

***TOWN OF HOT SPRINGS, NORTH CAROLINA***

Financial Statements, Management's Discussion and Analysis,  
Supplemental Schedules and Independent Auditors' Report  
For the Year Ended June 30, 2019

**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

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## TOWN OF HOT SPRINGS, NORTH CAROLINA

### LIST OF PRINCIPAL OFFICIALS June 30, 2019

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#### Mayor & Board of Aldermen

|          |   |
|----------|---|
| Mayor    | Sidney Harrison   |
| Aldermen | Vaughn Barnett<br>Jeanne Caldwell Gentry<br>Jimmy Moore |

#### Town Administration

|               |              |
|---------------|--------------|
| Town Attorney | Ron Moore    |
| Town Clerk    | Nancy Thomas |
| Tax Collector | Clara Ramsey |

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## TOWN OF HOT SPRINGS, NORTH CAROLINA

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**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

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Morganton, North Carolina 28655  
Phone: (828) 433-1226  
Fax: (828) 433-1230

**Independent Auditors' Report**

To the Honorable Mayor and  
Members of the Board of Aldermen  
Town of Hot Springs, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hot Springs, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

## Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hot Springs, North Carolina, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Supplementary and Other Information*

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

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

*Lowmick Church & Co., L.L.P.*

Morganton, North Carolina  
November 20, 2019

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

As management of the Town of Hot Springs, we offer readers of the Town of Hot Springs' financial statements this narrative overview and analysis of the financial activities of the Town of Hot Springs for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### **Financial Highlights**

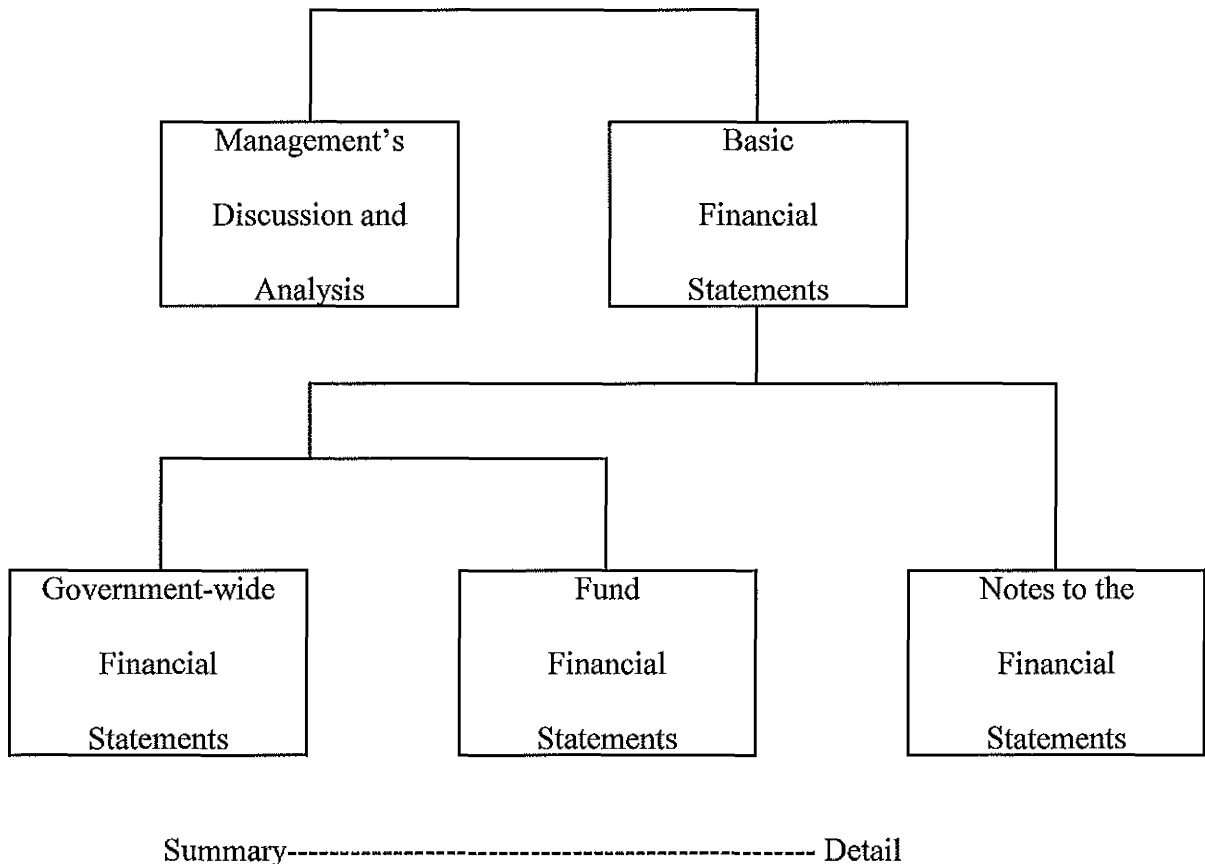
- The assets and deferred outflows of resources of the Town of Hot Springs exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,793,173 (net position).
- The government's total net position increased by \$204,767, due to an increase in the governmental-type activities and an increase in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Hot Springs' governmental funds reported combined ending fund balances of \$481,796, with a net change of \$(10,915) in fund balance. Approximately 26.94 percent of this total amount, or \$129,785, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$349,665, or 53.62 percent of total General Fund expenditures for the fiscal year.
- The Town of Hot Springs' total debt decreased by \$149,818 (35.05%) during the current fiscal year. The key factor in this decrease was principal payments.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town of Hot Springs' basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (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 Hot Springs.



**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 of Hot Springs' financial status.

The next statements (Exhibits 3 through 10) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town of Hot Springs, North Carolina's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

## **Government-Wide Financial Statements**

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

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

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

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 Hot Springs, 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 Town of Hot Springs 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 Hot Springs adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, 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.

**Proprietary Funds** - The Town of Hot Springs has one proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Hot Springs 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 21 of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents individual fund statements and schedules presented immediately following the notes. Individual fund statements and schedules can be found beginning on page 38 of this report.

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

## Government-Wide Financial Analysis

| The Town of Hot Springs' Net Position                |                   |                   |                  |                   |                    |                    |
|--|-------------------|-------------------|------------------|-------------------|--------------------|--------------------|
|  | Governmental      |                   | Business-type    |                   | Total              |                    |
|  | Activities        |                   | Activities       |                   |                    |                    |
|  | 2019              | 2018              | 2019             | 2018              | 2019               | 2018               |
| Current and other assets                             | \$ 524,675        | \$ 536,599        | \$ 153,039       | \$ (5,956)        | \$ 677,714         | \$ 530,643         |
| Capital assets                                       | <u>559,205</u>    | <u>589,784</u>    | <u>886,807</u>   | <u>924,812</u>    | <u>1,446,012</u>   | <u>1,514,596</u>   |
| Total assets   | <u>1,083,880</u>  | <u>1,126,383</u>  | <u>1,039,846</u> | <u>918,856</u>    | <u>2,123,727</u>   | <u>2,045,239</u>   |
|  |                   |                   |                  |                   |                    |                    |
| Long-term liabilities outstanding                    | 162,356           | 293,076           | 115,295          | 134,393           | 277,651            | 427,469            |
| Other liabilities                                    | 15,336            | 16,305            | 34,574           | 10,067            | 49,910             | 26,372             |
| Deferred outflows of resources                       | <u>2,993</u>      | <u>2,993</u>      | <u>-</u>         | <u>-</u>          | <u>2,993</u>       | <u>2,993</u>       |
| Total liabilities and deferred outflows of resources | <u>180,685</u>    | <u>312,374</u>    | <u>149,869</u>   | <u>144,460</u>    | <u>330,554</u>     | <u>456,834</u>     |
|  |                   |                   |                  |                   |                    |                    |
| Net Position:  |                   |                   |                  |                   |                    |                    |
| Net investment in capital assets                     | 396,849           | 296,708           | 771,512          | 790,419           | 1,168,361          | 1,087,127          |
| Restricted   | 120,667           | 234,397           | -                | -                 | 120,667            | 234,397            |
| Unrestricted   | <u>385,679</u>    | <u>282,904</u>    | <u>118,465</u>   | <u>(16,024)</u>   | <u>504,144</u>     | <u>266,880</u>     |
| Total net position                                   | <u>\$ 903,195</u> | <u>\$ 814,009</u> | <u>\$889,977</u> | <u>\$ 774,396</u> | <u>\$1,793,173</u> | <u>\$1,588,405</u> |

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Hot Springs exceeded liabilities and deferred inflows by \$1,793,173 as of June 30, 2019. The Town's net position increased by \$204,767 for the fiscal year ended June 30, 2019. However, the largest portion (65.16%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Hot Springs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Hot Springs' 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 Hot Springs' net position, \$120,667, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$504,144 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 95.87%, which is comparable to the statewide average for comparable size units without electrical systems of 97.17%.
- Increase in local option sales tax revenue.
- Overall increase in revenues and a slight increase in expenses.
- Gain from the sale of property.

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

|  | 2019                    |                          |                           | 2018                    |                          |                           |
|--|-------------------------|--------------------------|---------------------------|-------------------------|--------------------------|---------------------------|
|  | Governmental Activities | Business-type Activities | Total                     | Governmental Activities | Business-type Activities | Total                     |
| Revenues:  |                         |                          |                           |                         |                          |                           |
| Program revenues:                                    |                         |                          |                           |                         |                          |                           |
| Charges for services                                 | \$ 479                  | \$ 266,300               | \$ 266,779                | \$ 555                  | \$ 216,624               | \$ 217,179                |
| Operating grants and contributions                   | 22,845                  | -                        | 22,845                    | 24,951                  | -                        | 24,951                    |
| Capital grants and contributions                     | 7,615                   | 23,030                   | 30,645                    | -                       | -                        | -                         |
| General revenues:                                    |                         |                          |                           |                         |                          |                           |
| Property taxes                                       | 258,520                 | -                        | 258,520                   | 236,763                 | -                        | 236,763                   |
| Other taxes  | 211,844                 | -                        | 211,844                   | 199,137                 | -                        | 199,137                   |
| Other  | 17,422                  | -                        | 17,422                    | 35,410                  | 2,485                    | 37,895                    |
| Gain on sale of assets                               | 72,100                  | -                        | 72,100                    | -                       | -                        | -                         |
| <b>Total revenues</b>                                | <b><u>590,825</u></b>   | <b><u>289,330</u></b>    | <b><u>880,155</u></b>     | <b><u>496,816</u></b>   | <b><u>219,109</u></b>    | <b><u>715,925</u></b>     |
| Expenses:  |                         |                          |                           |                         |                          |                           |
| General government                                   | 218,974                 | -                        | 218,974                   | 197,298                 | -                        | 197,298                   |
| Public safety  | 92,827                  | -                        | 92,827                    | 102,624                 | -                        | 102,624                   |
| Transportation                                       | 99,249                  | -                        | 99,249                    | 101,163                 | -                        | 101,163                   |
| Economic and physical development                    | 6,930                   | -                        | 6,930                     | 10,050                  | -                        | 10,050                    |
| Interest   | 4,358                   | -                        | 4,358                     | 7,954                   | -                        | 7,954                     |
| Water and sewer                                      | -                       | 253,049                  | 253,049                   | -                       | 265,374                  | 265,374                   |
| <b>Total expenses</b>                                | <b><u>422,338</u></b>   | <b><u>253,049</u></b>    | <b><u>675,387</u></b>     | <b><u>419,089</u></b>   | <b><u>265,374</u></b>    | <b><u>684,463</u></b>     |
| Increase (decrease) in net position before transfers | 168,487                 | 36,281                   | 204,767                   | 77,727                  | (46,265)                 | 31,462                    |
| Transfers  | (79,300)                | 79,300                   | -                         | -                       | -                        | -                         |
| <b>Increase (decrease) in net position</b>           | <b>89,186</b>           | <b>115,581</b>           | <b>204,767</b>            | <b>77,727</b>           | <b>(46,265)</b>          | <b>31,462</b>             |
| <b>Net position, July 1</b>                          | <b><u>814,009</u></b>   | <b><u>774,396</u></b>    | <b><u>1,588,405</u></b>   | <b><u>736,282</u></b>   | <b><u>820,661</u></b>    | <b><u>1,556,943</u></b>   |
| <b>Net position, June 30</b>                         | <b><u>\$903,195</u></b> | <b><u>\$ 889,977</u></b> | <b><u>\$1,793,173</u></b> | <b><u>\$814,009</u></b> | <b><u>\$ 774,396</u></b> | <b><u>\$1,588,405</u></b> |

Governmental activities: Governmental activities increased the Town's net position by \$89,186, thereby increasing the net position of the Town of Hot Springs. Key elements of this increase are as follows:

- Property and other taxes increased.
- Gain on the sale of assets.

Business-type activities: Business-type activities increased the Town of Hot Springs' net position by \$115,581. Key elements for this increase are as follows:

- Operating revenues increased approximately \$49,700 and expenses decreased.
- Depreciation expense of \$72,485.
- Transfer from the General Fund of \$79,300, to reduce the internal balances between the funds.

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

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

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

The General Fund is the chief operating fund of the Town of Hot Springs. At the end of the current fiscal year, the Town of Hot Springs' fund balance available in the General Fund was \$409,585, while the total fund balance reached \$481,796. The Town currently has an available fund balance of 62.81 percent of General Fund expenditures, while the total fund balance represents 73.89 percent of that same amount.

At June 30, 2019, the governmental funds of the Town of Hot Springs reported a combined fund balance of \$481,796, with a net decrease in fund balance of \$10,915.

**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.

Highlights include the following:

Total budgeted expenditures increased due to construction in progress, additional principal payments and a transfer to the Water and Sewer Fund. These additional expenditures were funded through the sale of assets and appropriated fund balance. Budget amendments were utilized to transfer expenditures among line items in various departments.

**Proprietary Funds.** The Town of Hot Springs' proprietary fund provides 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 \$118,465. The total change in net position for this fund was an increase of \$115,582, of which 79,300 was a transfer from the General Fund to reduce the internal balance between the funds.

### **Capital Asset and Debt Administration**

**Capital assets.** The Town of Hot Springs' investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$1,446,012 (net of accumulated depreciation). These assets include buildings, infrastructure, land, machinery and equipment, distribution systems, and vehicles.

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

**Governmental Activities:**

- Sale of land for \$123,500.
- Construction/remodeling of buildings on the forest service land for \$42,119.
- Purchase of a vehicle for \$5,000.

**Business-type Activities:**

- Purchase of equipment for \$11,450.

| Town of Hot Springs' Capital Assets<br>(Net of Depreciation) |                            |                             |                    |                            |                             |                    |
|--|----------------------------|-----------------------------|--------------------|----------------------------|-----------------------------|--------------------|
|  | 2019                       |                             |                    | 2018                       |                             |                    |
|  | Governmental<br>Activities | Business-type<br>Activities | Total              | Governmental<br>Activities | Business-type<br>Activities | Total              |
| Land   | \$221,016                  | \$ -                        | \$ 221,016         | \$272,916                  | \$ -                        | \$ 272,916         |
| Construction in progress                                     | 42,119                     | 23,030                      | 65,149             | -                          | -                           | -                  |
| Easement   | -                          | 4,000                       | 4,000              | -                          | 4,000                       | 4,000              |
| Building   | 107,611                    | 628                         | 108,239            | 111,628                    | 724                         | 112,352            |
| Furniture and equipment                                      | 13,479                     | -                           | 13,479             | 18,859                     | -                           | 18,859             |
| Infrastructure and distribution<br>systems                   | 154,789                    | 845,955                     | 1,000,744          | 164,030                    | 902,238                     | 1,066,268          |
| Automotive equipment   | 20,191                     | 13,194                      | 33,385             | 22,351                     | 17,850                      | 40,201             |
| Total  | <u>\$559,205</u>           | <u>\$ 886,807</u>           | <u>\$1,446,012</u> | <u>\$589,784</u>           | <u>\$ 924,812</u>           | <u>\$1,514,596</u> |

Additional information on the Town's capital assets can be found in Note I.E.7 and III.A.3 of the Basic Financial Statements.

**Long-Term Debt.** As of June 30, 2019, the Town of Hot Springs had total debt outstanding of \$277,651. Of this, \$277,651 is debt backed by the full faith and credit of the Town.

|   | Governmental<br>Activities |                  | Business-type<br>Activities |                   | Total             |                   |
|---|----------------------------|------------------|-----------------------------|-------------------|-------------------|-------------------|
|   | 2019                       | 2018             | 2019                        | 2018              | 2019              | 2018              |
| General obligation bonds                  | \$ -                       | \$ -             | \$ 103,500                  | \$ 116,000        | \$ 103,500        | \$ 116,000        |
| Direct placement installment<br>purchases | <u>162,356</u>             | <u>293,076</u>   | <u>11,795</u>               | <u>18,393</u>     | <u>174,151</u>    | <u>311,469</u>    |
| Total                                     | <u>\$162,356</u>           | <u>\$293,076</u> | <u>\$ 115,295</u>           | <u>\$ 134,393</u> | <u>\$ 277,651</u> | <u>\$ 427,469</u> |

**Town of Hot Springs' Outstanding Debt**

The Town of Hot Springs' total debt decreased by \$149,818, or 35.05%, during the past fiscal year due to principal payments.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Hot Springs is \$3,888,459.

Additional information regarding Town of Hot Springs' long-term debt can be found in Note III.B.4 beginning on page 32 of this report.

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

The following key economic indicators reflect the economic condition of the Town:

- High unemployment. Madison County, which includes the Town of Hot Springs, has an unemployment rate of 4.2%. This is slightly below the State average of 4.4%.
- Only a slight increase in overall revenues due to economic conditions and restraints of the State.
- No new industries or developments planned.
- The Town has been awarded a \$500,000 Home Town Strong Grant from the North Carolina Department of Environmental Quality, Division of Water Infrastructure, for improvements to the public water system.

### **Budget Highlights for the Fiscal Year Ending June 30, 2020**

**Governmental Activities:** Property taxes are expected to remain the same at .51 per \$100. Revenues are expected to increase due to a slightly better economy and proceeds from borrowing. The Town will use these revenues to finance programs currently in place and to purchase a vehicle.

Budgeted expenditures in the General Fund are expected to increase approximately 9.4% to \$489,176. This is mainly due to the purchase of a vehicle.

**Business-type Activities:** The water and sewer rates in the Town had the following changes:

#### **Residential:**

- Water: No increase.
- Sewer: Charges will equal water charges.

#### **Business and Commercial:**

- Water: No increase.
- Sewer: Charges will equal water charges.

The Water and Sewer Fund budget is expected to decrease to \$225,535.

### **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report, or requests for additional information, should be directed to the Town Clerk, Town of Hot Springs, P. O. Box 218, Hot Springs, N. C. 28743-0218. You can also call 828-622-7591 or send an email to [townofhotsprings.org](mailto:townofhotsprings.org).

## **BASIC FINANCIAL STATEMENTS**

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The Basic Financial Statements present a condensed overview of the financial position and results of operations of the Town as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.

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# TOWN OF HOT SPRINGS, NORTH CAROLINA

Exhibit 1

## Statement of Net Position June 30, 2019

|   | <u>Governmental<br/>Activities</u> | <u>Business-<br/>Type<br/>Activities</u> | <u>Total</u>        |
|---|------------------------------------|--|---------------------|
| <b><u>Assets</u></b>                                      |                                    |  |                     |
| Current assets:   |                                    |  |                     |
| Cash and cash equivalents                                 | \$ 353,649                         | \$ 108,797                               | \$ 462,446          |
| Taxes receivable - net                                    | 18,776                             | -  | 18,776              |
| Accrued interest receivable-taxes                         | 7,084                              | -  | 7,084               |
| Accounts receivable                                       | 4,018                              | 21,013                                   | 25,031              |
| Due from other governments                                | 51,534                             | 23,030                                   | 74,564              |
| Internal balances   | 7,541                              | (7,541)                                  | -                   |
| Prepaid items   | 9,118                              | -  | 9,118               |
| Restricted cash and cash equivalents                      | 72,955                             | 7,740                                    | 80,695              |
| Total current assets                                      | <u>524,675</u>                     | <u>153,039</u>                           | <u>677,715</u>      |
| Capital assets:   |                                    |  |                     |
| Land, non-depreciable assets and construction in progress | 263,135                            | 27,030                                   | 290,165             |
| Other capital assets, net of depreciation                 | 296,070                            | 859,777                                  | 1,155,847           |
| Total capital assets                                      | <u>559,205</u>                     | <u>886,807</u>                           | <u>1,446,012</u>    |
| Total assets  | <u>1,083,880</u>                   | <u>1,039,846</u>                         | <u>2,123,727</u>    |
| <b><u>Liabilities</u></b>                                 |                                    |  |                     |
| Current liabilities:                                      |                                    |  |                     |
| Accounts payable and other current liabilities            | 14,026                             | 26,834                                   | 40,860              |
| Accrued interest payable                                  | 1,310                              | -  | 1,310               |
| Due within one year                                       | 12,156                             | 18,508                                   | 30,663              |
| Payable from restricted assets                            | -                                  | 7,740                                    | 7,740               |
| Long-term liabilities:                                    |                                    |  |                     |
| Due in more than one year                                 | 150,200                            | 96,787                                   | 246,987             |
| Total liabilities   | <u>177,692</u>                     | <u>149,869</u>                           | <u>327,562</u>      |
| <b><u>Deferred Inflows of Resources</u></b>               |                                    |  |                     |
| Deferred rental income                                    | 2,993                              | -  | 2,993               |
| Total deferred inflows of resources                       | <u>2,993</u>                       | <u>-</u>                                 | <u>2,993</u>        |
| <b><u>Net Position</u></b>                                |                                    |  |                     |
| Net investment in capital assets                          | 396,849                            | 771,512                                  | 1,168,361           |
| Restricted for:   |                                    |  |                     |
| Stabilization by State Statute                            | 63,093                             | -  | 63,093              |
| Streets   | 56,555                             | -  | 56,555              |
| Public Safety   | 1,019                              | -  | 1,019               |
| Unrestricted  | 385,679                            | 118,465                                  | 504,144             |
| Total net position  | <u>\$ 903,195</u>                  | <u>\$ 889,977</u>                        | <u>\$ 1,793,173</u> |

*The accompanying notes are an integral part of the financial statements.*

# TOWN OF HOT SPRINGS, NORTH CAROLINA

Exhibit 2

## Statement of Activities For the Year Ended June 30, 2019

| Functions/Programs                                     | Expenses          | Program Revenues       |  |  | Net (Expense) Revenue and Change in Net Position |                                 |                     |
|--|-------------------|------------------------|--|--|--|---------------------------------|---------------------|
|  |                   | Charge for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                       | Business-<br>type<br>Activities | Total               |
| Governmental activities:                               |                   |                        |  |  |  |                                 |                     |
| General government                                     | \$ 218,974        | \$ -                   | \$ -                                     | \$ -                                   | \$ (218,974)                                     | \$ -                            | \$ (218,974)        |
| Public safety  | 92,827            | 114                    | -  | 7,615                                  | (85,099)   | -                               | (85,099)            |
| Transportation   | 99,249            | -                      | 22,845                                   | -                                      | (76,403)   | -                               | (76,403)            |
| Economic and physical development                      | 6,930             | 365                    | -  | -                                      | (6,565)  | -                               | (6,565)             |
| Interest on long-term debt                             | 4,358             | -                      | -  | -                                      | (4,358)  | -                               | (4,358)             |
| Total governmental activities                          | <u>422,339</u>    | <u>479</u>             | <u>22,845</u>                            | <u>7,615</u>                           | <u>(391,400)</u>                                 | <u>-</u>                        | <u>(391,400)</u>    |
| Business-type activities:                              |                   |                        |  |  |  |                                 |                     |
| Water and Sewer  | 253,049           | 266,300                | -  | 23,030                                 | -  | 36,281                          | 36,281              |
| Total  | <u>\$ 675,388</u> | <u>\$ 266,779</u>      | <u>\$ 22,845</u>                         | <u>\$ 30,645</u>                       | <u>(391,400)</u>                                 | <u>36,281</u>                   | <u>(355,119)</u>    |
| General revenues:                                      |                   |                        |  |  |  |                                 |                     |
| Taxes:   |                   |                        |  |  |  |                                 |                     |
| Property taxes   |                   |                        |  |  | 258,520  | -                               | 258,520             |
| Local option sales tax                                 |                   |                        |  |  | 156,032  | -                               | 156,032             |
| Other taxes and licenses                               |                   |                        |  |  | 55,812   | -                               | 55,812              |
| Unrestricted investment earnings                       |                   |                        |  |  | -  | -                               | -                   |
| Miscellaneous  |                   |                        |  |  | 17,422   | -                               | 17,422              |
| Gain (loss) on sale of capital assets                  |                   |                        |  |  | 72,100   | -                               | 72,100              |
| Transfers  |                   |                        |  |  | (79,300)   | 79,300                          | -                   |
| Total general revenues, special items<br>and transfers |                   |                        |  |  | <u>480,586</u>                                   | <u>79,300</u>                   | <u>559,885</u>      |
| Change in net position                                 |                   |                        |  |  | 89,186   | 115,581                         | 204,767             |
| Net position - beginning                               |                   |                        |  |  | 814,009  | 774,396                         | 1,588,405           |
| Net position - ending                                  |                   |                        |  |  | <u>\$ 903,195</u>                                | <u>\$ 889,977</u>               | <u>\$ 1,793,173</u> |

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

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**TOWN OF HOT SPRINGS, NORTH CAROLINA****Exhibit 3****Balance Sheet  
Governmental Funds  
June 30, 2019**

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|  | <b><u>General<br/>Fund</u></b> |
|--|--------------------------------|
| <b><u>Assets</u></b>   |                                |
| Cash and cash equivalents  | \$ 353,649                     |
| Taxes receivables (net)  | 18,776                         |
| Accounts receivable  | 4,018                          |
| Due from other governments   | 51,534                         |
| Due from other funds   | 7,541                          |
| Prepaid items  | 9,118                          |
| Restricted cash and cash equivalents   | <u>72,955</u>                  |
| <br>Total assets   | <br><u><u>\$ 517,591</u></u>   |
| <br><b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b> |                                |
| Liabilities:   |                                |
| Accounts payable and accrued liabilities                                       | <u>\$ 14,026</u>               |
| <br>Deferred inflows of resources:   |                                |
| Property taxes receivable  | 18,776                         |
| Deferred rental income   | <u>2,993</u>                   |
| <br>Total deferred inflows of resources  | <br><u>21,769</u>              |
| <br>Fund balances:   |                                |
| Nonspendable:  |                                |
| Prepaid expenditures   | 9,118                          |
| Restricted for:  |                                |
| Stabilization by State Statute   | 63,093                         |
| Streets  | 56,555                         |
| Public safety - police   | 1,019                          |
| Subsequent year's expenditures   | 2,346                          |
| Unassigned   | <u>349,665</u>                 |
| <br>Total fund balances  | <br><u>481,796</u>             |
| <br>Total liabilities, deferred inflows of resources and fund balances         | <br><u><u>\$ 517,591</u></u>   |

*The accompanying notes are an integral part of the financial statements.*

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**TOWN OF HOT SPRINGS, NORTH CAROLINA****Exhibit 4****Reconciliation of the Governmental Funds Balance Sheet  
To the Statement of Net Position  
June 30, 2019**

---

Total governmental fund balances \$ 481,796

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

Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported  
in the funds. 559,205

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. 7,084

Liabilities for earned revenues considered deferred  
inflows of resources in fund statements.  
Property taxes receivable 18,776

Long-term liabilities used in governmental activities are not  
financial uses and therefore are not reported in the funds.  
Accrued interest on long-term debt (1,310)  
Long-term debt (162,356)

Net position of governmental activities \$ 903,195

*The accompanying notes are an integral part of the financial statements.*

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**TOWN OF HOT SPRINGS, NORTH CAROLINA****Exhibit 5****Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2019**

---

|  | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---|
| <b>Revenues:</b>                       |   |
| Ad valorem taxes                       | \$ 256,946                              |
| Other taxes and licenses               | 3,645                                   |
| Unrestricted intergovernmental         | 211,407                                 |
| Restricted intergovernmental           | 22,845                                  |
| Permits and fees                       | 504                                     |
| Miscellaneous                          | 21,804                                  |
| Investment earnings                    | -                                       |
|  | <hr/>                                   |
| Total revenues                         | 517,151                                 |
|  | <hr/>                                   |
| <b>Expenditures:</b>                   |   |
| General government                     | 202,152                                 |
| Public safety                          | 132,963                                 |
| Transportation                         | 97,257                                  |
| Debt service:                          |   |
| Principal retirement                   | 130,720                                 |
| Interest                               | 9,675                                   |
|  | <hr/>                                   |
| Total expenditures                     | 572,766                                 |
|  | <hr/>                                   |
| Revenues over (under) expenditures     | (55,615)                                |
|  | <hr/>                                   |
| <b>Other Financing Sources (Uses):</b> |   |
| Operating transfers in (out)           | (79,300)                                |
| Proceeds from sale of capital assets   | 124,000                                 |
|  | <hr/>                                   |
| Total other financing sources (uses)   | 44,700                                  |
|  | <hr/>                                   |
| Net change in fund balance             | (10,915)                                |
|  | <hr/>                                   |
| Fund balance - beginning               | 492,711                                 |
|  | <hr/>                                   |
| Fund balance - ending                  | <u>\$ 481,796</u>                       |

*The accompanying notes are an integral part of the financial statements.*

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**TOWN OF HOT SPRINGS, NORTH CAROLINA****Exhibit 6****Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2019**

---

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

Net changes in fund balances - total governmental funds \$ (10,915)

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                | 47,119    |
| Depreciation expense          | (25,799)  |
| Gain (loss) on sale of assets | 72,100    |
| Proceeds from sale of assets  | (124,000) |

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 | (2,022) |
| Change in accrued interest receivable-taxes    | 3,596   |

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 the 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      | 130,720        |
| Change in accrued interest payable        | 5,317          |
| 10% annual forgiveness of loan receivable | <u>(6,930)</u> |

|  |                  |
|--|------------------|
| Total changes in net position of governmental activities | <u>\$ 89,186</u> |
|--|------------------|

*The accompanying notes are an integral part of the financial statements.*

# TOWN OF HOT SPRINGS, NORTH CAROLINA

Exhibit 7

## General Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Year Ended June 30, 2019

|  | General Fund    |                  |                           | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|-----------------|------------------|---------------------------|---|
|  | <u>Original</u> | <u>Final</u>     | <u>Actual<br/>Amounts</u> |   |
| <b>Revenues:</b>                       |                 |                  |                           |   |
| Ad valorem taxes                       | \$ 222,760      | \$ 232,131       | \$ 256,946                | \$ 24,815   |
| Other taxes and licenses               | 350             | 3,550            | 3,645                     | 95  |
| Unrestricted intergovernmental         | 174,500         | 177,500          | 211,407                   | 33,907  |
| Restricted governmental                | 24,075          | 24,075           | 22,845                    | (1,230)   |
| Permits and fees                       | 1,280           | 1,195            | 504                       | (691)   |
| Miscellaneous                          | 11,237          | 20,485           | 21,804                    | 1,319   |
| Investment earnings                    | 30              | 30               | -                         | (30)  |
| Total revenues                         | <u>434,232</u>  | <u>458,966</u>   | <u>517,151</u>            | <u>58,185</u>   |
| <b>Expenditures:</b>                   |                 |                  |                           |   |
| General government                     | 197,321         | 209,121          | 202,152                   | 6,969   |
| Public safety                          | 99,704          | 165,138          | 132,963                   | 32,175  |
| Transportation                         | 130,744         | 131,243          | 97,257                    | 33,986  |
| Debt service                           | <u>19,398</u>   | <u>147,399</u>   | <u>140,395</u>            | <u>7,004</u>  |
| Total expenditures                     | <u>447,167</u>  | <u>652,901</u>   | <u>572,766</u>            | <u>80,135</u>   |
| Revenues over (under) expenditures     | <u>(12,935)</u> | <u>(193,935)</u> | <u>(55,615)</u>           | <u>138,320</u>  |
| <b>Other Financing Sources (Uses):</b> |                 |                  |                           |   |
| Fund balance appropriated              | 12,935          | 149,735          | -                         | (149,735)   |
| Transfers from (to) other funds        | -               | (79,300)         | (79,300)                  | -   |
| Proceeds from sale of capital assets   | <u>-</u>        | <u>123,500</u>   | <u>124,000</u>            | <u>500</u>  |
| Total other financing sources (uses)   | <u>12,935</u>   | <u>193,935</u>   | <u>44,700</u>             | <u>(149,235)</u>  |
| Net change in fund balance             | <u>\$ -</u>     | <u>\$ -</u>      | <u>(10,915)</u>           | <u>\$ (10,915)</u>  |
| Fund balance - beginning               |                 |                  | <u>492,711</u>            |   |
| Fund balance - end of year             |                 |                  | <u>\$ 481,796</u>         |   |

*The accompanying notes are an integral part of the financial statements.*

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**TOWN OF HOT SPRINGS, NORTH CAROLINA****Exhibit 8****Statement of Fund Net Position  
Proprietary Fund  
June 30, 2019**

---

**Assets**

## Current assets:

|                                      |              |
|--------------------------------------|--------------|
| Cash and cash equivalents            | \$ 108,797   |
| Accounts receivable (net)            | 21,013       |
| Grant receivable                     | 23,030       |
| Restricted cash and cash equivalents | <u>7,740</u> |

Total current assets 160,580

## Capital assets:

|   |                |
|---|----------------|
| Land and construction in progress         | 27,030         |
| Other capital assets, net of depreciation | <u>859,777</u> |

Total capital assets 886,807

Total assets 1,047,387

**Liabilities**

## Current liabilities:

|  |              |
|--|--------------|
| Accounts payable and other accrued liabilities | 26,834       |
| Due to other funds                             | 7,541        |
| Installment purchase - current                 | 18,508       |
| Liabilities payable from restricted assets:    |              |
| Customer deposits                              | <u>7,740</u> |

Total current liabilities 60,623

## Noncurrent liabilities:

|                                   |               |
|-----------------------------------|---------------|
| Installment purchase - noncurrent | <u>96,787</u> |
|-----------------------------------|---------------|

Total liabilities 157,410

**Net Position**

|                                  |                |
|----------------------------------|----------------|
| Net investment in capital assets | 771,512        |
| Unrestricted                     | <u>118,465</u> |

Total net position \$ 889,977

*The accompanying notes are an integral part of the financial statements.*



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**TOWN OF HOT SPRINGS, NORTH CAROLINA****Exhibit 9****Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2019**

---

**Operating Revenues:**Charges for services \$ 266,300Total operating revenues 266,300**Operating Expenses:**Administration 6,071Water treatment and distribution 168,270Depreciation 72,485Total operating expenses 246,826Operating income (loss) 19,474**Nonoperating Revenues (Expenses):**Grant revenue from capital project 23,030Interest expense (6,223)Total nonoperating revenues (expenses) 16,807Income (loss) before transfers 36,282Transfer from other fund 79,300Change in net position 115,582Total net position - beginning 774,396Total net position - ending \$ 889,977*The accompanying notes are an integral part of the financial statements.*

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**TOWN OF HOT SPRINGS, NORTH CAROLINA****Exhibit 10****Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2019**

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**Cash Flows From Operating Activities:**

|   |               |
|---|---------------|
| Cash received from customers                        | \$ 265,278    |
| Customer deposits received                          | 1,300         |
| Cash paid for goods and services                    | (87,501)      |
| Cash paid to or on behalf of employees for services | (86,654)      |
| Net cash provided by (used in) operating activities | <u>92,423</u> |

**Cash Flows From Non-Capital Financing Activities:**

|   |              |
|---|--------------|
| Transfers - in (out)  | 79,300       |
| Increase (decrease) in due to other fund                        | (71,759)     |
| Net cash provided by (used in) non-capital financing activities | <u>7,541</u> |

**Cash Flows From Capital and Related Financing Activities:**

|  |                 |
|--|-----------------|
| Acquisition and construction of capital assets                           | (11,450)        |
| Principal paid on long-term debt   | (19,098)        |
| Interest paid on long-term debt  | (6,223)         |
| Net cash provided by (used in) capital and related financing activities: | <u>(36,771)</u> |

**Cash Flows From Investing Activities:**

|  |                   |
|--|-------------------|
| Net increase (decrease) in cash and cash equivalents | 63,193            |
| Balances - beginning of year                         | <u>53,344</u>     |
| Balances - end of year                               | <u>\$ 116,537</u> |

**Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:**

|  |                  |
|--|------------------|
| Operating income (loss)  | \$ 19,474        |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |                  |
| Depreciation   | 72,485           |
| Change in assets and liabilities:  |                  |
| (Increase) decrease in accounts receivable   | (1,013)          |
| Increase (decrease) in accounts payable and accrued liabilities  | 177              |
| Increase (decrease) in customer deposits   | 1,300            |
| Net cash provided by (used in) operating activities  | <u>\$ 92,423</u> |

**Schedule of Noncash Investing and Financing Activities:**

|  |                  |
|--|------------------|
| COstruction of fixed assets through grant receivable | <u>\$ 23,030</u> |
|--|------------------|

*The accompanying notes are an integral part of the financial statements.*

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## TOWN OF HOT SPRINGS, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

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#### I. Summary of Significant Accounting Policies

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

##### A. Reporting Entity

The Town of Hot Springs is a municipal corporation governed by an elected mayor and a three member Board of Aldermen.

##### B. Basis of Presentation

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

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

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

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

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## TOWN OF HOT SPRINGS, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

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The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations. A Water and Sewer Capital Project Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Project Fund has been included in the supplemental information.

#### **C. Measurement Focus and Basis of Accounting**

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund 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.

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## TOWN OF HOT SPRINGS, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

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

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

#### **D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds 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 \$1,000. All amendments must be approved by the governing board, and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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## **TOWN OF HOT SPRINGS, NORTH CAROLINA**

### **Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019**

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

##### **1. Deposits and Investments**

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

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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating, and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

##### **2. Cash and Cash Equivalents**

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

##### **3. Restricted Assets**

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Federal Asset Seizure Funds are also classified as restricted cash, because it can be expended only for the purposes of expenses associated with forfeited operations or used to finance certain general investigative expenses. Unexpended loan proceeds are classified as restricted assets for the General Fund, because their use is completely restricted to the purpose for which the loan was originally issued.

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## TOWN OF HOT SPRINGS, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

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

#### **Town of Hot Springs Restricted Cash**

##### Governmental Activities

##### General Fund

|               |               |
|---------------|---------------|
| Streets       | \$56,555      |
| Public Safety | 1,019         |
| Loan Escrow   | <u>15,381</u> |
|               | 72,955        |

##### Business-type Activities

|                      |              |
|----------------------|--------------|
| Water and Sewer Fund | <u>7,740</u> |
|----------------------|--------------|

|                       |                 |
|-----------------------|-----------------|
| Total restricted cash | <u>\$80,695</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<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2018.

#### **5. Allowance for Doubtful Accounts**

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

#### **6. Prepaid Items**

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

#### **7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$1,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired after July 1, 2003, consist of the road network and water and sewer system assets that were acquired, or received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that does not add to the value of the asset, or materially extend assets' lives, is not capitalized.



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## TOWN OF HOT SPRINGS, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

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

| <u>Asset Class</u>         | <u>Years</u> |
|----------------------------|--------------|
| Infrastructure             | 30           |
| Buildings and improvements | 24-40        |
| Distribution systems       | 24-40        |
| Vehicles                   | 3-5          |
| Furniture and equipment    | 10-50        |

#### 8. Deferred Outflows/Inflows of Resources

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

#### 9. Long-Term Obligations

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

#### 10. Compensated Absences

The vacation policy of the Town provides for one week of paid vacation leave per year. The vacation policy does not provide for any hours to be carried from one year to the next.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, and any unused sick leave accumulated at the time of separation is forfeited. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

#### 11. Net Position/Fund Balances

##### Net Position

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

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## TOWN OF HOT SPRINGS, NORTH CAROLINA

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### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

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#### **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:

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

**Prepaid Items** - the portion of fund balance that is not available for appropriation because it represents the year-end balance of prepaid items, which are not expendable available resources.

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

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

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

**Restricted for Public Safety** - the portion of fund balance that is restricted by revenue source for narcotic enforcement.

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

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## **TOWN OF HOT SPRINGS, NORTH CAROLINA**

### **Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019**

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Assigned fund balance - the portion of fund balance that Town of Hot Springs intends to use for specific purposes.

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

The Town of Hot Springs does not have a revenue spending policy that provides guidance for programs with multiple revenue sources. However, in practice, the Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local, non-Town funds, Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

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

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

Noncompliance with North Carolina General Statutes

#### Excess Expenditures Over Appropriations

G.S. 15-9(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance. Funds were spent that exceeded the authorized appropriations in the Water and Sewer Fund. The Water and Sewer Fund was over spent by \$481 in debt service. This item was not included in the budget. Management and the Board will review the budget reports to ensure compliance in future years.

## **III. Detail Notes on All Funds**

### **A. Assets**

#### **1. Deposits**

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

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## TOWN OF HOT SPRINGS, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

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At June 30, 2019, the Town's deposits had a carrying amount of \$542,942, and a bank balance of \$597,714. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2019, the Town's petty cash fund totaled \$200.

#### 2. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019, are net of the following allowances for doubtful accounts:

|                       |                 |
|-----------------------|-----------------|
| General Fund:         |                 |
| Taxes receivable      | \$ 6,399        |
| Water and Sewer Fund: |                 |
| Accounts receivable   | <u>5,000</u>    |
| Total                 | <u>\$11,399</u> |

#### 3. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

|   | <u>Beginning<br/>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|---|-------------------------------|------------------|------------------|----------------------------|
| <b>Governmental Activities:</b>             |                               |                  |                  |                            |
| Capital assets not being depreciated:       |                               |                  |                  |                            |
| Land  | \$ 272,916                    | \$ -             | \$51,900         | \$ 221,016                 |
| Construction in progress                    | <u>-</u>                      | <u>42,119</u>    | <u>-</u>         | <u>42,119</u>              |
|   | <u>272,916</u>                | <u>42,119</u>    | <u>51,900</u>    | <u>263,135</u>             |
| Capital assets being depreciated:           |                               |                  |                  |                            |
| Buildings and improvements                  | 350,854                       | -                | -                | 350,854                    |
| Furniture and equipment                     | 144,848                       | -                | -                | 144,848                    |
| Infrastructure                              | 277,234                       | -                | -                | 277,234                    |
| Vehicles and motorized equipment            | <u>336,924</u>                | <u>5,000</u>     | <u>12,915</u>    | <u>329,009</u>             |
| Total capital assets being depreciated      | <u>1,109,860</u>              | <u>5,000</u>     | <u>12,915</u>    | <u>1,101,945</u>           |
| Less accumulated depreciation for:          |                               |                  |                  |                            |
| Buildings and improvements                  | 239,225                       | 4,018            | -                | 243,243                    |
| Furniture and equipment                     | 125,989                       | 5,381            | -                | 131,370                    |
| Infrastructure                              | 113,203                       | 9,241            | -                | 122,444                    |
| Vehicles and motorized equipment            | <u>314,573</u>                | <u>7,159</u>     | <u>12,915</u>    | <u>308,817</u>             |
| Total accumulated depreciation              | <u>792,991</u>                | <u>\$25,799</u>  | <u>\$12,915</u>  | <u>805,874</u>             |
| Total capital assets being depreciated, net | <u>316,868</u>                |                  |                  | <u>296,070</u>             |
| Governmental activity capital assets, net   | <u>\$ 589,784</u>             |                  |                  | <u>\$ 559,205</u>          |

# TOWN OF HOT SPRINGS, NORTH CAROLINA

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

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

|                            |                 |
|----------------------------|-----------------|
| General government         | \$16,823        |
| Public safety              | 1,984           |
| Public works               | <u>6,992</u>    |
| Total depreciation expense | <u>\$25,799</u> |

|   | <u>Beginning<br/>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|---|-------------------------------|------------------|------------------|----------------------------|
| <b>Business-type Activities:</b>            |                               |                  |                  |                            |
| Water and Sewer Fund:                       |                               |                  |                  |                            |
| Capital assets not being depreciated:       |                               |                  |                  |                            |
| Construction in progress                    | \$ -                          | \$23,030         | \$ -             | \$ 23,030                  |
| Easement                                    | <u>4,000</u>                  | <u>-</u>         | <u>-</u>         | <u>4,000</u>               |
| Total capital assets not being depreciated  | <u>4,000</u>                  | <u>23,030</u>    | <u>-</u>         | <u>27,030</u>              |
| Capital assets being depreciated:           |                               |                  |                  |                            |
| Buildings and improvements                  | 118,409                       | -                | -                | 118,409                    |
| Plant and distribution systems              | 2,038,074                     | 11,450           | -                | 2,049,524                  |
| Vehicles and motorized equipment            | <u>29,283</u>                 | <u>-</u>         | <u>-</u>         | <u>29,283</u>              |
| Total capital assets being depreciated      | <u>2,185,766</u>              | <u>11,450</u>    | <u>-</u>         | <u>2,197,216</u>           |
| Less accumulated depreciation for:          |                               |                  |                  |                            |
| Buildings and improvements                  | 117,685                       | 95               | -                | 117,780                    |
| Plant and distribution systems              | 1,135,836                     | 67,733           | -                | 1,203,569                  |
| Vehicles and motorized equipment            | <u>11,433</u>                 | <u>4,657</u>     | <u>-</u>         | <u>16,090</u>              |
| Total accumulated depreciation              | <u>1,264,954</u>              | <u>\$72,485</u>  | <u>\$ -</u>      | <u>1,337,439</u>           |
| Total capital assets being depreciated, net | <u>920,812</u>                |                  |                  | <u>859,777</u>             |
| Business-type activity capital assets, net  | <u>\$ 924,812</u>             |                  |                  | <u>\$ 886,807</u>          |

### B. Liabilities

#### 1. Pension Plan and Postemployment Obligations

The Town of Hot Springs is not a participating unit of the Local Governmental Employees' Retirement System administrated by the State of North Carolina.

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## TOWN OF HOT SPRINGS, NORTH CAROLINA

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### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

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#### 2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources - the Town has no deferred outflows of resources.

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

|                                 | <b>Statement of<br/>Net Position</b> | <b>General Fund<br/>Balance Sheet</b> |
|---------------------------------|--------------------------------------|---------------------------------------|
| Taxes receivable (General Fund) | \$ -                                 | \$ 18,776                             |
| Deferred rental income          | <u>2,993</u>                         | <u>2,993</u>                          |
| Total                           | <u>\$2,993</u>                       | <u>\$ 21,769</u>                      |

#### 3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, Workers' Compensation coverage up to statutory limits and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large Workers' Compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the N.C. League of Municipalities. The pools are audited by certified public accountants, and the audited financial statements are available to the Town upon request.

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 carries flood insurance through the National Flood Insurance Plan (the NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town currently has flood insurance coverage of \$48,700.

In accordance with G.S. 159-29, The Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$60,000 and \$10,000, respectively. The remaining employees who have access to funds are bonded under a blanket bond for \$20,000.

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## TOWN OF HOT SPRINGS, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

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#### 4. Long-Term Obligations

##### a. Installment Purchases

The Town's direct placement installment purchases, serviced by the governmental funds, were issued for the acquisition of various equipment and land. The excavation and land is pledged as collateral for the debt while the debt is outstanding. Principal and interest requirements are appropriated when due.

Installment purchases at June 30, 2019 are comprised of the following:

|   |                  |
|---|------------------|
| \$46,566, excavator installment purchase in monthly installments of \$1086, through June 2021, secured by an excavator.               | \$ 23,590        |
| \$275,000, real property installment purchase in annual installments of \$12,384, through October 2057, secured by the real property. | <u>150,561</u>   |
|   | <u>\$174,151</u> |

##### b. General Obligation Indebtedness

The Town's general obligation bonds are serviced by the governmental funds. The bonds were used to finance the water and sewer system improvements, and the obligations are carried as liabilities of the Water and Sewer Enterprise Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

# TOWN OF HOT SPRINGS, NORTH CAROLINA

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

Bonds payable at June 30, 2019 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water and Sewer Fund:

|   |                  |
|---|------------------|
| \$175,000, 1981 Water Bond due on June 1, in annual installments of \$6,500, plus interest, through June 1, 2011, and \$7,000, plus interest, at June 1, 2012, and \$7,500, plus interest, from June 1, 2015 through June 1, 2016, and \$8,000, plus interest, from June 1, 2018 through June 1, 2020, and \$1,000 at June 1, 2021; interest is at 5.0%.  | \$ 9,000         |
| \$29,000, 1984 Sanitary Sewer Bonds due in annual installments of \$1,000, plus interest, through June 1, 2016, and \$1,500, plus interest, from June 1, 2018 through June 1, 2022; interest is at 5.0%   | 4,500            |
| \$128,000, 1999 Water Bond due on June 1, in annual installments of \$2,000, plus interest, through June 1, 2012, and \$2,500, plus interest, from June 1, 2013 through June 1, 2018, and \$3,000, plus interest, from June 1, 2019 through June 1, 2021, and \$3,500, plus interest, from June 1, 2022 through June 1, 2025, and \$4,000, plus interest, from June 1, 2026 through June 1, 2028, and \$4,500, plus interest, from June 1, 2029 through June 1, 2031, and \$5,000, plus interest, from June 1, 2032 through June 1, 2034, and \$5,500 at June 1, 2035, and \$6,000, plus interest, from June 1, 2036 through June 1, 2039; interest is at 5.0%. | 90,000           |
|   | <u>\$103,500</u> |

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

|                                 | <u>General<br/>Obligation Bonds</u> |                 | <u>Direct Placement<br/>Installment Purchases</u> |                 | <u>Total<br/>Debt Due</u> |                 |
|---------------------------------|-------------------------------------|-----------------|---|-----------------|---------------------------|-----------------|
|                                 | <u>Principal</u>                    | <u>Interest</u> | <u>Principal</u>                                  | <u>Interest</u> | <u>Principal</u>          | <u>Interest</u> |
| <b>Governmental Activities:</b> |                                     |                 |   |                 |                           |                 |
| 2020                            | \$ -                                | \$ -            | \$ 12,156   | \$ 6,744        | \$ 12,156                 | \$ 6,744        |
| 2021                            | -                                   | -               | 13,478  | 4,856           | 13,478                    | 4,856           |
| 2022                            | -                                   | -               | 7,941   | 4,443           | 7,941                     | 4,443           |
| 2023                            | -                                   | -               | 8,199   | 4,185           | 8,199                     | 4,185           |
| 2024                            | -                                   | -               | 8,465   | 3,919           | 8,465                     | 3,919           |
| 2025-2029                       | -                                   | -               | 46,635  | 15,285          | 46,635                    | 15,285          |
| 2030-2034                       | -                                   | -               | 65,483  | 7,198           | 65,483                    | 7,198           |
| Total                           | -                                   | -               | 162,356   | 46,630          | 162,356                   | 46,630          |



# TOWN OF HOT SPRINGS, NORTH CAROLINA

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

|                                  | General<br>Obligation Bonds |                 | Direct Placement<br>Installment Purchases |                  | Total<br>Debt Due |                  |
|----------------------------------|-----------------------------|-----------------|---|------------------|-------------------|------------------|
|                                  | Principal                   | Interest        | Principal                                 | Interest         | Principal         | Interest         |
| <b>Business-type Activities:</b> |                             |                 |   |                  |                   |                  |
| 2020                             | \$ 12,500                   | \$ 4,613        | \$ 6,008                                  | \$ 508           | \$ 18,508         | \$ 5,120         |
| 2021                             | 5,500                       | 4,006           | 5,787                                     | 163              | 11,287            | 4,169            |
| 2022                             | 5,000                       | 3,825           | -   | -                | 5,000             | 3,825            |
| 2023                             | 3,500                       | 3,675           | -   | -                | 3,500             | 3,675            |
| 2024                             | 3,500                       | 3,369           | -   | -                | 3,500             | 3,369            |
| 2025-2029                        | 20,000                      | 14,416          | -   | -                | 20,000            | 14,416           |
| 2030-2034                        | 24,000                      | 9,669           | -   | -                | 24,000            | 9,669            |
| 2035-2039                        | <u>29,500</u>               | <u>3,916</u>    | <u>-</u>                                  | <u>-</u>         | <u>29,500</u>     | <u>3,916</u>     |
| Total                            | <u>103,500</u>              | <u>47,488</u>   | <u>11,795</u>                             | <u>671</u>       | <u>115,295</u>    | <u>48,158</u>    |
| Total                            | <u>\$103,500</u>            | <u>\$47,488</u> | <u>\$174,151</u>                          | <u>\$ 47,301</u> | <u>\$277,652</u>  | <u>\$ 94,788</u> |

### c. Changes in Long-Term Liabilities

|  | Balance<br>July 1, 2018 | Increases   | Decreases        | Balance<br>June 30, 2019 | Current<br>Portion<br>of Balance |
|--|-------------------------|-------------|------------------|--------------------------|----------------------------------|
| <b>Governmental activities:</b>              |                         |             |                  |                          |                                  |
| Direct placement installment purchases       | <u>\$293,076</u>        | <u>\$ -</u> | <u>\$130,720</u> | <u>\$162,356</u>         | <u>\$12,156</u>                  |
| Governmental activity long-term liabilities  | <u>\$293,076</u>        | <u>\$ -</u> | <u>\$130,720</u> | <u>\$162,356</u>         | <u>\$12,156</u>                  |
| <b>Business-type activities:</b>             |                         |             |                  |                          |                                  |
| General obligation bonds                     | \$116,000               | \$ -        | \$ 12,500        | \$103,500                | \$12,500                         |
| Direct placement installment purchases       | <u>18,393</u>           | <u>-</u>    | <u>6,597</u>     | <u>11,795</u>            | <u>6,008</u>                     |
| Business-type activity long-term liabilities | <u>\$134,393</u>        | <u>\$ -</u> | <u>\$ 19,097</u> | <u>\$115,295</u>         | <u>\$18,508</u>                  |

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

At June 30, 2019, the Town had a legal debt margin of \$3,888,459.

### C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019 consist of the following:

|  |                |
|--|----------------|
| Due to the General Fund for the allocation of cost from the Water and Sewer Fund | <u>\$7,541</u> |
|--|----------------|

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

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## TOWN OF HOT SPRINGS, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

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Transfers to/from other funds at June 30, 2019, consist of the following:

|  |                 |
|--|-----------------|
| From the General Fund to the Water and Sewer Fund to<br>reduce the internal balances | <u>\$79,300</u> |
|--|-----------------|

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for various grant programs.

During the 2019 fiscal year, the Town made a one-time transfer from the General Fund of \$79,300 to the Water and Sewer Fund to reduce the internal balances between the funds.

#### D. Net Investment in Capital Assets

|                                  | <u>Governmental</u> | <u>Business-type</u> |
|----------------------------------|---------------------|----------------------|
| Capital assets                   | \$ 559,205          | \$886,807            |
| Less: long-term debt             | <u>(162,356)</u>    | <u>(115,295)</u>     |
| Net investment in capital assets | <u>\$ 396,849</u>   | <u>\$771,512</u>     |

#### E. Fund Balance

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

|                                 |           |
|---------------------------------|-----------|
| Total fund balance-General Fund | \$481,796 |
| Less:                           |           |
| Prepaid expenditures            | 9,118     |
| Stabilization by State Statute  | 63,093    |
| Streets-Powell Bill             | 56,555    |
| Police                          | 1,019     |
| Subsequent Year's Expenditures  | 2,346     |
| Remaining Fund Balance          | 349,665   |

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## **TOWN OF HOT SPRINGS, NORTH CAROLINA**

### **Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019**

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#### **IV. Joint Ventures**

The Town and the members of the Town's volunteer fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2019. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

#### **V. Jointly Governed Organizations**

The Town, in conjunction with four counties and fourteen other municipalities, established the Land of Sky Regional Council (the Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$-0- to the Council during the fiscal year ended June 30, 2019.

#### **VI. Related Party Transactions**

The Town regularly purchases supplies from Gentry Hardware. Jeanne Gentry, who is a Town Alderman, and who also acts in the capacity of finance director, is the business owner's wife. The Town purchased \$9,636 and \$1,546 in supplies during the fiscal year ended June 30, 2019 from the General Fund and the Water and Sewer Fund, respectively. As of June 30, 2019, there were no outstanding amounts due to Gentry Hardware.

#### **VII. Summary of 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.

#### **VIII. Significant Effects of Subsequent Events**

Management has evaluated subsequent events through November 20, 2019, the date on which the financial statements were available to be issued. During the period from the end of the year, and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

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## TOWN OF HOT SPRINGS, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2019

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#### IX. Change in Accounting Principle

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in the fiscal year ended June 30, 2019. The implementation of the statement required the Town to make changes to note disclosures related to debt.

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**GOVERNMENTAL ACTIVITIES**  
**MAJOR FUNDS**  
**GENERAL FUND**

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The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

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**TOWN OF HOT SPRINGS, NORTH CAROLINA****Schedule 1  
Page 1 of 4****General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual****For the Fiscal Year Ended June 30, 2019****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

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|   | <b>2019</b>          |                      | <b>Variance<br/>Positive<br/>(Negative)</b> | <b>2018<br/>Actual</b> |
|---|----------------------|----------------------|---|------------------------|
|   | <b><u>Budget</u></b> | <b><u>Actual</u></b> |   |                        |
| <b>Revenues:</b>                        |                      |                      |   |                        |
| Ad valorem taxes:                       |                      |                      |   |                        |
| Current year                            | \$ 217,660           | \$ 237,656           | \$ 19,996                                   | \$ 238,030             |
| Prior years                             | 14,371               | 14,187               | (184)                                       | 9,778                  |
| Penalties and interest                  | 100                  | 5,103                | 5,003                                       | 2,267                  |
| Total                                   | <u>232,131</u>       | <u>256,946</u>       | <u>24,815</u>                               | <u>250,075</u>         |
| Other taxes and licenses:               |                      |                      |   |                        |
| Solid waste tax                         | 350                  | 437                  | 87  | 387                    |
| Gasoline tax refund                     | <u>3,200</u>         | <u>3,208</u>         | <u>8</u>                                    | <u>-</u>               |
| Total                                   | <u>3,550</u>         | <u>3,645</u>         | <u>95</u>                                   | <u>387</u>             |
| Unrestricted intergovernmental:         |                      |                      |   |                        |
| Franchise tax                           | 30,000               | 37,834               | 7,834                                       | 36,516                 |
| Local option sales tax                  | 130,000              | 156,032              | 26,032                                      | 145,343                |
| Payment in lieu of taxes                | 15,000               | 15,000               | -   | 14,370                 |
| Beer and wine tax                       | <u>2,500</u>         | <u>2,541</u>         | <u>41</u>                                   | <u>2,521</u>           |
| Total                                   | <u>177,500</u>       | <u>211,407</u>       | <u>33,907</u>                               | <u>198,751</u>         |
| Restricted intergovernmental:           |                      |                      |   |                        |
| Powell Bill State street aid allocation | 24,000               | 22,845               | (1,155)                                     | 24,876                 |
| Controlled substance taxes              | <u>75</u>            | <u>-</u>             | <u>(75)</u>                                 | <u>75</u>              |
| Total                                   | <u>24,075</u>        | <u>22,845</u>        | <u>(1,230)</u>                              | <u>24,951</u>          |
| Permits and fee:                        |                      |                      |   |                        |
| Public safety fees                      | 95                   | 139                  | 44  | 85                     |
| Planning and zoning fees                | 1,000                | 265                  | (735)                                       | 460                    |
| Other permits and fees                  | <u>100</u>           | <u>100</u>           | <u>-</u>                                    | <u>25</u>              |
| Total                                   | <u>1,195</u>         | <u>504</u>           | <u>(691)</u>                                | <u>570</u>             |

cont.

# TOWN OF HOT SPRINGS, NORTH CAROLINA

Schedule 1  
Page 2 of 4

## General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Fiscal Year Ended June 30, 2019

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

|                                | 2019           |                | Variance                       | 2018           |
|--------------------------------|----------------|----------------|--------------------------------|----------------|
|                                | <u>Budget</u>  | <u>Actual</u>  | <u>Positive<br/>(Negative)</u> | <u>Actual</u>  |
| <b>Revenues (continued):</b>   |                |                |                                |                |
| Investment earnings            | \$ 30          | \$ -           | \$ (30)                        | \$ -           |
| Miscellaneous:                 |                |                |                                |                |
| Rents and concessions          | 5,200          | 5,787          | 587                            | 5,100          |
| Sales and service              | 110            | 300            | 190                            | 300            |
| Other receipts                 | 15,175         | 15,717         | 542                            | 29,995         |
| Donations                      | -              | -              | -                              | -              |
| Total                          | <u>20,485</u>  | <u>21,804</u>  | <u>1,319</u>                   | <u>35,395</u>  |
| Total revenues                 | <u>458,966</u> | <u>517,151</u> | <u>58,185</u>                  | <u>510,128</u> |
| <b>Expenditures:</b>           |                |                |                                |                |
| General government:            |                |                |                                |                |
| Governing body:                |                |                |                                |                |
| Salaries and employee benefits | 13,245         | 13,241         | 4                              | 10,657         |
| Professional services          | 34,400         | 28,738         | 5,662                          | 35,318         |
| Other operating expenditures   | <u>2,480</u>   | <u>4,243</u>   | <u>(1,763)</u>                 | <u>7,406</u>   |
| Total                          | <u>50,125</u>  | <u>46,222</u>  | <u>3,903</u>                   | <u>53,382</u>  |
| Administration and finance:    |                |                |                                |                |
| Salaries and employee benefits | 88,686         | 90,990         | (2,304)                        | 76,360         |
| Utilities                      | 31,680         | 29,109         | 2,571                          | 23,211         |
| Capital Outlay                 | 1,000          | 899            | 101                            | 11,030         |
| Other operating expenditures   | <u>25,780</u>  | <u>27,997</u>  | <u>(2,217)</u>                 | <u>23,764</u>  |
| Total                          | <u>147,146</u> | <u>148,995</u> | <u>(1,849)</u>                 | <u>134,366</u> |
| Public buildings:              |                |                |                                |                |
| Capital outlay                 | 500            | -              | 500                            | 10,000         |
| Other operating expenditures   | <u>9,350</u>   | <u>5,663</u>   | <u>3,687</u>                   | <u>4,406</u>   |
| Total                          | <u>9,850</u>   | <u>5,663</u>   | <u>4,187</u>                   | <u>14,406</u>  |
| Planning and zoning:           |                |                |                                |                |
| Other operating expenditures   | <u>2,000</u>   | <u>1,272</u>   | <u>728</u>                     | <u>561</u>     |
| Total general government       | <u>209,121</u> | <u>202,152</u> | <u>6,970</u>                   | <u>202,716</u> |

cont.



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**TOWN OF HOT SPRINGS, NORTH CAROLINA****Schedule 1  
Page 3 of 4****General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual****For the Fiscal Year Ended June 30, 2019****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

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|                                    | <b>2019</b>          |                      | <b>Variance</b>          | <b>2018</b>          |
|------------------------------------|----------------------|----------------------|--------------------------|----------------------|
| <b>Expenditures (continued):</b>   | <b><u>Budget</u></b> | <b><u>Actual</u></b> | <b><u>Positive</u></b>   | <b><u>Actual</u></b> |
|                                    |                      |                      | <b><u>(Negative)</u></b> |                      |
| Public safety:                     |                      |                      |                          |                      |
| Police:                            |                      |                      |                          |                      |
| Salaries and employee benefits     | \$ 61,095            | \$ 47,089            | \$ 14,006                | \$ 54,113            |
| Other operating expenditures       | 10,080               | 7,168                | 2,912                    | 21,255               |
| Total                              | <u>71,175</u>        | <u>54,257</u>        | <u>16,918</u>            | <u>75,368</u>        |
| Fire:                              |                      |                      |                          |                      |
| Capital outlay                     | 50,000               | 42,119               | 7,881                    | 227,654              |
| Other operating expenditures       | 43,963               | 36,587               | 7,376                    | 23,801               |
| Total                              | <u>93,963</u>        | <u>78,706</u>        | <u>15,257</u>            | <u>251,455</u>       |
| Total public safety                | <u>165,138</u>       | <u>132,963</u>       | <u>32,175</u>            | <u>326,822</u>       |
| Transportation:                    |                      |                      |                          |                      |
| Powell Bill expenditures           | 29,000               | 5,793                | 23,207                   | 15,508               |
| Salaries and employee benefits     | 61,383               | 58,612               | 2,771                    | 35,410               |
| Capital outlay                     | -                    | 5,000                | (5,000)                  | -                    |
| Other operating expenditures       | 40,860               | 27,851               | 13,009                   | 43,628               |
| Total transportation               | <u>131,243</u>       | <u>97,257</u>        | <u>33,986</u>            | <u>94,547</u>        |
| Debt service:                      |                      |                      |                          |                      |
| Principal retirement               | 137,724              | 130,720              | 7,004                    | 6,764                |
| Interest and other charges         | 9,675                | 9,675                | -                        | 1,391                |
| Total debt service                 | <u>147,399</u>       | <u>140,395</u>       | <u>7,004</u>             | <u>8,155</u>         |
| Total expenditures                 | <u>652,901</u>       | <u>572,766</u>       | <u>80,136</u>            | <u>632,240</u>       |
| Revenues over (under) expenditures | <u>(193,935)</u>     | <u>(55,615)</u>      | <u>138,320</u>           | <u>(122,112)</u>     |

cont.

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**TOWN OF HOT SPRINGS, NORTH CAROLINA****Schedule 1  
Page 4 of 4**

**General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Fiscal Year Ended June 30, 2019  
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

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|  | <u>2019</u>    |                   | <u>Variance<br/>Positive<br/>(Negative)</u> | <u>2018<br/>Actual</u> |
|--|----------------|-------------------|---|------------------------|
|  | <u>Budget</u>  | <u>Actual</u>     |   |                        |
| <b>Other Financing Sources (Uses):</b> |                |                   |   |                        |
| Appropriated fund balance              | \$ 149,735     | \$ -              | \$ (149,735)                                | \$ -                   |
| Transfers from (to) other funds        | (79,300)       | (79,300)          | -   | -                      |
| Proceeds from borrowing                | -              | -                 | -   | 275,000                |
| Sale of capital assets                 | <u>123,500</u> | <u>124,000</u>    | <u>500</u>                                  | <u>-</u>               |
| Total other financing sources (uses)   | <u>193,935</u> | <u>44,700</u>     | <u>(149,235)</u>                            | <u>275,000</u>         |
| Net change in fund balance             | <u>\$ -</u>    | <u>(10,915)</u>   | <u>\$ (10,915)</u>                          | 152,887                |
| Fund balance - beginning               |                | <u>492,711</u>    |   | <u>339,824</u>         |
| Fund balance - ending                  |                | <u>\$ 481,796</u> |   | <u>\$ 492,711</u>      |

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## **BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND**

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Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Sewer Fund - This fund is used to account for the activities associated with the operation and maintenance of the Town's water and sewer systems.

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**TOWN OF HOT SPRINGS, NORTH CAROLINA**

**Schedule 2  
Page 1 of 2**

**Water and Sewer Fund  
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2019  
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

|  | <b>2019</b>    |                | <b>Variance<br/>Positive<br/>(Negative)</b> | <b>2018<br/>Actual</b> |
|--|----------------|----------------|---|------------------------|
|  | <b>Budget</b>  | <b>Actual</b>  |   |                        |
| <b>Revenues:</b>   |                |                |   |                        |
| Operating revenue:   |                |                |   |                        |
| Charges for services   | \$ 237,232     | \$ 266,300     | \$ 29,068                                   | \$ 216,624             |
| Other receipts   | 2,000          | -              | (2,000)                                     | 2,485                  |
|  | <u>239,232</u> | <u>266,300</u> | <u>27,068</u>                               | <u>219,109</u>         |
| <br>Nonoperating revenue:  |                |                |   |                        |
| Interest earned  | 10             | -              | (10)  | -                      |
| Total revenues   | <u>239,242</u> | <u>266,300</u> | <u>27,058</u>                               | <u>219,109</u>         |
| <br><b>Expenditures:</b>   |                |                |   |                        |
| Water and sewer distribution:  |                |                |   |                        |
| Salaries and employee benefits   | 89,939         | 86,534         | 3,405                                       | 85,358                 |
| Utilities  | 27,400         | 29,482         | (2,082)                                     | 25,349                 |
| Supplies and testing   | 38,810         | 38,785         | 25  | 43,562                 |
| Professional services  | 22,240         | 8,948          | 13,292                                      | 26,316                 |
| Other expenditures   | 7,100          | 4,520          | 2,580                                       | 4,853                  |
| Administrative expenses  | 17,463         | 6,071          | 11,392                                      | 1,836                  |
|  | <u>202,952</u> | <u>174,341</u> | <u>28,611</u>                               | <u>187,275</u>         |
| <br>Debt service:  |                |                |   |                        |
| Principal retirement   | 19,100         | 19,098         | 2   | 16,956                 |
| Interest and other charges   | 5,740          | 6,223          | (483)                                       | 6,798                  |
| Total debt service   | <u>24,840</u>  | <u>25,321</u>  | <u>(481)</u>                                | <u>23,754</u>          |
| <br>Capital outlay:  |                |                |   |                        |
| Water and sewer lines, equipment   | 11,450         | 11,450         | -   | 8,411                  |
| Total expenditures   | <u>239,242</u> | <u>211,111</u> | <u>28,131</u>                               | <u>219,441</u>         |
| <br>Revenues over (under) expenditures   | -              | 55,189         | 55,189                                      | (331)                  |
| <br><b>Other Finances Sources (Uses):</b>  |                |                |   |                        |
| Appropriated fund balance  | (79,300)       | -              | 79,300                                      | -                      |
| Transfer from (to) General Fund  | <u>79,300</u>  | <u>79,300</u>  | <u>-</u>                                    | <u>-</u>               |
| <br>Revenues and other financing sources over (under)<br>other expenditures (uses) | <u>\$ -</u>    | 134,488        | <u>\$ 134,488</u>                           | (331)<br>cont.         |

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**TOWN OF HOT SPRINGS, NORTH CAROLINA****Schedule 2****Page 2 of 2****Water and Sewer Fund****Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)****For the Fiscal Year Ended June 30, 2019****(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

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|  | <u>2019</u>   |                   | <u>Variance<br/>Positive<br/>(Negative)</u> | <u>2018<br/>Actual</u> |
|--|---------------|-------------------|---|------------------------|
|  | <u>Budget</u> | <u>Actual</u>     |   |                        |
| <b>Reconciliation from Budgetary Basis<br/>(modified accrual) to Full Accrual:</b> |               |                   |   |                        |
| Reconciling items:   |               |                   |   |                        |
| Grant revenue from Water and Sewer Capital Project                                 |               | \$ 23,030         |   | \$ -                   |
| Principal retirement   |               | 19,098            |   | 16,956                 |
| Capital outlay   |               | 11,450            |   | 8,411                  |
| Depreciation   |               | <u>(72,485)</u>   |   | <u>(71,301)</u>        |
| Change in net position   |               | <u>\$ 115,582</u> |   | <u>\$ (46,266)</u>     |

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**TOWN OF HOT SPRINGS, NORTH CAROLINA****Schedule 3**

**Water and Sewer Capital Project Fund  
Water System Capital Improvements  
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2019**

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|   | <b>Actual</b>               |                     |                       | <b>Variance</b>          |
|---|-----------------------------|---------------------|-----------------------|--------------------------|
|   | <b><u>Project</u></b>       | <b><u>Prior</u></b> | <b><u>Current</u></b> | <b><u>Total to</u></b>   |
|   | <b><u>Authorization</u></b> | <b><u>Years</u></b> | <b><u>Year</u></b>    | <b><u>Date</u></b>       |
|   |                             |                     |                       | <b><u>Positive</u></b>   |
|   |                             |                     |                       | <b><u>(Negative)</u></b> |
| <b>Revenues:</b>  |                             |                     |                       |                          |
| Restricted contributions  |                             |                     |                       |                          |
| DWI grant revenue   | \$ 500,000                  | \$ -                | \$ 23,030             | \$ 23,030                |
|   |                             |                     |                       | \$ (476,970)             |
| Total revenues  | 500,000                     | -                   | 23,030                | 23,030                   |
|   |                             |                     |                       | (476,970)                |
| <b>Expenditures:</b>  |                             |                     |                       |                          |
| Construction  | 357,000                     | -                   | -                     | -                        |
| Engineering   | 100,000                     | -                   | 16,030                | 16,030                   |
| Administration  | 7,500                       | -                   | 7,000                 | 7,000                    |
| Contingency   | 35,500                      | -                   | -                     | -                        |
|   |                             |                     |                       | 35,500                   |
| Total expenditures  | 500,000                     | -                   | 23,030                | 23,030                   |
|   |                             |                     |                       | 476,970                  |
| <b>Other Financing Sources (Uses):</b>  |                             |                     |                       |                          |
| Transfer from Water and Sewer Fund  | -                           | -                   | -                     | -                        |
|   |                             |                     |                       | -                        |
| Revenues and other financing sources<br>over (under) expenditures and other<br>financing uses | \$ -                        | \$ -                | \$ -                  | \$ -                     |
|   |                             |                     |                       | \$ -                     |

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## OTHER SCHEDULES

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This section contains additional information required on property taxes and transfers

- Schedule of Ad Valorem Taxes Receivable
  - Analysis of Current Tax Levy
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**TOWN OF HOT SPRINGS, NORTH CAROLINA****Schedule 4****Schedule of Ad Valorem Taxes Receivable  
June 30, 2019**

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| <u>Fiscal Year</u>                              | <u>Uncollected<br/>Balance<br/>July 1, 2018</u> | <u>Additions/<br/>Adjustments</u> | <u>Collections<br/>and Credits</u> | <u>Uncollected<br/>Balance<br/>June 30, 2019</u> |
|---|---|-----------------------------------|------------------------------------|--|
| 2018 - 2019                                     | \$ -  | \$ 247,888                        | \$ 237,656                         | \$ 10,232  |
| 2017 - 2018                                     | 5,753   | 739                               | 4,191                              | 2,301  |
| 2016 - 2017                                     | 2,810   | (26)                              | 1,527                              | 1,257  |
| 2015 - 2016                                     | 3,660   | (2)                               | 1,843                              | 1,815  |
| 2014 - 2015                                     | 3,841   | (429)                             | 1,406                              | 2,006  |
| 2013 - 2014                                     | 2,993   | -                                 | 580                                | 2,413  |
| 2012 - 2013                                     | 3,984   | (39)                              | 1,524                              | 2,421  |
| 2011 - 2012                                     | 3,205   | -                                 | 1,624                              | 1,581  |
| 2010 - 2011                                     | 1,857   | (184)                             | 991                                | 682  |
| 2009 - 2010                                     | 795   | -                                 | 328                                | 467  |
| 2008 - 2009                                     | 601   | -                                 | 601                                | -  |
| Total   | <u>\$ 29,499</u>                                | <u>\$ 247,947</u>                 | <u>\$ 252,271</u>                  | 25,175   |
| Less allowance for uncollectibles               |   |                                   |                                    | <u>6,399</u>                                     |
| Balance   |   |                                   |                                    | <u>\$ 18,776</u>                                 |
| <b>Reconciliation With Revenues:</b>            |   |                                   |                                    |  |
| Taxes - Ad valorem - General Fund               |   |                                   |                                    | \$ 256,946                                       |
| Amounts written off for fiscal year 2008 - 2009 |   |                                   |                                    | <u>428</u>                                       |
|   |   |                                   |                                    | 257,374  |
| Less interest collected                         |   |                                   |                                    | <u>(5,103)</u>                                   |
| Total collections and credits                   |   |                                   |                                    | <u>\$ 252,271</u>                                |

# TOWN OF HOT SPRINGS, NORTH CAROLINA

Schedule 5

## Analysis of Current Tax Levy June 30, 2019

|   | City - wide                   |             |                       | Property<br>Excluding<br>Registered<br>Motor<br>Vehicles | Registered<br>Motor<br>Vehicles |
|---|-------------------------------|-------------|-----------------------|--|---------------------------------|
|   | <u>Property<br/>Valuation</u> | <u>Rate</u> | <u>Total<br/>Levy</u> |  |                                 |
| Original levy:  |                               |             |                       |  |                                 |
| Property taxes at current year's rate                     | \$ 42,375,294                 | 0.51        | \$ 216,114            | \$ 216,114   | \$ -                            |
| Registered motor vehicles taxed at<br>current year's rate | <u>6,053,465</u>              | 0.51        | <u>30,873</u>         | <u>-</u>   | <u>30,873</u>                   |
| Total   | <u>48,428,759</u>             |             | <u>246,987</u>        | <u>216,114</u>   | <u>30,873</u>                   |
| Discoveries-property                                      | 208,261                       | 0.51        | 1,062                 | 1,062  | -                               |
| Discoveries-motor vehicles                                | -                             | 0.51        | -                     | -  | -                               |
| Releases-property   | (31,280)                      | 0.51        | (160)                 | (160)  | -                               |
| Releases-registered motor vehicles                        | <u>-</u>                      | 0.51        | <u>-</u>              | <u>-</u>   | <u>-</u>                        |
| Total   | <u>176,981</u>                |             | <u>902</u>            | <u>902</u>   | <u>-</u>                        |
| Total property valuation                                  | <u>\$ 48,605,740</u>          |             |                       |  |                                 |
| Net Levy  |                               |             | 247,888               | 217,016  | 30,873                          |
| Less uncollected taxes at June 30, 2019                   |                               |             | <u>(10,232)</u>       | <u>(10,232)</u>  | <u>-</u>                        |
| Current year's taxes collected                            |                               |             | <u>\$ 237,656</u>     | <u>\$ 206,784</u>  | <u>\$ 30,873</u>                |
| Current levy collection percentage                        |                               |             | <u>95.87%</u>         | <u>95.29%</u>  | <u>100.00%</u>                  |