

**TOWN OF SEVEN DEVILS
NORTH CAROLINA**

Financial Statements

June 30, 2022

(with Independent Auditor's Report thereon)

Town Council

**Mayor- Larry Fontaine
Mayor Pro-Tem – Brad Lambert
Wayne Bonomo
Leigh Sasse
Jeffrey Williams**

**S. GILLESPIE, P.A.
Certified Public Accountant
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TOWN OF SEVEN DEVILS, NORTH CAROLINA
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June 30, 2022

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S. Gillespie, P.A.

Certified Public Accountant

Independent Auditor's Report

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

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Seven Devils, as of and for the year then ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Seven Devils basic financial statements as listed in the table of contents.

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Town of Seven Devils as of June 30, 2022, and the respective changes in financial position and cash flows, where applicable, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Seven Devils and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the Town of Seven Devils ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Governmental Auditing Standards will always detect material statement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that , individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Governmental Auditing Standards, we:

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Town of Seven Devils internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Seven Devils ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 9 through 18, the Law Enforcement Officers Special Separation Allowance Schedules of Funding Progress and Employer Contributions on page 53, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on page 52 be presented to supplement the basic financial statements. Such information is the responsibility of management, 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 the 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 consist 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Seven Devils basic financial statements. The combining and individual fund financial

statements, budgetary schedules, other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the combining and individual fund financial statements, budgetary schedules, other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory information and the statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2022 on our consideration of the Town of Seven Devils 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 that 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 the effectiveness of Town of Seven Devils 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 Town of Seven Devils internal control over financial reporting and compliance.

S. Gillespie P.A.

Spruce Pine, North Carolina

August 25, 2022

TOWN OF SEVEN DEVILS, NORTH CAROLINA
Management's Discussion and Analysis
June 30, 2022

As management of the Town of Seven Devils, we offer readers of the Town of Seven Devils' financial statements this narrative overview and analysis of the financial activities of the Town of Seven Devils for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

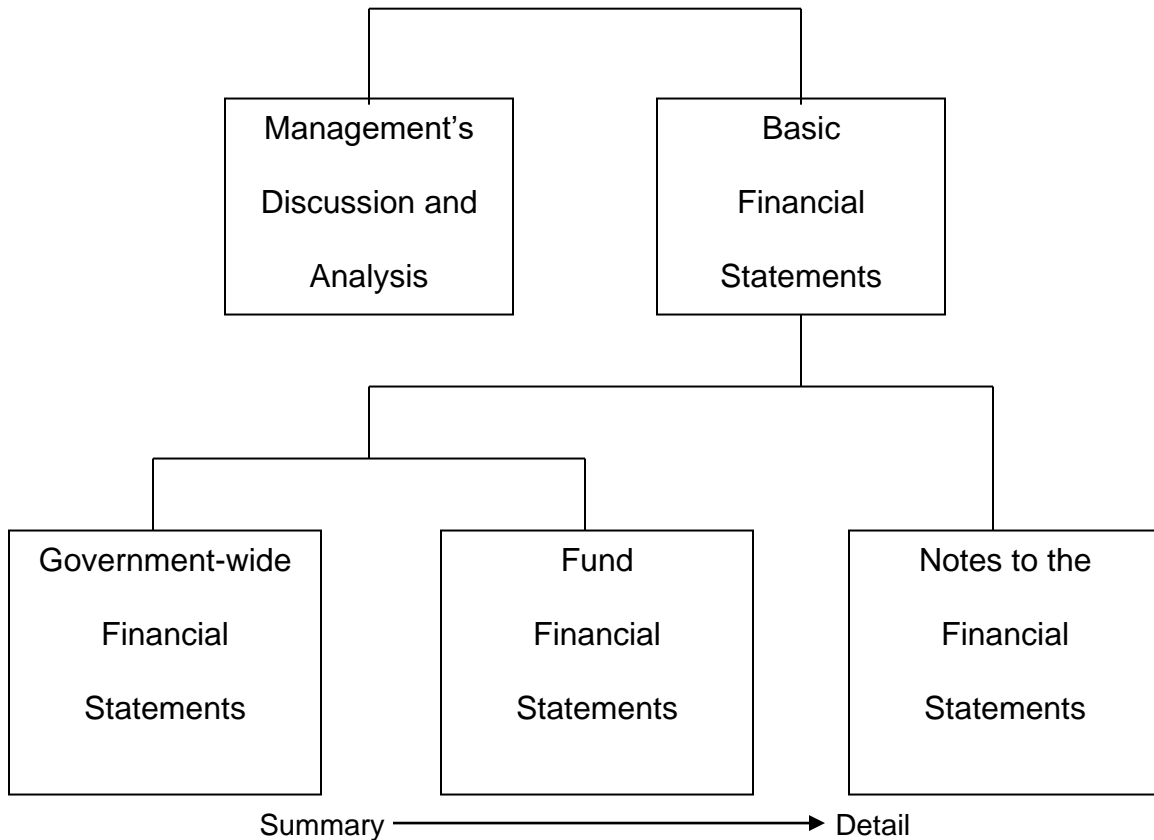
- The assets of the Town of Seven Devils exceeded its liabilities at the close of the fiscal year by \$5,258,944.
- The government's total net position increased by \$221,676 for the fiscal year.
- As of the close of the current fiscal year, The Town of Seven Devils' governmental funds reported combined ending fund balances of \$1,203,199 a decrease of \$48,096 in comparison with the prior year. Approximately 87% percent of this total amount or \$1,049,321 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 \$1,014,902 or 46 percent of total general fund expenditures for the fiscal year. Total fund balance represents 53% of General Fund Expenditures.
- The Town of Seven Devils' total debt generated by installment obligations decreased by \$141,843 during the current fiscal year due to regularly scheduled debt repayments.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Seven Devils' 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 Seven Devils.

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**. These statements provide short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 5) are the **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.

Management's Discussion and Analysis (continued)

Government-wide Financial Statements

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Seven Devils, 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 Seven Devils 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 be readily converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Seven Devils adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using

Management's Discussion and Analysis (continued)

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

Proprietary Funds – The Town of Seven Devils has one 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 Seven Devils uses enterprise funds to account for its water activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 28-51 of this report.

Other Information

Combining and individual fund statements and schedules are also included in this report.

Interdependence with Other Entities

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

Management's Discussion and Analysis (continued)

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 1,290,978	\$ 1,379,388	\$ 330,695	\$ 364,121	\$ 1,621,673	\$ 1,743,509
Capital and noncurrent assets	2,757,945	2,688,238	2,125,798	2,147,747	4,883,743	4,835,985
Deferred outflows of Resources	353,740	310,154	14,839	11,280	368,579	321,434
deferred outflows of resources	4,402,663	4,377,780	2,471,332	2,523,148	6,873,995	6,900,928
Long-term liabilities outstanding	1,065,859	928,125	42,862	95,585	1,108,721	1,023,710
Other liabilities	244,640	662,432	50,159	27,852	294,799	690,284
Deferred Inflows of Resources	201,912	27,712	9,619	41,025	211,531	68,737
Total liabilities and deferred inflows of resources	1,512,411	1,618,269	102,640	164,462	1,615,051	1,782,731
Net position:						
Net investment in capital assets	1,869,820	1,760,113	2,059,557	2,052,163	3,929,377	3,812,276
Restricted	144,832	134,465	22,696	29,624	167,528	164,089
Unrestricted	875,600	864,933	286,439	317,924	1,162,039	1,182,857
Total net position	\$ 2,890,252	\$ 2,759,511	\$ 2,368,692	\$ 2,399,711	\$ 5,258,944	\$ 5,159,222

As noted earlier, net position may serve over time as one useful indication of an agency's financial condition. The assets of The Town of Seven Devils exceeded liabilities by \$5,258,944 as of June 30, 2022. The Town's net position increased by a net of \$99,722, reflective of a prior period adjustment, for the fiscal year ended June 30, 2022. However, the largest portion (74%) 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 Seven Devils uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Seven Devils' 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. The remaining balance of \$1,162,039 is unrestricted. With the GASB Statement 68 and Statement 73 reporting changes, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's, as well as the Law Enforcement Officers Special Separation Allowance's, net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocation are made by the administrators of the pension plan, not by the Town of Seven Devil's management.

Management's Discussion and Analysis (continued)

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage rate of 99.60%.
- Controlled spending

Town of Seven Devils' Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	Total
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for services	\$ 24,837	\$ 26,824	\$ 280,691	\$ 288,348	\$ 305,528	\$ 315,172
Operating grants and contributions	123,304	206,758			123,304	206,758
Capital grants and contributions	-	-			-	-
General Revenues:						
Property taxes	841,437	837,203			841,437	837,203
Other Taxes	870,245	816,524			870,245	816,524
Investment earnings	1,208	5,774	-	13,833	1,208	19,607
Other	269,818	384,976	-	-	269,818	384,976
Total revenues	<u>2,130,849</u>	<u>2,278,059</u>	<u>280,691</u>	<u>302,181</u>	<u>2,411,540</u>	<u>2,580,240</u>
Expenses:						
General government	811,006	846,239			811,006	846,239
Public safety	617,435	675,384			617,435	675,384
Public works	447,341	472,147			447,341	472,147
Interest on long-term debt	24,105	27,512			24,105	27,512
Cultural and Recreational	64,855	47,743			64,855	47,743
Water	-	-	225,122	198,022	225,122	198,022
Total expenses	<u>1,964,742</u>	<u>2,069,025</u>	<u>225,122</u>	<u>198,022</u>	<u>2,189,864</u>	<u>2,267,047</u>
Increase (decrease) in net position	166,107	209,034	55,569	104,159	221,676	313,193
Net Position:						
Beginning, July 1	<u>2,759,511</u>	<u>2,550,477</u>	<u>2,399,711</u>	<u>2,295,552</u>	<u>5,159,222</u>	<u>4,846,029</u>
Restatement	<u>(35,366)</u>	<u>-</u>	<u>(86,588)</u>	<u>-</u>	<u>(121,954)</u>	<u>-</u>
Beginning, restated	<u>2,724,145</u>	<u>2,550,477</u>	<u>2,313,123</u>	<u>2,295,552</u>	<u>5,037,268</u>	<u>4,846,029</u>
Ending, June 30	<u>\$ 2,890,252</u>	<u>\$ 2,759,511</u>	<u>\$ 2,368,692</u>	<u>\$ 2,399,711</u>	<u>\$ 5,258,944</u>	<u>\$ 5,159,222</u>

Governmental activities. Governmental activities increased the Town's net position by \$166,107 for the fiscal year.

Management's Discussion and Analysis (continued)

Business-Type Activities: Business-type activities increased the Town of Seven Devils' net position by \$55,569. Key elements of this increase are as follows:

Continued diligence in controlling expenditures

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Seven Devils' governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Seven Devils' 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 Seven Devils. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,014,902 while total fund balance reached \$1,168,780. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 46 percent of total General Fund expenditures and transfers (compared to 54% in 2021) while total fund balance represents 53 percent of that same amount (compared to 60% in 2021).

At June 30, 2022 the governmental funds of The Town of Seven Devils reported a combined fund balance of \$1,203,199, a decrease of \$83,462 over last year.

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.

Proprietary Funds. The Town of Seven Devils' proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$286,439. The change in net position was \$55,569 in the current year. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town of Seven Devils' business-type activities.

Management's Discussion and Analysis (continued)

Capital Asset and Debt Administration

Capital assets. The Town of Seven Devils' investment in capital assets for its governmental and business-type activities as of June 30, 2022, totals \$4,883,743 (net of accumulated depreciation). These assets include buildings, road and bridges, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Renovations to the old Town Hall completed by TDA
- Landscaping, tennis court renovations and park project in progress
- Various equipment

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2021	2021	2021	2021	2022	2021
Land	\$ 569,471	\$ 397,453	\$ 7,224	\$ 7,224	\$ 576,695	\$ 404,677
Infrastructure	1,542,012	1,618,761	-	-	1,542,012	1,618,761
Buildings	1,733,986	1,559,576	-	-	1,733,986	1,559,576
Plant	-	-	3,046,823	2,988,899	3,046,823	2,988,899
Equipment and furniture	1,379,853	1,368,132	407,814	407,814	1,787,667	1,775,946
Vehicles	246,287	271,309	-	-	246,287	271,309
Less: accumulated depreciation	(2,713,664)	(2,526,993)	(1,336,063)	(1,256,190)	(4,049,727)	(3,783,183)
Total	<u>\$ 2,757,945</u>	<u>\$ 2,688,238</u>	<u>\$ 2,125,798</u>	<u>\$ 2,147,747</u>	<u>\$ 4,883,743</u>	<u>\$ 4,835,985</u>

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

Long-Term Debt. As of June 30, 2022, the Town of Seven Devils had total debt outstanding of \$881,866 backed by the full faith and credit of the Town.

Management's Discussion and Analysis (continued)

Town of Seven Devil's Outstanding Debt General Obligation Bonds and Other Long-Term Liabilities

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Compensated Absences	\$ 61,655	\$ 64,400	\$ 10,649	\$ 2,752	\$ 72,304	\$ 67,152
Installment purchases	815,625	928,125	66,241	95,585	881,866	1,023,710
Total	<u>\$ 877,280</u>	<u>\$ 992,525</u>	<u>\$ 76,890</u>	<u>\$ 98,337</u>	<u>\$ 954,170</u>	<u>\$ 1,090,862</u>

The Town of Seven Devils' total installment obligations debt decreased by \$141,844 during the past fiscal year, primarily due to principal payments toward debt reduction; The Town's total compensated absences liability increased by \$5,152 for a combined debt decrease of \$136,692.

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 Seven Devils' long-term debt is \$ 14,053,200.

Additional information regarding the Town of Seven Devils' long-term debt can be found in the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the financial condition of the Town.

- COVID-19 related closures and impacts on staffing were anticipated to have an impact on revenues and expenditures. The Town continued to operate on a conservative basis.

Budget Highlights for the Fiscal Year Ending June 30, 2023

- COVID-19 forced Council to prepare for reduced revenue streams, and select budget items were delayed until more certain economic and inflationary concerns unfold. We expect the normal budget process to resume in the future. Anticipate ARP funding in the upcoming year.
- Recent property revaluations in both Watauga and Avery Counties will slightly increase revenues, despite a reduction in Town tax rates.

Management's Discussion and Analysis (continued)

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of Seven Devils, 157 Seven Devils Rd. Seven Devils, NC 28604. You can also call (828) 963-5343, visit our website www.SevenDevils.net or send an email to townfinance@sevendevils.net.

TOWN OF SEVEN DEVILS, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government			Town of Seven Devils Tourism Development Authority
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 1,158,774	\$ 307,999	\$ 1,466,773	\$ 170,545
Taxes receivable (net)	7,401	-	7,401	-
Accounts receivable (net)	30,025	22,696	52,721	32,916
Due from other governments	81,817	-	81,817	-
Other assets	12,961	-	12,961	-
Total current assets	1,290,978	330,695	1,621,673	203,461
Non-current Assets:				
Capital Assets:				
Land, nondepreciable improvements, and construction in progress	569,471	7,224	576,695	-
Other capital assets, net of depreciation	2,188,474	2,118,574	4,307,048	-
Total capital assets	2,757,945	2,125,798	4,883,743	-
Total assets	4,048,923	2,456,493	6,505,416	203,461
Deferred Outflows of Resources				
Pension Deferrals	353,740	14,839	368,579	-
Total deferred outflows of resources	353,740	14,839	368,579	-
Liabilities:				
Current Liabilities:				
Accounts payable	70,485	9,398	79,883	900
Current portion of long term debt	112,500	30,112	142,612	-
Compensated absences - current	61,655	10,649	72,304	-
Total current liabilities	244,640	50,159	294,799	900
Long-Term Liabilities:				
Net pension liability	127,918	6,733	134,651	-
Total pension liability	234,816	-	234,816	-
Due in more than one year	703,125	36,129	739,254	-
Total long-term liabilities	1,065,859	42,862	1,108,721	-
Total Liabilities	1,310,499	93,021	1,403,520	900
Deferred Inflows of Resources				
Prepaid taxes	9,893	-	9,893	-
Pension deferrals	192,019	9,619	201,638	-
Total deferred inflows of resources	201,912	9,619	211,531	-
Net Position:				
Net investment in capital assets	1,869,820	2,059,557	3,929,377	-
Restricted for Streets - Powell Bill	32,990	-	32,990	-
Restricted for Stabilization by State Statute	111,842	22,696	134,538	32,916
Unrestricted	875,600	286,439	1,162,039	169,645
Total net position	\$ 2,890,252	\$ 2,368,692	\$ 5,258,944	\$ 202,561

The accompanying notes are an integral part of these financial statements.

TOWN OF SEVEN DEVILS, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Town of Seven Devils Tourism Development Authority
Primary Government:								
Governmental Activities:								
General Government	\$ 811,006	\$ 12,206	\$ 34,419		\$ (764,381)	\$ -	\$ (764,381)	\$ -
Public Safety	617,435	12,631	55,895		(548,909)	-	(548,909)	-
Public Works	447,341	-	32,990		(414,351)	-	(414,351)	-
Cultural and Recreational	64,855				(64,855)		(64,855)	
Interest on long-term debt	24,105	-	-	-	(24,105)	-	(24,105)	-
Total governmental activities	<u>1,964,742</u>	<u>24,837</u>	<u>123,304</u>	<u>-</u>	<u>(1,816,601)</u>	<u>-</u>	<u>(1,816,601)</u>	<u>-</u>
Business-Type Activities								
Water	<u>225,122</u>	<u>280,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,569</u>	<u>55,569</u>	<u>-</u>
Total business-type activities	<u>225,122</u>	<u>280,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,569</u>	<u>55,569</u>	<u>-</u>
Total primary government	<u>\$ 2,189,864</u>	<u>\$ 305,528</u>	<u>\$ 123,304</u>	<u>\$ -</u>	<u>(1,816,601)</u>	<u>55,569</u>	<u>(1,761,032)</u>	<u>-</u>
Component Unit:								
Town of Seven Devils								
Tourism Development Authority	\$ 366,746	\$ -	\$ 419,077	\$ -	-	-	-	52,331
Total Component unit	<u>\$ 366,746</u>	<u>\$ -</u>	<u>\$ 419,077</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,331</u>
General Revenues:								
Taxes:								
Ad valorem					841,437	-	841,437	-
Occupancy taxes					406,985	-	406,985	-
Other taxes					463,260	-	463,260	-
Unrestricted investment earnings					1,208	-	1,208	-
Gain (loss) on sale of assets					6,000	-	6,000	-
Miscellaneous revenues					<u>263,818</u>	<u>-</u>	<u>263,818</u>	<u>-</u>
Total general revenues and transfers					<u>1,982,708</u>	<u>-</u>	<u>1,982,708</u>	<u>-</u>
Change in net position					166,107	55,569	221,676	52,331
Net Position, beginning					2,759,511	2,399,711	5,159,222	162,436
Restatement					<u>(35,366)</u>	<u>(86,588)</u>	<u>(121,954)</u>	<u>(12,206)</u>
Net Position, beginning, restated					<u>2,724,145</u>	<u>2,313,123</u>	<u>5,037,268</u>	<u>150,230</u>
Net Position, end of year					<u>\$ 2,890,252</u>	<u>\$ 2,368,692</u>	<u>\$ 5,258,944</u>	<u>\$ 202,561</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SEVEN DEVILS, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	General	Other Non-Major	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 1,124,355	\$ 34,419	\$ 1,158,774
Taxes receivable, net	5,978	-	5,978
Accounts receivable, net	30,025	-	30,025
Due from other governments	81,817	-	81,817
Other assets	12,961	-	12,961
Total assets	<u>\$ 1,255,136</u>	<u>\$ 34,419</u>	<u>\$ 1,289,555</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 70,485	\$ -	\$ 70,485
Total liabilities	<u>70,485</u>	<u>-</u>	<u>70,485</u>
Deferred Inflows of Resources			
Property taxes receivable	5,978	-	5,978
Taxes paid in advance	9,893	-	9,893
	<u>15,871</u>	<u>-</u>	<u>15,871</u>
Fund balances:			
Restricted:			
Stabilization by State Statute	\$ 120,888	\$ -	\$ 120,888
Streets - Powell Bill	32,990	-	32,990
Unassigned:	1,014,902	34,419	1,049,321
Total fund balances	<u>1,168,780</u>	<u>34,419</u>	<u>1,203,199</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,255,136</u>	<u>\$ 34,419</u>	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			2,757,945
Deferred outflows of resources related to pensions are not reported in the funds			353,740
Net pension liability			(127,918)
Total pension liability			(234,816)
Deferred inflows of resources related to pensions are not reported in the funds			(192,019)
Other long term assets, including interest receivable on taxes, are not available to pay for current period expenditures and therefore are deferred in the funds.			7,401
Long-term liabilities and compensated absences are not due and payable in the current period and are also not reported in the funds.			(877,280)
Net position of governmental activities			<u>\$ 2,890,252</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SEVEN DEVILS, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 837,659	\$ -	\$ 837,659
Other taxes and licenses	406,985	-	406,985
Unrestricted intergovernmental	463,260	-	463,260
Restricted governmental	88,885	34,419	123,304
Permits and fees	24,837	-	24,837
Investment earnings	1,208	-	1,208
Miscellaneous	269,818	-	269,818
Total revenues	<u>2,092,652</u>	<u>34,419</u>	<u>2,127,071</u>
Expenditures:			
Current:			
General government	853,006	-	853,006
Public safety	578,991	-	578,991
Public works	380,364	-	380,364
Cultural and recreational	226,201	-	226,201
Debt Service:			
Principal	112,500	-	112,500
Interest and other charges	24,105	-	24,105
Total expenditures	<u>2,175,167</u>	<u>-</u>	<u>2,175,167</u>
Revenues over (under) expenditures	<u>(82,515)</u>	<u>34,419</u>	<u>(48,096)</u>
Other Financing Sources (Uses):			
Loan proceeds received	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(82,515)</u>	<u>34,419</u>	<u>(48,096)</u>
Fund Balances:			
Beginning of year, July 1	1,286,661	-	1,286,661
Restatement	(35,366)	-	(35,366)
Beginning of year, July 1	<u>1,251,295</u>	<u>-</u>	<u>1,251,295</u>
End of year, June 30	<u>\$ 1,168,780</u>	<u>34,419</u>	<u>\$ 1,203,199</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SEVEN DEVILS, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUNDS BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

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

Net changes in fund balances - total governmental funds	(48,096)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	289,041
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	-
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	2,354
Interest receivable on uncollected tax revenues	1,423
Proceeds from note payable	-
Gains and losses on disposal of assets	
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(219,335)
Expenses related to compensated absences and law enforcement officers separation allowance and pension expense that do not require current financial resources are not reported as expenditures in the governmental funds statement.	28,220
Advance refunding of bonds and principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not reported.	112,500
Total changes in net assets of governmental activities.	<u>\$ 166,107</u>

**TOWN OF SEVEN DEVILS, NORTH CAROLINA
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Over/Under
Revenues:				
Ad valorem taxes	\$ 807,000	\$ 815,000	\$ 837,659	\$ (22,659)
Other taxes and licenses	300,000	400,000	406,985	(6,985)
Unrestricted intergovernmental	445,360	548,000	463,260	84,740
Restricted intergovernmental	84,000	33,000	88,885	(55,885)
Permits and fees	10,000	8,000	24,837	(16,837)
Investment earnings	-	-	1,208	(1,208)
Miscellaneous	174,620	587,052	269,818	317,234
Total revenues	<u>1,820,980</u>	<u>2,391,052</u>	<u>2,092,652</u>	<u>298,400</u>
Expenditures:				
Current:				
General government	796,203	881,147	853,006	28,141
Public safety	693,818	689,000	578,991	110,009
Public works	481,115	425,100	380,364	44,736
Cultural and recreational development	53,796	259,200	226,201	32,999
Debt Service:				
Principal retirement	-	112,500	112,500	-
Interest and other charges	-	24,105	24,105	-
Total expenditures	<u>2,024,932</u>	<u>2,391,052</u>	<u>2,175,167</u>	<u>215,885</u>
Revenues over (under) expenditures	(203,952)	-	(82,515)	82,515
Other Financing Sources (Uses):				
Proceeds from long term debt	-	-	-	-
Appropriations	203,952	-	-	-
Total other financing sources (uses)	<u>203,952</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u></u>	<u>(82,515)</u>	<u>\$ 82,515</u>
Fund Balance:				
Beginning of year, July 1			1,286,661	
Restatement			(35,366)	
Beginning of year, July 1, as restated			1,251,295	
End of year, June 30			<u>\$ 1,168,780</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF SEVEN DEVILS, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	2022
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 307,999
Accounts receivable (net)	22,696
Total current assets	<u>330,695</u>
Noncurrent Assets:	
Non-depreciable assets	7,224
Other capital assets, net of depreciation	2,118,574
Total noncurrent assets	<u>2,125,798</u>
Total assets	<u><u>\$ 2,456,493</u></u>
Deferred Outflows of Resources	
Pension deferrals	<u>\$ 14,839</u>
Liabilities:	
Current Liabilities:	
Accounts payable and accrued liabilities	9,398
Compensated absences	10,649
Installment purchase -current	30,112
Total current liabilities	<u>50,159</u>
Noncurrent Liabilities:	
Net pension liability	6,733
Installment purchase - noncurrent	36,129
Total noncurrent liabilities	<u>42,862</u>
Total liabilities	<u>93,021</u>
Deferred Inflows of Resources	
Pension deferrals	<u>9,619</u>
Net Position:	
Net investment in capital assets	2,059,557
Unrestricted	309,135
Total net position	<u><u>\$ 2,368,692</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF SEVEN DEVILS, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	2022
Operating Revenues:	
Charges for services	\$ 272,576
Other operating revenues	8,115
Total operating revenues	<u>280,691</u>
Operating Expenses:	
Water treatment and distribution	143,171
Depreciation	79,875
Total operating expenses	<u>223,046</u>
Operating income (loss)	<u>57,645</u>
Nonoperating Revenues (Expenses):	
Interest and other charges	<u>(2,076)</u>
Total nonoperating revenues (expenses) before transfers	<u>(2,076)</u>
Change in net position	<u>55,569</u>
Net Position:	
Beginning of year, July 1	<u>2,399,711</u>
Restatement	<u>(86,588)</u>
Net position, beginning of year as restated	<u>2,313,123</u>
End of year, June 30	<u><u>\$ 2,368,692</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SEVEN DEVILS, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	2022
Cash Flows From Operating Activities:	
Cash received from customers	\$ 287,620
Cash paid for goods and services	(74,464)
Cash paid to or on behalf of employees for services	(63,722)
Other operating revenues	-
Net cash provided (used) by operating activities	<u>149,434</u>
Cash Flows From Capital and Related Financing Activities:	
(Acquisition) disposal and construction of capital assets	(57,926)
Proceeds from (payments on) outstanding debt	(31,471)
Net cash provided (used) by capital and related financing activities	<u>(89,397)</u>
Cash Flows From Investing Activities:	
Investment income	53
Net cash provided (used) by investing activities	<u>53</u>
 Net increase (decrease) in cash and cash equivalents	 60,090
Cash and cash equivalents, July 1	247,909
Cash and cash equivalents, June 30	<u>\$ 307,999</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 57,645
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	79,875
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	6,928
Increase (decrease) in net pension asset	(3,379)
Increase (decrease) in accounts payable and accrued liabilities	8,365
Total adjustments	<u>91,789</u>
Net cash provided by operating activities	<u>\$ 149,434</u>

Supplemental information: Interest paid during the year was \$2,129.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity:

The Town of Seven Devils is a municipal corporation, which is governed by a five-member council. As required by the generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Seven Devils Tourism Development Authority

The members of the TDA's governing board are appointed by the Town Council. In addition, the TDA is required by State statute to use the funds remitted to promote travel and tourism in Seven Devils and shall use the remainder for tourism related expenditures. The TDA, which has a June 30, year-end is presented as a governmental fund and is shown on these financial statements as a discretely presented component unit. Complete financial statements for the TDA may be obtained from the entity's administrative office at the Town of Seven Devils TDA, Town of Seven Devils, 157 Seven Devils Road, Seven Devils, NC 28604.

Basis of Presentation - Fund Accounting:

Government-Wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government and its component unit. 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 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

TOWN OF SEVEN DEVILS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2022

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 and investment earnings, result from nonexchange transactions or ancillary activities.

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise fund:

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

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.

TOWN OF SEVEN DEVILS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2022

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. Internally dedicated resources are reported as general revenues; therefore, all taxes are reported as general revenues.

Proprietary funds distinguish between operating revenues/expenses and 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 revenue of the Water fund is charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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 taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Seven Devils because the tax is levied by Watauga and Avery Counties and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant

TOWN OF SEVEN DEVILS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2022

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 .

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

During the year the Tourism Development Authority purchased several items for the benefit of the Town that were not recorded in the Town's budget. For financial statement presentation, these donations were added as inflows and outflows to the final budget to more accurately reflect the Town's budget variances in disbursements as the Town did not directly disburse these funds.

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board 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 and the ABC Board's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value

TOWN OF SEVEN DEVILS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2022

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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, 2021.

4. Allowances for Doubtful Accounts

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

5. Inventory

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when held for resale 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.

6. 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 \$2,500 for all capital assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2002, consist of the road network and water system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are

TOWN OF SEVEN DEVILS, NORTH CAROLINA
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depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	50
Buildings and Improvements	50
Equipment and Furniture	10
Vehicles	5
Computer Equipment	5

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2022 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 one item that meets the criteria for this category - deferrals of pension expense that resulted from the implementation of GASB Statement 68 and GASB 73.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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 are reported as deferred charges and amortized over the term of the related 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 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.

9. Compensated Absences

The vacation policies of the Town provide for the accumulation of three hundred twenty (320) hours earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds a liability for compensated absences and 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. As this time is estimated to be used in the next fiscal year, it has been designated as a current liability in the government-wide financial statements.

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. No accrual for sick leave has been made because the Town has no obligation for accumulated sick leave until it is actually taken.

10. Net Position / Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

- Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

- Restricted for Stabilization by State statute – portion of fund balance that is restricted by State Statute {G.S. 159-8(a)}.

- 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 total unexpended Powell Bill funds.

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

Assigned Fund Balance – portion of fund balance of the Town intended to be used for specific purposes.

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

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

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy, federal funds, State funds, and local 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.

11. Pensions

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

TOWN OF SEVEN DEVILS, NORTH CAROLINA
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NOTE 2: DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town and the Tourism Development Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits 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 deposits are properly secured.

At June 30, 2022, the Town's deposits had a carrying amount of \$658,893 and a bank balance of \$658,859. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The Town maintains a petty cash fund of \$300.

At June 30, 2022, the Tourism Development Authority's deposits had a carrying amount of \$170,544 and a bank balance of \$196,624. Of the bank balance, \$196,624 was covered by federal depository insurance.

2. Investments

At June 30, 2022, the Town's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2022	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Amortized Cost	807,580	N/A	AAAm

TOWN OF SEVEN DEVILS, NORTH CAROLINA
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All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk.

3. Receivables

Receivables at the government-wide level at June 30, 2022, were as follows:

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 30,025	\$ 7,801	\$ 81,817	\$ 119,643
Allowance for doubtful accounts	-	(400)	-	(400)
Total governmental activities	<u>\$ 30,025</u>	<u>\$ 7,401</u>	<u>\$ 81,817</u>	<u>\$ 119,243</u>
Business-Type Activities				
Water fund	\$ 22,696	\$ -	\$ -	\$ 22,696
Allowance for doubtful accounts	-	-	-	-
Total business-type activities	<u>\$ 22,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,696</u>
	<u>Governmental</u>	<u>Business-Type</u>		
Local option sales tax	\$ 67,707	\$ -		
Sales tax	11,405	-		
Vehicle tax	2,705	-		
	<u>\$ 81,817</u>	<u>\$ -</u>		

4. Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2022 was as follows:

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	<u>June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2022</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 397,452	\$ 172,018	\$ -	\$ 569,470
Total capital assets not being depreciated	<u>397,452</u>	<u>172,018</u>	<u>-</u>	<u>569,470</u>
Capital assets being depreciated:				
Infrastructure	1,618,762	-	-	1,618,762
Buildings	1,559,576	97,661	-	1,657,237
Equipment and furniture	1,368,132	11,722	-	1,379,854
Vehicles	271,309	7,640	-	278,949
Total capital assets being depreciated	<u>4,817,779</u>	<u>117,023</u>	<u>-</u>	<u>4,934,802</u>
Less accumulated depreciation for:				
Infrastructure	1,019,672	78,492	-	1,098,164
Buildings	230,060	47,858	-	277,918
Equipment and furniture	1,082,911	64,495	-	1,147,406
Vehicles	194,350	28,489	-	222,839
Total accumulated depreciation	<u>2,526,993</u>	<u>\$ 219,334</u>	<u>\$ -</u>	<u>2,746,327</u>
Total capital assets being depreciated, net	<u>2,290,786</u>			<u>2,188,475</u>
Governmental activity capital assets, net	<u>\$ 2,688,238</u>			<u>\$ 2,757,945</u>

Depreciation was charged as follows:

General Government	\$ 70,424
Public Safety	52,630
Public Works	88,550
Cultural and recreational	<u>7,730</u>
	<u>\$ 219,334</u>

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Reclass</u>	<u>June 30, 2022</u>
Business-Type Activities:				
Water Fund:				
Capital Assets Not Being Depreciated:				
Land	\$ 7,224	\$ -	\$ -	\$ 7,224
Total capital assets not being depreciated	<u>7,224</u>	<u>-</u>	<u>-</u>	<u>7,224</u>
Capital Assets Being Depreciated:				
Plant	2,988,899	57,926	-	3,046,825
Equipment	407,814	-	-	407,814
Total capital assets being depreciated	<u>3,396,713</u>	<u>57,926</u>	<u>-</u>	<u>3,454,639</u>
Less Accumulated depreciation for:				
Plant	904,679	62,217	-	966,896
Equipment	351,511	17,658	-	369,169
Total accumulated depreciation	<u>1,256,190</u>	<u>\$ 79,875</u>	<u>\$ -</u>	<u>1,336,065</u>
Water capital assets, net	<u>2,140,523</u>			<u>2,118,574</u>
Business-type capital assets, net	<u>\$ 2,147,747</u>			<u>\$ 2,125,798</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2022, were as follows:

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	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General	\$ 70,485	\$ -0-	\$ 70,485
Total governmental activities	<u>\$ 70,485</u>	<u>\$ -0-</u>	<u>\$ 70,485</u>
Business-Type Activities:			
Water	\$ -	\$ 9,398	\$ 9,398
Total business-type activities	<u>\$ -</u>	<u>\$ 9,398</u>	<u>\$ 9,398</u>

2. Pension Plan Obligations

a. Local Government Employees' Retirement System

Plan Description The Town of Seven Devils 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 law enforcement officers (LEOs) of participating local government 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, and one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) 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, or by calling (919) 981-5454.

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 services. 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 year of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of member's contributions. The plan does not provide for automatic post-retirement benefit increases.

TOWN OF SEVEN DEVILS, NORTH CAROLINA
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Increases are contingent upon the 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 at age 50 with 15 years 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 or service and who also have completed either 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 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. The Town of Seven Devils 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 Seven Devil's contractually required contribution rate for the year ended June 30, 2022 was 12.1% of compensation for law enforcement officers and 11.35% for general employees and firefighters, 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. Regular contributions to the pension plan for the Town of Seven Devils were \$85,725 for the year ended June 30, 2022.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS may file an application for 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 employee 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, 2022, the Town reported a liability of \$134,650 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long term share of future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the Town's proportion was .00878%, which was a decrease of .00027% from its proportion measured as of June 30, 2021.

TOWN OF SEVEN DEVILS, NORTH CAROLINA
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For the year ended June 30, 2022, the Town recognized pension expense of \$87,947. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 42,837	\$ -
Changes of assumptions	\$ 84,594	
Net difference between projected and actual earnings on pension plan investments	\$ -	192,374
Differences between employer contributions and proportionate share of contributions	\$ 47,206	-
Town contributions subsequent to the measurement date	\$ 122,150	-
Total	\$ 296,787	\$ -

\$122,150 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 35,075
2024	\$ 12,689
2025	\$ (6,633)
2026	\$(58,868)
2027	-
Thereafter	\$ (17,737)

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7 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 the US population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

TOWN OF SEVEN DEVILS, NORTH CAROLINA
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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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 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 3.0%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Towns' proportionate share of the net pension asset to changes in the discount

TOWN OF SEVEN DEVILS, NORTH CAROLINA
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rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 6.5 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 (5.5 percent) or one percentage point higher (7.5 percent) than the current rate:

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Town's proportionate share of the net pension liability (asset)	\$ 522,699	\$ 134,650	\$ (184,692)

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 Seven Devils 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 Town law enforcement officers are covered by the Separation Allowance. At December 31, 2021, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	5
Total	<u>5</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 Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25-7.75 percent
Discount rate	2.25 percent, per annum, compounded annually

The discount rate used to measure TPL is the S&P municipal bond 20 year high grade rate index as of June 30, 2021.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2014.

Mortality Rate

Deaths After Retirement (Healthy): Mortality rates are based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table. The RP-2014 annuitant tables have no rates prior to age 50. The RP-2014 Total Data Set Employee Mortality Table is used for ages less than 50.

Deaths After Retirement (Disabled): Mortality rates are based on the RP-2014 Total Data Set for Disabled Annuitants Mortality Table. Rates for male members are multiplied by 103% for all ages. Rates for female members are multiplied by 99% for all ages.

Deaths Before Retirement: Mortality rates are based on the RP-2014 Total Data Set Employee Mortality Table.

Mortality Projection: All mortality rates are projected from 2014 using generational improvement with Scale MP-2015.

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3. 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 out no benefits for the reporting period.

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

At June 30, 2022, the Town reported a total pension liability of \$234,816. The total pension liability was measured as of December 31, 2020 based on a December 31, 2020 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, 2022, the Town recognized pension expense of \$38,706.

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$ 27,626	\$ 1,533
Changes of assumptions	44,166	7,731
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 71,792</u>	<u>\$ 9,264</u>

No amount 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ended June 30:

2023	\$ 19,992
2024	\$ 20,453
2025	\$ 13,359
2026	\$ 10,659
2027	\$ (861)
Thereafter	\$ (1,074)

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Notes to the Financial Statements
June 30, 2022

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 2.25 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total pension liability	\$ 260,041	\$ 234,816	\$ 212,084

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

Total Pension Liability as of December 31, 2020	\$ 223,629
Changes for the year:	
Service Cost at End of Year	13,111
Interest	4,316
Change in benefit terms	0
Difference between expected and actuarial Experience	1552
Changes of assumptions and other inputs	(7,792)
Benefit payments	0
Other	0
Net changes	\$ 11,187
Total Pension Liability as of December 31, 2021	\$ 234,816

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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

TOWN OF SEVEN DEVILS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2022

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	\$ 87,947	\$ 38,706	\$ 126,653
Pension Liability	134,650	234,816	369,466
Proportionate share of the net pension liability	0.00878%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	42,837	27,626	70,463
Changes of assumptions	84,594	44,166	128,760
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	47,206	-	47,206
Benefit payments and administrative costs paid subsequent to the measurement date	122,150	-	122,150
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	1,533	1,533
Changes of assumptions	-	7,731	7,731
Net difference between projected and actual earnings on plan investments	192,374	-	192,374
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

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 immediately vested. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2022 were \$33,455, which consisted of

TOWN OF SEVEN DEVILS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2022

\$18,192 from the Town and \$15,263 from the law enforcement officers.

d. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), 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 months' 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 balance in deferred outflows of revenues at year-end is comprised of the following:

Contributions to pension plan in current fiscal year along with changes of assumptions and estimates: (Note 2.b)	\$ 368,579
--	------------

The balance in deferred inflows of revenues at year-end is composed of the following:

	<u>Unearned Revenue</u>	<u>Deferred Inflows</u>
Taxes receivable (net)	\$ 5,978	
Prepaid taxes		\$ 9,893
Pension deferrals		\$201,638

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destructions of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in a self-funded risk financing pool administered by the North Carolina League of Municipalities. Through this pool, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of

TOWN OF SEVEN DEVILS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2022

the property policy, workers' compensation coverage up to a \$2 million lifetime limit. The pool is reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pool is 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 a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Town does not carry flood insurance.

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 the Tax Collector are each individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

Long-Term Obligations

Installment Purchase

The Town has outstanding notes from direct borrowings. In the event of default, the Town agrees to pay to the purchaser, on demand, interest on any and all amounts owing by the Town under the related agreements.

The Town has entered into various direct placement installment purchase contracts comprised of the following:

Serviced by Governmental Funds:

\$1,125,000 for purchase of Town Hall Building, funded by non general obligation debt, over a 10 year term with monthly payments of \$9,375; plus interest at 2.75% through September 1, 2029	815,625
	<u>\$ 815,625</u>
Total governmental fund debt	

Serviced by Enterprise Funds:

\$277,000 for Snowcloud water line replacement due in monthly installments of \$2,623; including interest at 2.590%, through September 1, 2024	66,240
	<u>66,240</u>
Total enterprise fund debt	
	<u>\$ 881,865</u>
Total installment loan debt	

TOWN OF SEVEN DEVILS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2022

Annual debt service requirements to maturity for the Town's direct placement installment purchases are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	112,500	21,012	30,112	1,360
2024	112,500	17,918	30,901	1,174
2025	112,500	14,824	5,227	17
2026	112,500	11,730		
2027	112,500	7,150		
Thereafter:	140,625	4,553	-	
Total	<u>\$815,625</u>	<u>\$ 77,187</u>	<u>\$ 66,240</u>	<u>\$ 2,551</u>

General Obligation Indebtedness

At June 30, 2022, the Town of Seven Devils had no bonds authorized or uninsured and had legal debt margin of \$14,053,200.

Changes in Long-Term Liabilities

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion of Balance
Governmental Activities:					
Direct placement installment purchase contracts	\$ 928,125	\$ -	112,500	\$ 815,625	\$112,500
Net pension liability (LGERS)	307,225	-	172,574	134,651	-
Total pension liability (LEO)	223,629	11,187	-	234,816	-
Compensated absences	64,400	-	2,744	61,655	61,655
Total governmental activities	<u>\$ 1,523,379</u>	<u>\$ 11,187</u>	<u>287,818</u>	<u>\$ 1,246,747</u>	<u>\$ 174,155</u>
Business-Type Activities					
Direct placement installment purchase contracts	\$ 95,583	\$ -	\$ 29,343	\$ 66,240	\$ 30,112
Compensated absences	2,752	7,897	-	10,648	10,648
Net pension liability (LGERS)	16,170	-	9,437	6,733	-
Total business-type activities	<u>\$ 114,505</u>	<u>\$ 7,897</u>	<u>\$ 38,780</u>	<u>\$ 83,621</u>	<u>\$ 40,760</u>

Compensated absences typically have been liquidated in the General Fund and are accounted for on a FIFO basis.

TOWN OF SEVEN DEVILS, NORTH CAROLINA
Notes to the Financial Statements
June 30, 2022

Fund Balance

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

Total fund balance-General Fund	\$1,168,780
Less:	
Powell Bill funds	32,990
Stabilization by State Statute	120,888
Remaining Fund Balance	1,014,902

NOTE 3: JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with seven counties and eighteen municipalities, established the Region D Council of Governments (Council). The participating governments 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 \$684 to the Council during the fiscal year ended June 30, 2022.

NOTE 4: SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 5: SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 25, 2022 the date which the financial statements were available to be issued.

NOTE 6: RESTATEMENTS

Prior Period Adjustment

During the fiscal year ended June 30, 2022, an entry was made to record final debt payoff that occurred in 2021. The cash associated with the discount on the Build America Bond loan for the waterline project that was previously held with a Trustee was applied directly to the outstanding loan balance. An adjustment to beginning net position was made in the amount of \$121,954 to correct the loan balance.

Town of Seven Devils
Proportionate Share of Net Pension (Liability) Asset
Required Supplementary Information
Last Nine Fiscal Years

Local Government Employees Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.00878	0.00905	0.00863	0.00888	0.00935	0.00876	0.00882	0.00944	0.0094
Town's proportion of the net pension liability (asset) (\$)	134,650	323,395	235,679	210,664	142,842	185,917	39,584	(55,672)	113,306
Town's covered-employee payroll	673,081	633,821	613,616	600,022	578,933	572,095	543,026	510,451	525,540
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.20	0.51	0.38	0.35	0.25	0.32	0.07	(0.11)	0.22
Plan fiduciary net position as a percentage of the total pension liability	0.9200	0.9200	0.9418	0.9147	0.9809	0.9879	1.0264	0.9435	0.9822

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

Town of Seven Devils
Schedule of Contributions to the Local Government Employees' Retirement System
Required Supplementary Information
Last Nine Fiscal Years

Local Government Employees Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	122,150	70,415	58,805	50,062	47,121	43,813	34,326	66,618	38,381
Contributions in relation to the contractually required contribution	122,150	70,415	58,805	50,062	47,121	43,813	34,326	66,618	38,381
Town's covered-employee payroll	735,116	673,081	633,821	613,616	600,022	578,933	572,095	543,026	510,451
Contributions as a percentage of covered-employee payroll	0.1662	0.1046	0.0928	0.0816	0.0785	0.0757	0.0600	0.1227	0.0752

See auditor's report and accompanying notes.

Town of Seven Devils, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
6/30/2022

	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 127,862	\$ 127,862	\$ 75,271	\$ 81,071	\$ 61,640	\$ 57,131
Service Cost	8,979	8,979	6,451	5,597	5,526	4,581
Interest on the total pension liability	4,168	4,168	2,740	2,562	2,379	2,040
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	18,291	18,291	38,116	(10,053)	2,660	-
Changes of assumptions or other inputs	64,329	64,329	5,284	(3,906)	8,866	(2,112)
Benefit payments	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 223,629</u>	<u>\$ 223,629</u>	<u>\$ 127,862</u>	<u>\$ 75,271</u>	<u>\$ 81,071</u>	<u>\$ 61,640</u>

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

Town of Seven Devils, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
6/30/2022

	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 223,629	\$ 223,629	\$ 127,862	\$ 75,271	\$ 81,071	\$ 61,640
Covered payroll	312,669	312,669	303,012	293,506	284,960	169,048
Total pension liability as a percentage of covered payroll	71.52%	71.52%	42.20%	25.65%	28.45%	36.46%

Notes to the schedules:

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

See auditor's report and accompanying notes.

Town of Seven Devils, North Carolina

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--
For the Fiscal Year Ended June 30, 2022

	2022		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 836,690	\$
Penalties and interest		969	
Total	815,000	837,659	22,659
Other taxes and licenses:			
Occupancy tax		406,985	
Total	400,000	406,985	6,985
Unrestricted intergovernmental:			
Local option sales tax		238,979	
Telecommunications sales tax		718	
Utility franchise tax		62,325	
Beer and wine tax		1,238	
ABC profit distribution		160,000	
Total	548,000	463,260	(84,740)
Restricted intergovernmental:			
On behalf of - Fire and Rescue		53,395	
ABC revenue for law enforcement		2,500	
Powell Bill allocation		32,990	
Total	33,000	88,885	55,885
Permits and fees:			
Building permits		2,000	
Zoning and development fees		7,500	
Sign permits		481	
Parking tickets		2,650	
Occupancy tax collection fee		12,206	
Total	8,000	24,837	16,837
Investment earnings	-	1,208	1,208

See the accompanying Independent Auditor's Report.

Town of Seven Devils, North Carolina

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--
For the Fiscal Year Ended June 30, 2022

	2022		Variance Favorable (Unfavorable)
	Budget	Actual	
Miscellaneous:			
Donations		1,071	
TDA contribution		243,114	
Cell Tower revenue		13,310	
Other		12,323	
Total	587,052	269,818	(317,234)
Total revenues	2,391,052	2,092,652	(298,400)
Expenditures:			
General government -			
Salaries and employee benefits		266,247	
Professional services		22,194	
Occupancy tax		406,985	
Other operating expenditures		77,080	
Capital outlay		80,500	
Total general government	881,147	853,006	28,141
Public safety -			
Police Department:			
Salaries and employee benefits		456,632	
Other operating expenditures		56,924	
Capital outlay		7,640	
Total	571,000	521,196	49,804
Fire:			
Salaries and employee benefits		18,354	
Other operating expenditures		30,983	
Capital outlay		-	
Total	108,000	49,337	58,663
Planning and inspections:			
Salaries and employee benefits		4,696	
Other operating expenditures		3,762	
Total	10,000	8,458	1,542
Total public safety	689,000	578,991	110,009

See the accompanying Independent Auditor's Report.

Town of Seven Devils, North Carolina

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--
For the Fiscal Year Ended June 30, 2022

	2022		
	Budget	Actual	Variance Favorable (Unfavorable)
Public works:			
Streets and highways:			
Salaries and employee benefits		268,534	
Street lights		16,802	
Other operating expenditures		83,305	
Capital outlay		11,723	
Total public works	425,100	380,364	44,736
Cultural and recreational:			
Parks and recreation:			
Salaries and employee benefits		52,978	
Other operating expenditures		6,089	
Capital outlay		167,134	
Total cultural and recreational	259,200	226,201	32,999
Debt service -			
Principal retirement		112,500	
Interest and fees		24,105	
Total debt service	136,605	136,605	-
Total expenditures	2,391,052	2,175,167	215,885
Excess of revenues and other sources over (under) expenditures and other uses	-	(82,515)	82,515
Appropriated fund balance	-	-	-
Excess of revenues, other sources and appropriated fund balance over (under) expenditures and other uses	\$ -	(82,515)	\$ (82,515)
Fund balances - beginning of year		1,286,661	
Restatement		(35,366)	
Fund balances - beginning of year, as restated		1,251,295	
Fund balances - end of year		\$ 1,168,780	

See the accompanying Independent Auditor's Report.

Town of Seven Devils, North Carolina
Special Revenue Funds - American Recovery Plan Fund
Statement of Revenues, Expenditures and Changes in Fund Balances --Budget and Actual--
For the Fiscal Year Ended June 30, 2022

	2022		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Restricted intergovernmental:			
Government grant	\$	\$ 34,419	
Total	34,419	34,419	-
Total revenues	34,419	34,419	-
Expenditures:			
General government -			
Salaries and employee benefits		-	
Professional services		-	
Occupancy tax		-	
Other operating expenditures		-	
Capital outlay		-	
Total general government	34,419	-	34,419
Total expenditures	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	-	34,419	(34,419)
Appropriated fund balance	-	-	-
Excess of revenues, other sources and appropriated fund balance over (under) expenditures and other uses	\$ -	34,419	\$ -
Fund balances - beginning of year		-	
Fund balances - end of year		\$ 34,419	

See the accompanying Independent Auditor's Report.

Town of Seven Devils, North Carolina
Water Fund
Schedule of Revenues and Expenditures--Budget and Actual-- (Non-GAAP)
For the Fiscal Year Ended June 30, 2022

	2022		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Water charges	\$	\$ 272,576	\$
Water taps, reconnects and installation fees		8,115	
Interest and other		53	
Total revenues	292,159	280,744	(11,415)
Expenditures:			
Water administration			
Salaries and employee benefits		63,722	
Contract services		26,817	
Repairs		14,851	
Utilities		29,013	
Other operating expenditures		4,251	
Capital outlay		57,926	
Total general government	277,340	196,580	80,760
Debt service -			
Principal retirement		29,342	
Interest and fees		2,129	
Total debt service	34,819	31,471	3,348
Total expenditures	312,159	228,051	84,108
Revenue over (under) expenditures	(20,000)	52,693	72,693
Other financing sources (uses):			
Operating transfers in (out):			
Fund balance appropriated	20,000	-	(20,000)
Capital outlay	-	57,926	57,926
Total other financing sources (uses)	20,000	57,926	37,926
Excess of revenues and other sources over (under) expenditures and other uses	-	110,619	110,619
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:	-	-	\$ -
Principal retirement		29,343	
Depreciation		(79,875)	
Change in accrued vacation pay		(7,897)	
Change in pension deferrals		3,379	
Total reconciling items:		(55,050)	
Change in net position		\$ 55,569	

See the accompanying Independent Auditor's Report.

Town of Seven Devils, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2022

	<u>Uncollected Balance June 30, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021 - 2022	\$	\$ 839,025	\$ 835,668	\$ 3,357
2020 - 2021	1,669	-	818	\$ 851
2019 - 2020	633	-	67	566
2018 - 2019	491	-	71	420
2017 - 2018	520	-	204	316
2016 - 2017	318	-	2	316
2015 - 2016	202	-	-	202
2014 - 2015	34	-	-	34
2013 - 2014	159	-	-	159
2012 - 2013	159			159
	<u>\$ 4,185</u>	<u>\$ 839,025</u>	<u>\$ 836,830</u>	<u>\$ 6,380</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>(400)</u>
Ad valorem taxes receivable - net				
General Fund				<u>\$ 5,980</u>
Reconcilement with revenues:				
Ad valorem taxes - General Fund				<u>\$ 841,761</u>
Reconciling items:				
Interest collected				(2,113)
Discounts and write offs				<u>(574)</u>
Total reconciling items				<u>(2,687)</u>
Total collections and credits				<u>\$ 839,074</u>

Town of Seven Devils, North Carolina
Analysis of Current Tax Levy
Town-Wide Levy
For the Fiscal Year Ended June 30, 2022

	Town-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 164,514,727	0.510	\$ 839,025	\$ 813,453	\$ 25,572
Total	<u>164,514,727</u>		<u>839,025</u>	<u>813,453</u>	<u>25,572</u>
 Total property valuations	<u>164,514,727</u>				
 Net levy			839,025	813,453	25,572
 Uncollected taxes at June 30, 2022			<u>3,357</u>	<u>3,357</u>	<u>-</u>
 Current year's taxes collected			<u>\$ 835,668</u>	<u>\$ 810,096</u>	<u>\$ 25,572</u>
 Current year's collection percentage			<u>99.60%</u>	<u>99.59%</u>	<u>100.00%</u>

See the accompanying Independent Auditor's Report.



S. Gillespie, P.A.

Certified Public Accountant

Independent Auditor's 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 Directors
Town of Seven Devils
Seven Devils, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Seven Devils (the Town), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Seven Devils' basic financial statements, and have issued our report thereon dated August 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 Seven Devils' 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Seven Devils' 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Sharon Gillespie, CPA

S. Gillespie, P.A.

Spruce Pine, North Carolina

August 25, 2022