

TOWN OF SEVEN DEVILS, NORTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2023

TOWN COUNCIL MEMBERS

Larry Fontaine – Mayor

Brad Lambert – Mayor Pro-Tem

Wayne Bonomo

Leigh Sasse

Jeffrey Williams

TOWN OF SEVEN DEVILS, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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TOWN OF SEVEN DEVILS, NORTH CAROLINA

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component unit, each major fund, and the and the aggregate remaining fund information of the Town of Seven Devils, North Carolina as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town of Seven Devils, North Carolina's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Seven Devils, North Carolina as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the annual budgeted special revenue 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, North Carolina, 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. The financial statements of the Town of Seven Devils Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Responsibility of Management's 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, North Carolina's 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 Responsibility 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 *Government 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 *Government 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, North Carolina's 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, North Carolina's 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

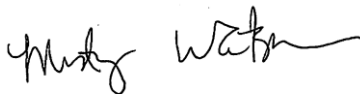
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 12, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 48 through 49, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 46 through 47, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Seven Devils, North Carolina's basic financial statements. The budgetary schedules and 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. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2023 on our consideration of the Town of Seven Devils, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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, North Carolina's 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, North Carolina's internal control over financial reporting and compliance.



Misty D Watson, CPA, PA
Boone, North Carolina
August 30, 2023

Management's Discussion and Analysis

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, 2023. 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

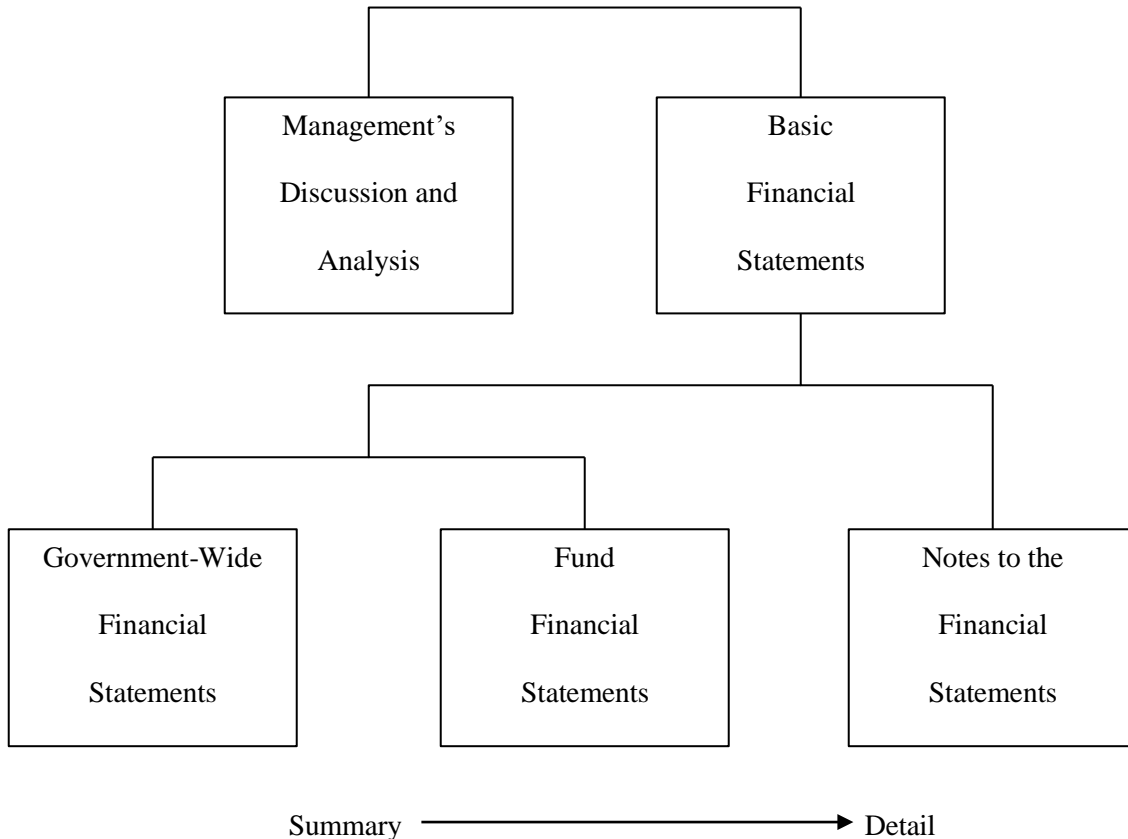
- The assets of the Town of Seven Devils exceeded its liabilities at the close of the fiscal year by \$5,518,234 (*net position*).
- The government's total net position increased by \$245,111.
- As of the close of the current fiscal year, the Town of Seven Devils' governmental funds reported combined ending fund balances of \$942,440, a decrease of \$274,938 in comparison with the prior year. Approximately 15.1 of this total amount, or \$141,974 is restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$795,464, or 31.9%, of total General Fund expenditures and transfers out for the fiscal year.

Overview of the 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**. They provide both short- and long-term information about the Town's financial status.

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

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and Federal and State grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Seven Devils. The final category is the component unit. Although legally separate from the Town, the TDA is important to the Town because the Town exercises control over the Authority by appointing its members.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of 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 readily be converted into cash flow in and out and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed, short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of 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 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 and sewer 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 begin on page 22 of this report.

Other Information. Combining and individual fund statements and schedules can be found beginning on page 50 of this report. Required supplementary information can be found beginning on page 46.

Government-Wide Financial Analysis Town of Seven Devils Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	\$ 1,035,099	\$ 1,290,978	\$ 277,415	\$ 330,695	\$ 1,312,514	\$ 1,621,673
Other non-current	213,446	\$ -	-	-	213,446	-
Capital assets, net	3,229,396	2,757,945	2,146,441	2,125,798	5,375,837	4,883,743
Total Assets	4,477,941	4,048,923	2,423,856	2,456,493	6,901,797	6,505,416
Total Deferred Outflows	481,878	353,740	43,090	14,839	524,968	368,579
Liabilities:						
Other liabilities	196,115	244,640	45,453	50,159	241,568	294,799
Long-term liabilities	1,342,834	1,065,859	59,258	42,862	1,402,092	1,108,721
Total Liabilities	1,538,949	1,310,499	104,711	93,021	1,643,660	1,403,520
Total Deferred Inflows	264,661	201,912	210	9,619	264,871	211,531
Net Position:						
Net investments in capital a	2,526,271	1,869,820	2,110,313	2,059,557	4,636,584	3,929,377
Restricted	141,974	144,832	-	22,696	141,974	167,528
Unrestricted	487,964	875,600	251,712	286,439	739,676	1,162,039
Total Net Position	\$ 3,156,209	\$ 2,890,252	\$ 2,362,025	\$2,368,692	\$ 5,518,234	\$ 5,258,944

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Seven Devils exceeded liabilities by \$5,518,234 as of June 30, 2023. The Town's net position increased by 245,111 for the fiscal year ended June 30, 2023. However, the largest portion (84%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). 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' net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Seven Devils' net position, \$141,974, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$739,676 is unrestricted.

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

- In the current year, there was an increase in local options sales tax and ABC profit distribution
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.61%.

Town of Seven Devils Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for services	\$ 22,742	\$ 24,837	\$ 305,416	\$ 280,691	\$ 328,158	\$ 305,528
Operating grants and contributi	59,121	123,304	-	-	59,121	123,304
Capital grants and contributi	212,097	-	-	-	212,097	-
General Revenues:						
Property taxes	1,143,207	841,437	-	-	1,143,207	841,437
Other txes, contributions not	923,739	870,245	-	-	923,739	870,245
Miscellaneous	82,205	269,818	-	-	82,205	269,818
Sale of capital assets	-	-	-	-	-	-
Investment earnings, unrestricti	18,667	1,208	-	-	18,667	1,208
Total Revenues	2,461,778	2,130,849	305,416	280,691	2,767,194	2,411,540
Expenses:						
General government	855,665	811,006	-	-	855,665	811,006
Public safety	722,535	617,435	-	-	722,535	617,435
Public works	526,381	447,341	-	-	526,381	447,341
Cultural and recreation	84,407	64,855	-	-	84,407	64,855
Interest on long-term debt	21,012	24,105	-	-	21,012	24,105
Water	-	-	312,083	225,122	312,083	225,122
Total Expenses	2,210,000	1,964,742	312,083	225,122	2,522,083	2,189,864
Change in Net Position	251,778	166,107	(6,667)	55,569	245,111	221,676
Net position, beginning as previously reported	2,890,252	2,759,511	2,368,692	2,399,711	5,258,944	5,159,222
Restatement	14,179	(35,366)	-	(86,588)	14,179	(121,954)
Net position, beginning, as restated	2,904,431	2,724,145	2,368,692	2,313,123	5,273,123	5,037,268
Net position, June 30	\$ 3,156,209	\$ 2,890,252	\$ 2,362,025	\$ 2,368,692	\$ 5,518,234	\$ 5,258,944

Governmental Activities. Governmental activities increased the Town's net position by \$251,778. Key elements of this increase are as follows:

- Property tax collections exceeded expectations.
- Town management closely monitored expenditures.

Business-Type Activities. Business-type activities decreased the Town of Seven Devils' net position by \$6,667. Key element of this decrease are as follows:

- Water and sewer collections did not exceed budgeted amounts.

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, available 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, fund balance unassigned in the General Fund was \$586,250 while total fund balance reached \$942,440.

At June 30, 2023, the governmental funds of the Town of Seven Devils reported a combined fund balance of \$942,440, an 22.8% decrease over last year. Included in this change in fund balance is a decrease in the General Fund of \$240,519 and a net decrease in non-major funds of \$34,419.

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.

Revenues exceeded budgeted amounts due to conservative estimates.

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 and Sewer Fund at the end of the fiscal year amounted to \$251,712. The change in net position was a decrease of \$6,667. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town of Seven Devils' business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Seven Devils' capital assets for its governmental and business-type activities as of June 30, 2023, totals \$5,375,837 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions:

- Governmental buildings, equipment, vehicles, and infrastructure \$718,974
- Business-type equipment and plant infrastructure \$105,768

Town of Seven Devils' Capital Assets

Figure 4

	Governmental		Business-Type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Land	\$ 569,470	\$ 569,471	\$ 7,224	\$ 7,224	\$ 576,694	\$ 576,695
Infrastructure	2,069,544	1,542,012	-	-	2,069,544	1,542,012
Buildings	1,667,571	1,733,986	-	-	1,667,571	1,733,986
Plant	-	-	3,061,449	3,046,823	3,061,449	3,046,823
Vehicles	472,756	246,287			472,756	246,287
Equipment and furniture	1,253,859	1,379,853	498,958	407,814	1,752,817	1,787,667
Total	6,033,200	5,471,609	3,567,631	3,461,861	9,600,831	8,933,470
Less accumulated depreciation	(2,803,804)	(2,713,664)	(1,421,190)	(1,336,063)	(4,224,994)	(4,049,727)
Net capital assets	<u>3,229,396</u>	<u>2,757,945</u>	<u>2,146,441</u>	<u>2,125,798</u>	<u>5,375,837</u>	<u>4,883,743</u>

Additional information on the Town's capital assets can be found in note 2 of the basic financial statements.

Long-Term Debt. As of June 30, 2023, the Town of Seven Devils had total debt outstanding of \$1,545,494.

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

Figure 5

	Governmental		Business-Type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Net pension liability (LGERS)	\$ 471,671	\$ 134,651	\$ 49,597	\$ 6,733	\$ 521,268	\$ 141,384
Total pension liability (LEOSSA)	205,560	234,816	-	-	205,560	234,816
Compensated absences	74,978	61,655	4,435	10,648	79,413	72,303
Installment purchases	703,125	815,625	36,128	66,240	739,253	881,865
Total	<u>\$ 1,455,334</u>	<u>\$ 1,246,747</u>	<u>\$ 90,160</u>	<u>\$ 83,621</u>	<u>\$ 1,545,494</u>	<u>\$ 1,330,368</u>

The Town of Seven Devils' total long-term liabilities for installment purchases decreased during the past fiscal year due to the principal payments on installment purchases.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Seven Devils is \$18,737,104.

Additional information regarding the Town of Seven Devils' long-term debt can be found in note 2 of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the stability and prosperity of the Town:

- Potential of increases in sales tax
- Potential for increase in tourism
- Continued viability of businesses due to economic conditions

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities. Property tax revenues are expected to remain steady with some increase to the prior year based on new development. State shared revenues are budgeted higher due to the increase in travel and development in the area.

Budgeted expenditures in the General Fund are expected to remain constant.

Business-Type Activities. The water and sewer revenues and expenditures in the Town are expected to remain stable.

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 Director of Finance, Town of Seven Devils, 157 Seven Devils Road, Seven Devils, North Carolina 28604.

Town of Seven Devils, North Carolina
Statement of Net Position
June 30, 2023

	Primary Government			Town of Seven Devils Tourism Development Authority
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 879,164	\$ 249,436	\$ 1,128,600	\$ 279,625
Taxes receivable, net	5,144	-	5,144	-
Accrued interest on taxes	1,665	-	1,665	-
Accounts receivable, net	25,263	23,449	48,712	-
Due from other governments	103,750	-	103,750	25,453
Lease receivable	7,152	-	7,152	-
Other assets	12,961	-	12,961	-
Restricted cash	-	4,530	4,530	-
Total current assets	1,035,099	277,415	1,312,514	305,078
Non-current assets:				
Lease receivable - non-current	213,446	-	213,446	-
Capital assets (Note 4):				
Land, non-depreciable improvements, and construction in progress	569,470	7,224	576,694	-
Other capital assets, net of depreciation	2,659,926	2,139,217	4,799,143	-
Total capital assets	3,229,396	2,146,441	5,375,837	-
Total assets	4,477,941	2,423,856	6,901,797	305,078
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	481,878	43,090	524,968	-
Total deferred outflows of resources	481,878	43,090	524,968	-
LIABILITIES				
Current liabilities:				
Accounts payable	83,615	10,021	93,636	2,424
Current portion of long-term liabilities	112,500	30,902	143,402	-
Water and sewer reserve	-	-	-	-
Payable from restricted assets	-	4,530	4,530	-
Total current liabilities	196,115	45,453	241,568	2,424
Long-term liabilities:				
Net pension liability	471,671	49,597	521,268	-
Total pension liability	205,560	-	205,560	-
Due in more than one year	665,603	9,661	675,264	-
Total liabilities	1,538,949	104,711	1,643,660	2,424
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	48,980	210	49,190	-
Prepaid property tax	85	-	85	-
Leases	215,596	-	215,596	-
Total deferred inflows of resources	264,661	210	264,871	-
NET POSITION				
Net investment in capital assets	2,526,271	2,110,313	4,636,584	-
Public safety				
Stabilization by State Statute	141,974	-	141,974	25,453
Tourism	-	-	-	277,201
Unrestricted	487,964	251,712	739,676	-
Total net position	\$ 3,156,209	\$ 2,362,025	\$ 5,518,234	\$ 302,654

The accompanying notes are an integral part of this statement

Town of Seven Devils, North Carolina
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Town of Seven Devils Tourism Development Authority
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 855,665	\$ 22,222	\$ -	\$ 34,419	\$ (799,024)	\$ -	\$ (799,024)	\$ -
Public safety	722,535	520	59,121	35,000	(627,894)	-	(627,894)	-
Public works	526,381	-	-	32,736	(493,645)	-	(493,645)	-
Cultural and recreation	84,407	-	-	109,942	25,535	-	25,535	-
Interest on long-term debt	21,012	-	-	-	(21,012)	-	(21,012)	-
Total governmental activities (See Note 1)	2,210,000	22,742	59,121	212,097	(1,916,040)	-	(1,916,040)	-
Business-type activities:								
Water and sewer	312,083	305,416	-	-	-	\$ (6,667)	(6,667)	-
Total business-type activities	312,083	305,416	-	-	-	(6,667)	(6,667)	-
Total primary government	\$ 2,522,083	\$ 328,158	\$ 59,121	\$ 212,097	(1,916,040)	(6,667)	(1,922,707)	-
Component unit:								
Town of Seven Devils Tourism Development Authority	\$ 290,852	-	-	-	-	-	-	(290,852)
Total component unit	\$ 290,852	-	-	-	-	-	-	(290,852)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,143,207	-	1,143,207	-
Other taxes					668,138	-	668,138	389,731
Local option sales tax					255,601	-	255,601	-
Unrestricted investment earnings					18,667	-	18,667	1,214
Miscellaneous revenues					82,205	-	82,205	-
Total general revenues and transfers					2,167,818	-	2,167,818	390,945
Change in net position					251,778	(6,667)	245,111	100,093
Net position, beginning as reported					2,890,252	2,368,692	5,258,944	202,561
Prior period adjustment					14,179	-	14,179	-
Net position, beginning, as corrected					2,904,431	2,368,692	5,258,944	202,561
Net position, ending					\$ 3,156,209	\$ 2,362,025	\$ 5,518,234	\$ 302,654

The accompanying notes are an integral part of this statement

Town of Seven Devils, North Carolina
Balance Sheet - Governmental Funds and the Reconciliation of the Balance Sheet to the
Statement of Net Position
June 30, 2023

	Major Funds	
	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 879,164	\$ 879,164
Receivables, net:		
Taxes	5,144	5,144
Accounts	24,640	24,640
Interest	623	623
Due from other governments	103,750	103,750
Lease receivable	220,598	220,598
Other assets	12,961	12,961
Total assets	<u>1,246,880</u>	<u>1,246,880</u>
LIABILITIES		
Accounts payable and accrued liabilities	83,615	83,615
Total liabilities	<u>83,615</u>	<u>83,615</u>
DEFERRED INFLOWS OF RESOURCES		
Leases	215,596	215,596
Prepaid property tax	85	85
Property taxes receivable	5,144	5,144
Total deferred inflows of resources	<u>220,825</u>	<u>220,825</u>
FUND BALANCES		
Restricted		
Stabilization by State Statute	141,974	141,974
Assigned		
Subsequent years expenditures	209,214	209,214
Nonspendable		
Leases	5,002	5,002
Unassigned	586,250	586,250
Total fund balances	<u>942,440</u>	<u>942,440</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,246,880</u>	<u>\$ 1,246,880</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Total Fund Balance, Governmental Funds		942,440
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		1,665
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost		
Accumulated depreciation		6,033,200
Deferred outflows of resources related to pensions are not reported in the funds		(2,803,804)
Earned revenues considered deferred inflows of resources in fund statements.		481,878
Net pension liability		5,144
Total pension liability		(471,671)
Gross long-term debt		(205,560)
		(778,103)
Deferred inflows of resources related to pensions are not reported in the funds		(48,980)
Net position of governmental activities	<u>\$</u>	<u>3,156,209</u>

The accompanying notes are an integral part of this statement

Town of Seven Devils, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the Year Ended June 30, 2023

	<u>Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 1,143,798	\$ -	\$ 1,143,798
Other taxes and licenses	389,731	-	389,731
Unrestricted intergovernmental	534,008	-	534,008
Restricted intergovernmental	126,857	34,419	161,276
Permits and fees	25,942	-	25,942
Sales and services	12,559	-	12,559
Investment earnings	18,667	-	18,667
Miscellaneous	66,446	-	66,446
Total revenues	2,318,008	34,419	2,352,427
EXPENDITURES			
Current:			
General government	802,465	68,838	871,303
Public safety	811,454	-	811,454
Public works	663,229	-	663,229
Culture and recreation	147,867	-	147,867
Debt service:			
Principal	112,500	-	112,500
Interest and other charges	21,012	-	21,012
Total expenditures	2,558,527	68,838	2,627,365
Net change in fund balance	(240,519)	(34,419)	(274,938)
Fund balance, beginning as previously reported	1,168,780	34,419	1,203,199
Prior period adjustment	14,179	-	14,179
Fund balance, beginning as restated	1,182,959	34,419	1,217,378
Fund balances, ending	\$ 942,440	\$ -	\$ 942,440

The accompanying notes are an integral part of this statement

Town of Seven Devils, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

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

Net changes in fund balances - total governmental funds	\$	(274,938)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay expenditures which were capitalized	\$ 718,974	
Depreciation expense for governmental assets	(247,523)	471,451

Contributions to the pension plan in the current fiscal year not included in the Statement of Activities	143,062
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Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	16,190
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	5,142
Change in accrued interest on taxes	(5,736)

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

Principal payments on long-term debt	112,500	112,500
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(13,323)	
Pension expense - LEOSSA	(24,368)	
Pension expense - LGERS	(178,202)	
		(215,893)

Total changes in net position of governmental activities	\$	251,778
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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, 2023

	General Fund			
	Budget - Original	Budget - Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,145,998	\$ 1,122,231	\$ 1,143,798	\$ 21,567
Other taxes and licenses	395,000	395,000	389,731	(5,269)
Unrestricted intergovernmental	549,360	567,795	534,008	(33,787)
Restricted intergovernmental	93,000	102,736	126,857	24,121
Permits and fees	9,500	9,500	25,942	16,442
Sales and services	-	-	12,559	12,559
Investment earnings	-	-	18,667	18,667
Miscellaneous	139,670	64,770	66,446	1,676
Total revenues	2,332,528	2,262,032	2,318,008	55,976
Expenditures:				
Current:				
General government	820,583	801,582	802,465	(883)
Public safety	764,715	821,716	811,454	10,262
Public works	652,925	678,551	663,229	15,322
Cultural and recreation	194,862	149,862	147,867	1,995
Debt service	133,512	133,512	133,512	-
Total expenditures	2,566,597	2,585,223	2,558,527	26,696
Revenues over (under) expenditures	(234,069)	(323,191)	(240,519)	82,672
Other financing sources (uses):				
Sales of capital assets	5,000	-	-	-
Total other financing sources (uses)	5,000	-	-	-
Fund balance appropriated	229,069	323,191	-	323,191
Net change in fund balance	\$ -	\$ -	(240,519)	\$ (240,519)
Fund balance, beginning as previously reported			1,168,780	
Prior period adjustment			14,179	
Fund balance, beginning as restated			1,182,959	
Fund balances, ending			\$ 942,440	

The accompanying notes are an integral part of this statement

Town of Seven Devils, North Carolina
Statement of Fund Net Position -
Proprietary Fund
June 30, 2023

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	249,436
Accounts receivable, net	23,449
Restricted cash and cash equivalents	4,530
Total current assets	<u>277,415</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	7,224
Other capital assets, net of depreciation	2,139,217
Capital assets	<u>2,146,441</u>
	<u>2,146,441</u>
Total assets	<u>2,423,856</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	<u>43,090</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	10,021
Current portion of long-term debt	30,902
Liabilities payable from restricted assets:	
Customer deposits	4,530
Total current liabilities	<u>45,453</u>
Noncurrent liabilities:	
Compensated absences	4,435
Notes and bonds payable	5,226
Net pension liability	49,597
Total noncurrent liabilities	<u>59,258</u>
Total liabilities	<u>104,711</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	<u>210</u>
NET POSITION	
Net investment in capital assets	2,110,313
Unrestricted	251,712
Total net position	<u><u>\$ 2,362,025</u></u>

The accompanying notes are an integral part of this statement

Town of Seven Devils, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position -
Proprietary Fund
For the Year Ended June 30, 2023

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	297,131
Tap connections	8,000
Other operating revenues	285
Total operating revenues	<u>305,416</u>
OPERATING EXPENSES	
Water treatment and distribution	225,599
Depreciation	85,125
Total operating expenses	<u>310,724</u>
Operating income (loss)	<u>(5,308)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and other charges	(1,359)
Total nonoperating revenue (expenses)	<u>(1,359)</u>
Change in net position	(6,667)
Total net position, beginning	<u>2,368,692</u>
Total net position, ending	<u><u>2,362,025</u></u>

Town of Seven Devils, North Carolina
Statement of Cash Flows -
Proprietary Fund
For the Year Ended June 30, 2023

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 304,662
Cash paid for goods and services	(102,209)
Cash paid to employees	(120,184)
Customer deposits received (returned)	937
Net cash provided (used) by operating activities	<u>83,206</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on long-term debt	(30,112)
Acquisition of capital assets	(105,768)
Interest and other charges	(1,359)
Net cash provided (used) by capital and related financing activities	<u>(137,239)</u>
Net increase (decrease) in cash and cash equivalents	(54,033)
Balances, beginning	307,999
Balances, ending	<u><u>\$ 253,966</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ (5,308)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	85,125
Changes in assets, deferred outflows of resources, and liabilities:	
(Increase) decrease in accounts receivable, net	(753)
Increase in net pension liability	42,864
Increase (decrease) in accounts payable and accrued liabilities	4,214
Increase (decrease) in customer deposits	937
Increase (decrease) in compensated absences	(6,213)
Increase (decrease) in deferred inflows of resources for pensions	(9,409)
(Increase) decrease in deferred outflows of resources for pensions	(28,251)
Total adjustments	<u>88,514</u>
Net cash provided by operating activities	<u><u>\$ 83,206</u></u>

The accompanying notes are an integral part of this statement

TOWN OF SEVEN DEVILS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation that is governed by a five- member Council. As required by 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 (TDA)

The members of the TDA's governing board are appointed by the Town. The TDA Board, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation). Complete financial statements for the TDA Board may be obtained from the entity's administrative offices at the Town of Seven Devils TDA, 157 Seven Devils Road, Seven Devils, North Carolina 28604.

B. Basis of Presentation

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

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

Fund Financial Statements. The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The Town has no fiduciary funds to report. 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

TOWN OF SEVEN DEVILS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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

The Town maintains the following major governmental funds:

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

The Town maintains the following nonmajor governmental funds:

ARP Fund. This fund accounts for the transactions related to the American Rescue Plan Funds.

The Town reports the following major enterprise fund:

Water and Sewer Fund. Enterprise funds account for those operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that the periodical determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewer Fund is the only enterprise fund of the Town.

C. Measurement Focus and Basis of Accounting

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

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

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

TOWN OF SEVEN DEVILS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem 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. 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 Avery County 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 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 by general revenues.

TOWN OF SEVEN DEVILS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

D. Budgetary Data

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

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

Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as 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 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). Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

The Town's investments are reported at fair value. The NCCMT-Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value.

2. Cash and Cash Equivalents

The Town pools monies 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.

TOWN OF SEVEN DEVILS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

3. Restricted Cash

Security deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Restricted cash as of June 30, 2023 consisted of:

Business-Type Activities

Customer deposits	\$ 4,530
Total restricted cash	<u>\$ 4,530</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2022.

5. Allowances for Doubtful Accounts

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

6. Lease Receivable

The Town's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost greater than \$5,000 and an estimated useful life greater than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or significantly extend the asset's life are not capitalized.

The Town capitalizes interest costs which are incurred during the construction period of capital assets.

In conjunction with implementing GASB 34, "The New Reporting Model", the Town began capitalizing public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems as of July 1, 2003. Infrastructure assets exceeding the Town's capitalization threshold of

TOWN OF SEVEN DEVILS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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\$2,500 will be reported as capital assets in the Statement of Net Position. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General governmental infrastructure assets acquired prior to July 1, 2003, were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Position only include assets purchased after July 1, 2003.

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

<u>Assets</u>	<u>Estimated Useful Lives</u>
Infrastructure	50 years
Buildings and improvements	50 years
Furniture and equipment	10 years
Vehicles	5 years
Computer equipment	5 years

8. Compensated Absences

Town employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation days up to a maximum of 280 hours. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. Vacation pay taken is reduced using the first-in-first-out method. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. The Town's sick leave policy provides for unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave at the time of retirement may be used in the determination of length of service for retirement benefit purposes. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

9. 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. The separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, pension deferrals.

In 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 future period and so will not be recognized as revenues until then. The Town has several items that meets this criterion – property taxes receivable, prepaid taxes, leases and pension deferrals.

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10. 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 the proprietary fund type Statement of Net Position. Debt issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

11. Net Position/Fund

Balances Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, 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 either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Leases – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

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

Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities,*

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encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Committed Fund Balance: This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Seven Devils’ governing body (highest level of decision-making authority, the Town Council). Any changes or removal of specific purpose restrictions requires majority action by the governing body. 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: Assigned fund balance is the portion of fund balance that the Town of Seven Devils has budgeted 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.

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

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

The Town has not officially adopted a fund balance policy.

12. Interfund Transactions

Interfund services provided are accounted for as revenues or expenses in the government- wide financial statements since they would be treated as such if they involved organizations external to the Town. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

13. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates made are: allowance for doubtful accounts and depreciation lives.

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14. Defined Benefit Cost- Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of 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 LGERS. Investments are reported at fair value.

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and TDA are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Town's or TDA's agents in the units' 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 and TDA, these deposits are considered to be held by the Town's and TDA's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town and TDA or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town and TDA 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 and TDA 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 and TDA complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2023, the Town's deposits had a carrying amount of \$394,288 and a bank balance of \$385,972. Of the bank balance, \$250,000 was covered by FDIC. The Town held \$300 in petty cash as of June 30, 2023.

At June 30, 2023, the TDA's deposits had a carrying amount of \$279,625 and a bank balance of \$313,929. Of the bank balance, \$250,000 was covered by the FDIC.

**TOWN OF SEVEN DEVILS, NORTH CAROLINA
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2. Investments

At June 30, 2023, the Town's investments balances were as follows:

Investment Type	Valuation Measurement Method	Book Value At 6/30/2023	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Fair Value 1	\$ 738,542	N/A	AAAm
Total:		<u>\$ 738,542</u>		

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 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. The Town does not have a formal investment policy. However, the Town's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAmf by Moddy's Investors Services as of June 30, 2023.

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3. Receivables – Allowances for Doubtful Accounts:

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

	<u>Accounts</u>	<u>Taxes</u>	<u>Accrued Interest on Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:					
General Fund					
Property taxes	\$ -	\$8,454	\$ -	\$ -	\$ 8,454
Local option sales/franchise tax	-	-	-	79,243	79,243
Occupancy tax	24,640	-	-	-	24,640
Accrued interest on leasees	623	-	-	-	623
Accrued interest on taxes	-	-	1,665	-	1,665
Sales tax refund	-	-	-	22,423	22,423
Motor vehicle tax	-	-	-	2,084	2,084
Allowance for doubtful accounts	-	(3,310)	-	-	(3,310)
Total governmental activities	<u>\$ 25,263</u>	<u>\$5,144</u>	<u>\$ 1,665</u>	<u>\$ 103,750</u>	<u>\$ 135,822</u>
Business-Type Activities:					
Water and sewer	<u>\$ 23,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,449</u>
Total business-type activities	<u>\$ 23,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,449</u>

4. Lease Receivable

In July 2021, the Town entered a lease with Carolina West Wireless Inc. Under the lease, the Carolina West Wireless Inc. pays the Town \$1,100 per month for thirty-eight months (7/1/2022-8/1/2025), \$1,331 for sixty months (9/1/2025-8/1/2030), \$1,464 for sixty months (9/1/2030-8/1/2035) and \$1,611 for sixty months (9/1/2023-8/1/2040) in exchange for operating its business a parcel of land owned by the Town. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.39%, which is the Treasury rate plus 1%.

In fiscal year 2023, the Town recognized \$12,559 of lease revenue and \$7,586 of interest revenue under the lease. At June 30, 2023 the value of the lease receivable is \$220,598.

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5. Capital Assets

Governmental Capital Assets

The capital assets of the government fund of the Town at June 30, 2023, were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 569,470	\$ -	\$ -	\$ 569,470
Total capital assets not being depreciated.	<u>569,470</u>	<u>-</u>	<u>-</u>	<u>569,470</u>
Depreciable Assets:				
Buildings	1,657,237	10,334	-	1,667,571
Equipment and furniture	1,379,854	64,051	190,046	1,253,859
Vehicles	278,949	193,807	-	472,756
Infrastructure	1,618,762	450,782	-	2,069,544
Total depreciable assets	<u>4,934,802</u>	<u>718,974</u>	<u>190,046</u>	<u>5,463,730</u>
Less Accumulated Depreciation:				
Buildings	277,918	56,253	-	334,171
Equipment and furniture	1,147,406	62,996	190,046	1,020,356
Vehicles	222,839	39,075	-	261,914
Infrastructure	1,098,164	89,199	-	1,187,363
Total accumulated depreciation	<u>2,746,327</u>	<u>247,523</u>	<u>190,046</u>	<u>2,803,804</u>
Governmental activities capital assets, net	<u>\$ 2,757,945</u>	<u>\$ 471,451</u>	<u>\$ -</u>	<u>\$ 3,229,396</u>

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

Governmental Activities:	
General government	\$ 77,507
Public safety	63,814
Cultural and recreational	19,175
Public works	<u>87,027</u>
Total	<u>\$ 247,523</u>

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Proprietary Capital Assets

The capital assets of the proprietary fund of the Town at June 30, 2023, were as follows:

Business-type Activities:	Beginning Balance	Additions	Retirements	Ending Balance
Water and Sewer Fund				
Non-Depreciable Assets:				
Land	\$ 7,224	-	-	\$ 7,224
Total non-depreciable assets	7,224	-	-	7,224
Depreciable and Amortizable Assets:				
Plant	3,046,825	14,624	-	3,061,449
Equipment	407,814	91,144	-	498,958
Total depreciable and amortizable assets	3,454,639	105,768	-	3,560,407
Less Accumulated Depreciation:				
Plant	966,896	63,244	-	1,030,140
Equipment	369,169	21,881	-	391,050
Total accumulated depreciation	1,336,065	85,125	-	1,421,190
Total capital assets being depreciated, net				
Water and Sewer Fund capital assets, net	\$ 2,125,798	\$ 20,643	\$ -	\$ 2,146,441

B. Liabilities

1. Payables

Payables at the governmental-wide level at June 30, 2023, were as follows:

	Salaries and		
	Vendors	Benefits	Total
Governmental Activities:			
General	\$ 83,217	\$ 398	\$ 83,615
Business-Type Activities:			
Water and sewer	\$ 9,490	\$ 531	\$ 10,021

2. Pension Plan and Postemployment Obligations

a. Local Governmental 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 local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one

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appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of 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 Devils' contractually required contribution rate for the year ended June 30, 2023, was 18.02% of compensation for law enforcement officers and 17.08% 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. Contributions to the pension plan from the Town of Seven Devils were \$143,060 for the year ended June 30, 2023.

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

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individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2023, the Town reported a liability of \$521,268 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the Town's proportion was 0.009249%, which was an increase of 0.00046% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$183,409. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,461	2,202
Changes of assumptions	52,011	-
Net difference between projected and actual earnings on pension plan investments	172,285	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	63,069	-
Town contributions subsequent to the measurement date	143,060	-
Total	<u>\$ 452,886</u>	<u>\$ 2,202</u>

\$143,060 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 106,615
2025	86,741
2026	32,187
2027	82,081
2028	-
	<u>307,624</u>

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

The plan currently uses the Pub-2010 mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates are projected from 2010 generational improvement with the Scale MP-2019.

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, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.1%
Global Equity	42.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	7.5%
Opportunistic Fixed Income	7.0%	5.0%
Inflation Sensitive	6.0%	2.7%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 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 2.50%. 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

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

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount 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)	\$ 940,822	\$ 521,268	\$ 175,531

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

b. Law Enforcement Officers' Special Separation Allowance

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:

Inactive members currently receiving benefits	-
Active plan members	6
Total	6

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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.

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.31 percent
The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index.	

Mortality rates use Pub-2010 amount-weighted tables. All mortality rates are projected from 2010 using generational improvement with Scale P-2019.

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 \$16,190 as benefits came due for the reporting period.

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

At June 30, 2023, the Town reported a total pension liability of \$205,560. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$24,360.

TOWN OF SEVEN DEVILS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

	Deferred Outflows of Resources	Deferred Inflows of
Differences between expected and actual experience	\$ 23,899	\$ -
Changes of assumptions	31,993	46,988
Town benefit payments and plan administrative expense made subsequent to the measurement date	16,190	-
Total	\$ 72,082	\$ 46,988

\$16,190 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 15,115
2025	8,021
2026	5,321
2027	(6,199)
2028	(6,199)
Thereafter	(7,155)
	<u>8,904</u>

\$16,190 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	1% Decrease (3.31%)	Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$ 227,443	\$ 205,560	\$ 185,938

	2023
Beginning balance	\$ 234,816
Service Cost	14,007
Interest on the total pension liability	5,177
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	8,779
Changes of assumptions or other inputs	(47,749)
Benefit payments	(9,470)
Other changes	-
Ending balance of the total pension liability	<u>\$ 205,560</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled

TOWN OF SEVEN DEVILS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2021 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, 2019.

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

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

	LEOSSA	LGERS	Total
Pension expense	\$ 24,360	\$ 183,409	\$ 207,769
Pension liability	205,560	521,268	726,828
Proportionate share of the net position liability	N/A	0.00924%	-
Deferred Outflows of Resources:			
Difference between expected and actual experience	\$ 23,899	22,461	46,360
Changes of assumptions and other inputs	31,993	52,011	84,004
Net difference between projected and actual earnings on pension plan investments	-	172,285	172,285
Changes in proportion and differences between contributions and proportionate share of contributions	-	63,069	63,069
Benefit payments and administrative cost paid subsequent to the measurement date	16,190	143,060	159,250
Total deferred outflows of resources	<u>\$ 72,082</u>	<u>\$ 452,886</u>	<u>\$ 524,968</u>
Deferred Inflows of Resources:			
Difference between expected and actual experience	\$ -	\$ 2,202	\$ 2,202
Changes of assumptions and other inputs	46,988	-	46,988
Total deferred inflows of resources	<u>\$ 46,988</u>	<u>\$ 2,202</u>	<u>\$ 49,190</u>

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (the "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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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.

TOWN OF SEVEN DEVILS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town made contributions of \$15,751 and the employees contributed 13,379 for the reporting year for law enforcement. The Town contributes up to 5% for general employees based on the employee's contribution. The Town made contributions of \$24,230 and the employees contributed \$31,749 for the reporting year for general employees. No amounts were forfeited.

3. Deferred Inflows and Outflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 143,060
Benefit payments made and administrative expenses	16,190
Differences between expected and actual	46,360
Changes of assumptions	84,004
Net difference between projected and actual earning	172,285
Changes in proportion and differences between	63,069
Total	<u>\$ 524,968</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 5,144
Changes in assumptions	46,988	-
Differences between expected and actual experience	2,202	-
Leases	215,596	215,596
Prepaid taxes	85	85
	<u>\$ 264,871</u>	<u>\$ 220,825</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are 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 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 pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town purchases employee health insurance from a private insurance company. The health insurance plan is fully insured by the private carrier.

TOWN OF SEVEN DEVILS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$350,000 and the Town Manager, Town Clerk and Tax Collector are bonded for \$50,000 each.

6. Long-Term Obligations

Installment Purchases

Serviced by the General Fund:

In May 2019, the Town entered into a direct borrowing installment note for \$1,125,000 to finance the purchase of the Town Hall Building. The finance contract requires monthly payments of \$9,375, plus 2.75% interest rate for and matures in 2029. The Town's outstanding note from direct placement for the Town Hall Building related to governmental activities, contains a provision that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment. The note is secured by the building.

\$ 703,125

Serviced by the Water and Sewer Fund:

In August 2014 the Town entered into a direct borrowing installment note for \$277,000 to finance the Snowcloud water line replacement. The finance contract requires monthly payments of \$2,623, including interest at 2.59% interest rate and matures in 2024. The Town's outstanding note from direct placement for the Snowcloud water line replacement related to enterprise activities, contains a provision that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment.

\$ 36,128

<u>Years Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 112,500	\$ 17,916	\$30,902	\$ 574	\$ 143,402	\$ 18,490
2025	112,500	14,824	5,226	17	117,726	14,841
2026	112,500	11,729	-	-	112,500	11,729
2027	112,500	8,637	-	-	112,500	8,637
2028	112,500	5,543	-	-	112,500	5,543
2029-2030	140,625	2,576	-	-	140,625	2,576
Total	<u>\$ 703,125</u>	<u>\$ 61,225</u>	<u>\$ 36,128</u>	<u>\$ 591</u>	<u>\$ 739,253</u>	<u>\$ 61,816</u>

TOWN OF SEVEN DEVILS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion of Balance
Governmental Activities:					
Installment purchase-direct borrowings	\$ 815,625	\$ -	\$ 112,500	\$ 703,125	\$ 112,500
Net pension liability (LGERS)	134,651	337,020		471,671	-
Total pension liability (LEOSSA)	234,816	-	29,256	205,560	-
Compensated absences	61,655	13,323	-	74,978	-
Total	<u>\$ 1,246,747</u>	<u>\$ 350,343</u>	<u>\$ 141,756</u>	<u>\$ 1,455,334</u>	<u>\$ 112,500</u>
Business-Type Activities:					
Water and Sewer Fund:					
Installment purchase-direct borrowings	\$ 66,240	\$ -	\$ 30,112	\$ 36,128	\$ 30,902
Net pension liability (LGERS)	6,733	42,864	-	49,597	-
Compensated absences	10,648	-	6,213	4,435	-
Water and Sewer long-term liabilities	<u>\$ 83,621</u>	<u>\$ 42,864</u>	<u>\$ 36,325</u>	<u>\$ 90,160</u>	<u>\$ 30,902</u>

Compensated absences typically have been liquidated in the General Fund. Compensated absences are accounted for on a FIFO basis, assuming that the employees are taking leave time as it is earned. At June 30, 2023, the Town had a legal debt margin of \$18,737,104.

C. Interfund Transactions

Transfers to/from Other Funds at June 30, 2023 consists of the following:

None

D. Net Investment in Capital Assets

The total net investment in capital assets as June 30, 2023 is composed of the following:

	Governmental Activities	Enterprise Activities
Capital assets	\$ 3,229,396	\$ 2,146,441
Long-term debt	(703,125)	(36,128)
Net investment in capital assets	<u>\$ 2,526,271</u>	<u>\$ 2,110,313</u>

E. Jointly Governed Organizations

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.

TOWN OF SEVEN DEVILS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

The Town, in conjunction with the Town of Seven Devils and the Village of Sugar Mountain, merged to form the High Country Municipal Alcoholic Beverage Control Board. Profits from the High Country Municipal Alcoholic Beverage Control Board are distributed pursuant to an agreement signed by the three Towns. Each Town appoints one member to serve on the High Country Municipal Alcoholic Beverage Control Board.

III. 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.

IV. American Rescue Plan Act

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The Town was allocated \$68,838 of fiscal recovery funds to be paid in two equal installments. The first installment of \$34,419 was received in July 2021. The second installment of \$34,419 was received in July 2022. Town staff and the Town Council utilized these funds to replace two pressure reducing valves.

V. Significant Transactions with a Discretely Presented Component Unit

During the fiscal year, the Town of Seven Devils Tourism Development Authority contributed to the Town \$166,067 for Town infrastructure and parks and recreation costs. The Town of Seven Devils Tourism Development Authority paid the Town an administrative fee equal to 3 percent of collected occupancy taxes. The administrative fee totaled \$11,692 for the year ended June 30, 2023.

VI. Prior Period Adjustment

During the fiscal year ended June 30, 2023, The Town determined that utilities franchise tax was understated in the prior year for the fourth quarter. Therefore, an adjustment to beginning fund balance and net position has been recorded to account for those revenues, the net effect of which increased beginning net position by \$14,179.

VII. Fund Balance

Total fund balance - General Fund	\$ 942,440
Less:	
Stabilization by State Statute	141,974
Subsequent years appropriation	209,214
Leases	5,002
Unassigned fund balance	<u>\$ 586,250</u>

Town of Seven Devils, North Carolina
Town of Seven Devils' Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Ten Fiscal Years*

Local Government Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Seven Devil's proportion of the net pension liability (asset) (%)	0.00924%	0.00878%	0.00905%	0.00863%	0.00888%	0.00935%	0.00876%	0.00882%	0.00904%	0.00904%
Seven Devil's proportion of the net pension liability (asset) (\$)	\$521,268	\$134,650	\$ 323,395	\$235,679	\$ 210,664	\$142,842	185,917	\$ 39,584	(55,672)	\$ 113,306
Seven Devil's covered-employee payroll	\$735,116	\$673,081	\$ 633,821	\$613,616	\$ 600,022	\$578,933	572,095	\$543,026	510,451	\$ 525,540
Seven Devil's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	70.91%	20.01%	51.02%	38.41%	35.11%	24.67%	32.50%	7.29%	(10.91%)	21.56%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.47%	94.35%

* This schedule will build to become a ten year schedule as information becomes available. Information was not available prior to the implementation of GASB Statement No. 68 in 2014.

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

** This will be the same percentage for all participant employees in the LGERS plan.

Town of Seven Devils, North Carolina
Town of Seven Devil's Contributions
Required Supplementary Information
Last Ten Fiscal Years*

Local Government Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 143,060	\$ 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	143,060	122,150	70,415	58,805	50,062	47,121	43,813	34,326	66,618	38,381
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Seven Devil's covered-employee payroll	\$ 820,545	\$ 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	17.43%	16.62%	10.46%	9.28%	8.16%	7.85%	7.57%	6.00%	12.27%	7.52%

* This schedule will build to become a ten year schedule as information becomes available. Information was not available prior to the implementation of GASB Statement No. 68 in 2014.

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

	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 234,816	\$ 223,629	\$ 127,862	\$ 75,271	\$ 81,071	\$ 61,640	\$ 57,131
Service Cost	14,007	13,111	8,979	6,451	5,597	5,526	4,581
Interest on the total pension liability	5,177	4,316	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	8,779	1,552	18,291	38,116	(10,053)	2,660	
Changes of assumptions or other inputs	(47,749)	(7,792)	64,329	5,284	(3,906)	8,866	(2,112)
Benefit payments	(9,470)	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 205,560</u>	<u>\$ 234,816</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.

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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.

Notes to Schedule:

Actuarial Assumptions

The entry age normal 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	2.50 percent
Discount rate	4.31 percent
Salary Increases	3.25 to 7.75 percent, including inflation and productivity factor

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

MORTALITY ASSUMPTION: All mortality rates use Pub-2010 amount-weighted tables.

MORTALITY PROJECTION: All mortality rates are projected from 2010 using generational improvements with Scale MP-2019.

DEATHS AFTER RETIREMENT (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

DEATHS AFTER RETIREMENT (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

DEATHS AFTER RETIREMENT (Survivors of Deceased Members): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

DEATHS PRIOR TO RETIREMENT: Mortality rates are based on the Safety Mortality Table for Employees.

Town of Seven Devils, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30,

	2023	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 205,560	\$ 234,816	\$ 223,629	\$ 127,862	\$ 75,271	\$ 81,071	\$ 61,640
Covered payroll	311,250	263,192	312,669	303,012	293,506	284,960	169,048
Total pension liability as a percentage of covered payroll	66.04%	89.22%	71.52%	42.20%	25.65%	28.45%	36.46%

Notes to the schedules:

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.

Town of Devils, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 1,142,003	\$
Penalties and interest		1,795	
Total	1,122,231	1,143,798	21,567
Other taxes and licenses:			
Occupancy tax		389,731	
Total	395,000	389,731	(5,269)
Unrestricted intergovernmental:			
Local option sales taxes		255,601	
Utilities franchise tax		66,155	
Beer and wine tax		1,419	
Telecommunications tax		833	
ABC profit distribution		210,000	
Total	567,795	534,008	(33,787)
Restricted intergovernmental:			
Powell Bill allocation		32,736	
ABC revenue for law enforcement		2,000	
NC State fire grant		35,000	
Fire and rescue		57,121	
Total	102,736	126,857	24,121
Permits and fees:			
Building permits		2,250	
Zoning and development fees		7,800	
Sign permits		480	
Fire inspection fees		520	
Parking tickets		3,200	
Occupancy tax collection fee		11,692	
Total	9,500	25,942	16,442
Sales and services:			
Lease revenue	-	12,559	12,559
Investment earnings	-	18,667	18,667
Miscellaneous:			
TDA donation		48,000	
Donations		827	
Interest on leases		7,586	
Other		10,033	
Total	64,770	66,446	1,676
Total revenues	2,197,262	2,318,008	55,976
Expenditures:			
Governing body:			
Salaries and employee benefits		12,371	
Operating expenditures		9,755	
TDA donation		(8,125)	
Capital outlay		20,500	
Total		34,501	
Administration:			
Salaries and employee benefits		261,533	
Operating expenditures		477,804	
Total		739,337	

Town of Devils, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Planning and inspections;			
Salaries and employee benefits		27,213	
Operating expenditures		1,414	
Total		28,627	
Total general government	801,582	802,465	(883)
Public safety:			
Police:			
Salaries and employee benefits		467,369	
Operating expenditures		100,206	
Capital outlay		145,054	
Total		712,629	
Fire:			
Salaries and employee benefits		25,812	
Operating expenditures		73,013	
Total		98,825	
Total public safety	821,716	811,454	10,262
Public works;			
Streets and highways:			
Salaries and employee benefits		306,663	
Operating expenditures		101,036	
Capital outlay		255,530	
Total public works	678,551	663,229	15,322
Cultural and recreation:			
Parks and recreation:			
Salaries and employee benefits		58,577	
Other operating expenditures		4,223	
TDA donation		(109,942)	
Capital outlay		195,009	
Total culture and recreation	149,862	147,867	1,995
Debt service:			
Principal retirement		112,500	
Interest		21,012	
Total debt service	133,512	133,512	-
Total expenditures	2,585,223	2,558,527	26,696
Revenues over (under) expenditures	(387,961)	(240,519)	82,672
Fund balance appropriated	323,191	-	(323,191)
Net change in fund balance	<u>\$ (64,770)</u>	(240,519)	<u>\$ (240,519)</u>
Fund balance, beginning as previously reported		1,168,780	
Prior period adjustment		14,179	
Fund balance, beginning as restated		1,182,959	
Fund balances, ending		<u>\$ 942,440</u>	

Town of Seven Devils
Nonmajor Governmental Fund - ARPA Grant Project Ordinance
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2023

	Project Authorization	Prior Years	Actual	Variance Positive (Negative)
Revenues:				
Restricted intergovernmental Government grant	68,838	34,419	34,419	-
Total revenues	68,838	34,419	34,419	-
Expenditures:				
Capital outlay	68,838	-	68,838	-
Total expenditures	68,838	-	68,838	-
Revenues over (under) expenditures	\$ -	\$ 34,419	(34,419)	\$ -
Fund balance, beginning			34,419	
Fund balance, ending			\$ -	

Town of Seven Devils, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales:			
Water charges		297,131	
Tap connections		8,000	
Total water sales	\$ 429,713	305,131	\$ (124,582)
Other operating revenues	450	285	(165)
Total other operating revenues	450	305,416	304,966
Total revenues	430,163	305,416	(124,747)
Expenditures:			
Water administration:			
Salaries and employee benefits		120,188	
Repairs and maintenance		15,659	
Supplies		8,264	
Contracted services		41,854	
Utilities		25,507	
Other operating expenditures		15,136	
Capital outlay		105,768	
Total water and sewer administration	398,692	332,376	66,316
Debt service:			
Interest and other charges		1,359	-
Principal retirement		30,112	-
Total debt service	31,471	31,471	-
Revenues over(under) expenditures	-	(58,431)	(58,431)

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

expenditures and other uses	\$ (58,431)
Reconciling items:	
Principal retirement	30,112
Change in accrued vacation pay	6,213
Change in deferred outflows of resources - pensions	28,251
Change in net pension liability	(42,864)
Change in deferred inflows of resources - pensions	9,409
Capital outlay	105,768
Depreciation	(85,125)
Total reconciling items	51,764
Change in net position	\$ (6,667)

Town of Seven Devils, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2023

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2022</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2023</u>
2022-2023	\$ -	\$ 1,144,236	\$ 1,139,759	\$ 4,477
2021-2022	3,357	-	1,889	1,468
2020-2021	851	-	238	613
2019-2020	566	-	117	449
2018-2019	420	-	-	420
2017-2018	316	-	-	316
2016-2017	316	-	-	316
2015-2016	202	-	-	202
2014-2015	34	-	-	34
2013-2014	159	-	-	159
2012-2013	159		159	-
	<u>\$ 6,380</u>	<u>\$ 1,144,236</u>	<u>\$ 1,142,162</u>	<u>8,454</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>3,310</u>
Ad valorem taxes receivable - net				<u>\$ 5,144</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 1,143,798
Reconciling items:				
Other				
Taxes written off				159
Penalties and interest				(1,795)
Subtotal				<u>(1,636)</u>
Total collections and credits				<u>\$ 1,142,162</u>

Town of Seven Devils, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2023

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 238,027,872	0.47	\$ 1,118,731	\$ 1,118,731	\$ -
Registered motor vehicles taxed	5,426,596	0.47	25,505	-	25,505
Total property valuation	<u>243,454,468</u>		<u>1,144,236</u>	<u>1,118,731</u>	<u>25,505</u>
Net levy			1,144,236	1,118,731	25,505
Uncollected taxes at June 30, 2023			<u>(4,477)</u>	<u>(4,477)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,139,759</u>	<u>\$ 1,114,254</u>	<u>\$ 25,505</u>
Current levy collection percentage			<u>99.61%</u>	<u>99.60%</u>	<u>100.00%</u>

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Independent Auditor's Report

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

To the Honorable Mayor and
Members of the Town Council
Town of 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 the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Seven Devils, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprises the Town of Seven Devils' basic financial statements, and have issued our report thereon dated August 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Seven Devils' internal control over financial reporting (internal control) as a basis for designing 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 Town of Seven Devils' internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Seven Devils' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

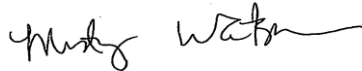
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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. 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.

A handwritten signature in black ink, appearing to read "Judy Watson". The signature is fluid and cursive, with the first name "Judy" and last name "Watson" clearly distinguishable.

Boone, NC
August 30, 2023

TOWN OF SEVEN DEVILS, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance to GAAP:	Unmodified
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Internal control over financial reporting:

- | | |
|--------------------------------------|---------------|
| • Material weakness identified? | No |
| • Significant deficiency identified? | None reported |

Non-compliance material to financial statements noted?	No
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2. Financial Statement Findings

None reported.