tax subsidiary registers and documentation are not reconciled to the general ledger annually. Differences exist between the general ledger and the subsidiary registers as a result and property tax collections are not being recorded in the correct general ledger accounts.
Effect:	Property taxes as reported in the general ledger are not correct.
Cause:	Posting errors and lack of monthly review procedures to correct data timely.
Recommendation:	Procedures to review general ledger postings monthly and correct data entry errors monthly should be implemented as soon as possible.

**Town of Spring Hope
Schedule of Findings and Responses
For the Year Ended June 30, 2021**

SECTION II - FINANCIAL STATEMENTS

Material Weakness

Finding 2021-003

Criteria:	The accounting records are required to be complete and accurate.
Condition:	The Brownsfield asset account, equity account, revenue and expense accounts are not recorded in the general ledger.
Effect:	The general ledger is not a complete record of the Town's financial activity.
Cause:	General ledger is not being properly maintained.
Recommendation:	All funds must be recorded in the general ledger.

Material Weakness

Finding 2021-004

Criteria:	Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds.
Condition:	Expenditures exceeded budgeted amounts for Public Buildings (\$2,329), Police (\$8,905) and Building (\$18,175).
Effect:	The Town's policies and State laws were not followed and expenditures were made without amending budgets appropriately.
Cause:	Budgets were not amended properly prior to expenditure of funds.
Recommendation:	Budgets should be amended prior to expenditure of funds.

**Town of Spring Hope
Schedule of Findings and Responses
For the Year Ended June 30, 2021**

Significant Deficiency

Finding 2021-005

Criteria:	Users of the Town's computerized accounting system should be fully trained in the use of all features of the system and modules to ensure the Town is receiving the full benefit of the system.
Condition:	The Town could not produce budget to actual financial statements on a functional basis and on a departmental basis.
Effect:	The Town's management and Board does not receive documents that provide complete information for decision making.
Cause:	Insufficient training in the operation of the software.
Recommendation:	Additional training should be provided to the accounting staff.

Significant Deficiency

Finding 2021-006

Criteria:	The Town should submit its audit report to the Local Government Commission by October 31 annually.
Condition:	The audit report was submitted late.
Effect:	The Town has not complied with the State's requirement.
Cause:	The audit was delayed due to turnover and illness in the auditors' office. The Town took no actions that delayed the audit.
Recommendation:	The audit report should be timely submitted annually.

**Town of Spring Hope
Schedule of Findings and Responses
For the Year Ended June 30, 2021**

SECTION II - FINANCIAL STATEMENTS

Material Weakness

Finding: 2021-001

Name of contact person: Andrew Delonno, Town Manager

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

Proposed Completion Date: June 30, 2023.

Significant Deficiency

Finding: 2021-002

Name of contact person: Andrew Delonno, Town Manager

Corrective action: Management will implement procedures to reconcile property tax records from subsidiary data to the general ledger.

Proposed Completion Date: June 30, 2022.

Material Weakness

Finding: 2021-003

Name of contact person: Andrew Delonno, Town Manager

Corrective action: Management will ensure the general ledger is complete by establishing funds as needed for each funding stream.

Proposed Completion Date: June 30, 2022.

**Town of Spring Hope
Schedule of Findings and Responses
For the Year Ended June 30, 2021**

SECTION II - FINANCIAL STATEMENTS

Material Weakness

Finding: 2021-004

Name of contact person: Andrew Delonno, Town Manager

Corrective action: Management will ensure budgets are properly amended prior to the expenditure of funds.

Proposed Completion Date: June 30, 2022.

Significant Deficiency

Finding: 2021-005

Name of contact person: Andrew Delonno, Town Manager

Corrective action: Management will ensure accounting staff receive additional training in the use of the Town's software.

Proposed Completion Date: June 30, 2023.

Significant Deficiency

Finding: 2021-006

Name of contact person: Andrew Delonno, Town Manager

Corrective action: The audit report will be submitted timely.

Proposed Completion Date: June 30, 2022.

**Town of Spring Hope
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2021**

Finding 2020-001 stated the Town's limited amount of segregation of duties. In 2021, this was a repeat finding.

Town of Spring Hope
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

Grantor/Pass-Through Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Expenditures
Federal Awards			
<u>US Department of Environmental Protection</u>			
Direct Program			
Brownfields Multipurpose, Assessment, Revolving Loan Fund and Cleanup Cooperative Agreement	66.818		\$ 150,735
<u>US Treasury</u>			
Passed through the Office of State Budget and Management			
NC Pandemic Recovery Office			
Passed through Nash County Coronavirus Relief Fund	21.019		37,320
Total Federal Awards			<u>188,055</u>
State Awards			
NC Department of Transportation			
Direct Program			
Powell Bill		DOT- 4	37,007
Total State Awards			<u>37,007</u>
Total Federal and State Assistance			<u>\$ 225,062</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the Town under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. Because the Schedule presents only a selected portion of the operations of the Town of Spring Hope, it is not intended to and does not present the financial position, changes in net position or cash of the Town of Spring Hope.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the Schedule of Expenditures of Federal and State Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Costs

The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.