

Town of Lake Santeetlah, North Carolina

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

**PT CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
RALEIGH, NORTH CAROLINA**

TOWN OFFICIALS

MAYOR

Jim Hager

**COUNCIL
MEMBERS**

Keith Predmore (Vice
Mayor and Assistant Finance
Officer)

Patrick O'Donovan (Finance
Officer)

Mary Williams
Roger Carlton

**ADMINISTRATIVE
STAFF**

Kim Matheson, Town
Administrator
Emily Hooper, Town Clerk

Town of Lake Santeetlah, North Carolina
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**FINANCIAL
SECTION**



James J. Pappalardo, CPA
Joseph V. Turchetti, CPA

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Lake Santeetlah, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of The Town of Lake Santeetlah, North Carolina (the Town), 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.

Auditor's 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 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.

PT CPAs PLLC

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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, and each major fund of the the Town of Lake Santeetlah, North Carolina, as of June 30, 2019, and the respective changes in financial position and, where appropriate, 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 8-14 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lake Santeetlah, North Carolina, basic financial statements. The introductory information, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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, the budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

PT CPAS, PLLC

Raleigh, North Carolina
September 30, 2019

Town of Lake Santeetlah, North Carolina Management's Discussion and Analysis

As management of the Town of Lake Santeetlah (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town 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. The MD&A is an opportunity for management to proactively address any issues that might be affecting the Town's financial status or questions that might be posed by readers of the financial statements. A thoughtful discussion and analysis of economic, financial, or budgetary factors that might influence the unit should be presented.

Financial Highlights

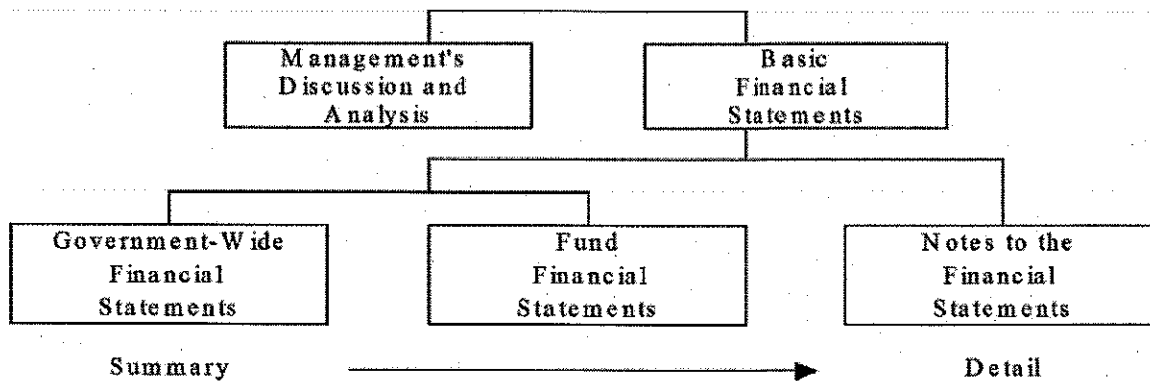
- The assets and deferred outflows of resources of the Town exceeded its liabilities at the close of the fiscal year by \$686,088. (*net position*).
- The government's total net position increased by \$41,017 primarily due to the sale of land and the sales tax allocation.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$261,098 with a net change of \$76,710 in fund balance, primarily due to the sale of land and the sales tax allocation. Approximately 72% of this total ending fund balance, or \$188,541 is available for spending for budgeted and unforeseen expenditures at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$188,541. The total general fund expenditures for the fiscal year were \$326,323 or approximately 187% of the fund balance of \$173,950 at the beginning of the fiscal year.
- At the end of the current fiscal year, the Town's proprietary fund reported an ending net position of \$139,098 with a net change of (\$6,905). Approximately 47% this total amount, or \$65,091, is available for spending at the government's discretion (*unreserved/unrestricted fund balance*). At the end of the fiscal year, the total proprietary fund expenditures were \$106,171 or approximately 163% of the unreserved fund balance.
- The Town obtained long-term debt to finance the installation of new automatic read water meters and Insight software. The balance outstanding at June 30, 2019 was \$24,779.

Overview of the Financial Statements

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

Required Components of Annual Financial Statements

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, transportation, and general administration. Property taxes and the county sales tax allocation finances most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water services offered by the Town.

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, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town 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 the reader 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 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 Town Council 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 has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

Government-wide Financial Analysis

**Town of Lake Santeetlah' s Net Position
Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$287,253	\$187,854	\$89,870	\$105,324	\$377,123	\$293,178
Capital assets	<u>285,892</u>	<u>319,574</u>	<u>74,007</u>	<u>78,016</u>	<u>359,899</u>	<u>397,590</u>
Total assets	<u>\$573,145</u>	<u>\$507,428</u>	<u>\$163,877</u>	<u>\$183,340</u>	<u>737,022</u>	<u>690,768</u>
Long-term liabilities outstanding	-	-	13,326	13,326	13,326	13,326
Other liabilities	<u>26,155</u>	<u>8,360</u>	<u>19,624</u>	<u>24,011</u>	<u>45,779</u>	<u>32,371</u>
Total liabilities	<u>26,155</u>	<u>8,360</u>	<u>32,950</u>	<u>37,337</u>	<u>59,105</u>	<u>45,697</u>
Net position:						
Net investment in capital assets:	285,892	314,680	74,007	74,753	359,899	389,433
Restricted	72,557	10,438	-	-	72,557	10,438
Unrestricted	<u>188,541</u>	<u>173,950</u>	<u>65,091</u>	<u>71,250</u>	<u>253,632</u>	<u>245,200</u>
Total net position	<u>\$546,990</u>	<u>\$499,068</u>	<u>\$139,098</u>	<u>\$146,003</u>	<u>\$686,088</u>	<u>\$645,071</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$686,088 at June 30, 2019. The Town's net assets increased by \$41,017 during the fiscal year ended June 30, 2019. However, a large portion, \$359,899 (52%), reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), net of related debt. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town's net assets, \$72,557 (11%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$253,632 is unrestricted.

One aspect of the Town's financial operations has had a positive influence on total unrestricted governmental net assets:

- The Town realized \$105,070 from the sale of land.

Town of Lake Santeetlah's Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$99,225	\$96,608	\$99,225	\$96,608
Operating grants and contributions	8,470	8,598	-	-	8,470	8,598
General revenues:						
Property taxes	181,421	178,027	-	-	181,421	178,027
Other taxes	107,805	91,672	-	-	107,805	91,672
Other	<u>105,337</u>	<u>6,133</u>	<u>41</u>	<u>1,066</u>	<u>105,378</u>	<u>7,199</u>
Total revenues	403,033	284,430	99,266	97,674	502,299	382,104
Expenses:						
General government	309,074	177,818	-	-	309,074	177,818
Public safety	14,231	17,510	-	-	14,231	17,510
Transportation	31,806	63,307	-	-	31,806	63,307
Water	-	-	<u>106,171</u>	<u>101,993</u>	<u>106,171</u>	<u>101,993</u>
Total expenses	<u>355,111</u>	<u>258,635</u>	<u>106,171</u>	<u>101,993</u>	<u>461,282</u>	<u>360,628</u>
Decrease in net position	47,922	25,795	(6,905)	(4,319)	41,017	21,476
Net position, July 1	<u>499,068</u>	<u>473,273</u>	<u>146,003</u>	<u>150,322</u>	<u>645,071</u>	<u>623,595</u>
Net position, June 30	<u>\$546,990</u>	<u>\$499,068</u>	<u>\$139,098</u>	<u>\$146,003</u>	<u>\$686,088</u>	<u>\$645,071</u>

Governmental activities. Governmental activities increased the Town's net assets by \$47,922. Key elements of this increase are as follows:

- Increase in the sale tax allocation
- Sales of land

Business-type activities: Business-type activities decreased the Town of Lake Santeetlah's net assets by (\$6,905). The key elements of this decrease are as follows:

- Unbudgeted water distribution repairs

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$188,541, while total fund balance reached \$261,098. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures of \$326,323. Unassigned fund balance represents approximately 58% of total General Fund expenditures of \$326,323, while the total fund balance of \$261,098 represents approximately 80% of that same amount.

At June 30, 2019, the governmental fund of the Town reported a fund balance of \$261,098, with a net increase in fund balance of \$76,710.

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

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water Fund at the end of the fiscal year amounted to \$65,091. The total decrease in net assets for this fund was (\$6,905) predominately from water distribution repairs and depreciation expense, which is how infrastructure is replaced over time. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Lake Santeetlah's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$359,899 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment.

During the fiscal year, there were not any significant capital asset additions, demolitions or disposals.

**Town of Lake Santeetlah' s Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2017
Land	\$10,570	\$10,570	\$-	\$-	\$10,570	\$10,570
Building and improvements	60,666	63,455	61,835	65,075	122,501	128,530
Machinery and equipment	7,961	19,491	12,172	12,941	20,133	32,432
Infrastructure	<u>206,695</u>	<u>226,058</u>	<u>-</u>	<u>-</u>	<u>206,695</u>	<u>226,058</u>
Total	<u>\$285,892</u>	<u>\$319,574</u>	<u>\$74,007</u>	<u>\$78,016</u>	<u>\$359,899</u>	<u>\$397,590</u>

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

Long-term Debt. As of June 30, 2019, the Town had long-term debt outstanding \$24,779 obtained to purchase new automatic water meters and Insight software.

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 is \$6,655,927.

Economic Factors and Next Year's Budgets and Rates

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

- The State of North Carolina reformed its sales tax regulations and this has resulted in a significant increase in the sales tax allocation to the Town.
- The Town is the defendant in several lawsuits which will cause the Town to incur higher than usual legal expenses.
- The Town Council is discussing obtaining financing to be used for necessary infrastructure repairs and improvements to its water distribution system and its roadways.

**Budget Highlights for the Fiscal Year Ending
June 30, 2019**

Governmental Activities: For the fiscal year the fund balance increased by \$76,510. The increase was primarily the result of having a higher sales tax allocation and the sale of land.

Business-type activities: For the fiscal year the fund balance decreased by (\$6,905). The decrease was primarily the result of repairs and depreciation expense.

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 Finance Officer Patrick O'Donovan, 4 Marina Drive, Lake Santeetlah, NC 28771 or by phone at (828) 479-8190.

Town of Lake Santeetlah
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$230,847	\$73,177	\$304,024
Accounts receivable (net)	-	542	542
Due from other governments	1,246	-	1,246
Restricted cash and cash equivalents	71,311	-	71,311
Internal balances	(16,151)	16,151	-
Total current assets	<u>\$287,253</u>	<u>\$89,870</u>	<u>\$377,123</u>
Non-current assets:			
Capital assets:			
Land	10,570	-	10,570
Other capital assets, net of depreciation	275,322	74,007	349,329
Total capital assets	<u>285,892</u>	<u>74,007</u>	<u>359,899</u>
Total non-current assets	<u>285,892</u>	<u>74,007</u>	<u>359,899</u>
Total assets	<u>\$573,145</u>	<u>\$163,877</u>	<u>\$737,022</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$26,155	\$-	\$26,155
Current portion of long-term liabilities	-	5,155	5,155
Total current liabilities	<u>26,155</u>	<u>5,155</u>	<u>31,310</u>
Non-current liabilities:			
Due in more than one year	-	19,624	19,624
Total liabilities	<u>26,155</u>	<u>24,779</u>	<u>50,934</u>
NET POSITION			
Net investment in capital assets	285,892	74,007	359,899
Restricted for:			
Transportation	5	-	5
Road repaving	71,306	-	71,306
Stabilization by State Statute	1,246	-	1,246
Unrestricted	188,541	65,091	253,632
Total net position	<u>\$546,990</u>	<u>\$139,098</u>	<u>\$686,088</u>

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

Town of Lake Santeetlah
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$309,074	\$ -	\$ -	\$-	\$(309,074)	\$-	\$(309,074)
Public safety	14,231	-	-	-	(14,231)	-	(14,231)
Transportation	31,806	-	-	8,470	(23,336)	-	(23,336)
Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities	<u>355,111</u>	<u>-</u>	<u>-</u>	<u>8,470</u>	<u>(346,641)</u>	<u>-</u>	<u>(346,641)</u>
Business-type activities							
Water	<u>106,171</u>	<u>99,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,946)</u>	<u>(6,946)</u>
Total business-type activities	<u>106,171</u>	<u>99,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,946)</u>	<u>(6,946)</u>
Total primary government	<u>\$461,282</u>	<u>\$99,225</u>	<u>\$ -</u>	<u>\$8,470</u>	<u>\$(346,641)</u>	<u>\$(6,946)</u>	<u>\$(353,587)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					181,421	-	181,421
Other taxes					107,805	-	107,805
Unrestricted investment earnings					141	41	182
Miscellaneous					<u>105,196</u>	<u>-</u>	<u>105,196</u>
Total general revenues					<u>394,563</u>	<u>41</u>	<u>394,604</u>
Change in net position					47,922	(6,905)	41,017
Net position - beginning					<u>499,068</u>	<u>146,003</u>	<u>645,071</u>
Net position - ending					<u>\$546,990</u>	<u>\$139,098</u>	<u>\$686,088</u>

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

**Town of Lake Santeetlah
Balance Sheet
Governmental Funds
June 30, 2019**

	<u>Major Fund</u>	<u>Total Governmental Funds</u>
	<u>General</u>	
ASSETS		
Cash and cash equivalents	\$230,847	\$230,847
Restricted cash and cash equivalents	71,311	71,311
Due from other governmental agencies	<u>1,246</u>	<u>1,246</u>
Total assets	<u>\$303,404</u>	<u>\$303,404</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$26,155	\$26,155
Due to other fund	<u>16,151</u>	<u>16,151</u>
Total current liabilities	42,306	42,306
FUND BALANCES:		
Restricted		
Transportation	5	5
Road repaving	71,306	71,306
Stabilization by State Statute	1,246	1,246
Unassigned	<u>188,541</u>	<u>188,541</u>
Total fund balances	<u>261,098</u>	261,098
Total liabilities, deferred inflows of resources and fund balance	<u>\$303,404</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	285,892
Long-term liabilities used in governmental activities are not financial uses and therefore not reported in the funds	-
Net position of governmental activities	<u>\$546,990</u>

Town of Lake Santeetiah
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For Year Ended June 30, 2019

	<u>Major Fund</u>	<u>Total Governmental Funds</u>
	<u>General</u>	
REVENUES		
Ad valorem taxes	\$181,421	\$181,421
Other taxes	107,805	107,805
Restricted intergovernmental	8,470	8,470
Investment earnings	141	141
Miscellaneous	<u>105,196</u>	<u>105,196</u>
Total revenues	403,033	403,033
EXPENDITURES		
Current:		
General government	275,392	275,392
Public safety	14,231	14,231
Transportation	31,806	31,806
Debt service:		
Principal	4,894	4,894
Interest and other charges	-	-
Capital outlay		
Total expenditures	<u>326,323</u>	<u>326,323</u>
Net change in fund balances	76,710	76,710
Fund balances – beginning	<u>184,388</u>	<u>184,388</u>
Fund balances – ending	<u>\$261,098</u>	<u>\$261,098</u>

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

Net changes in fund balances – total governmental funds 76,710

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

Principal payments on long-term debt 4,894

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

Capital outlay -
 Depreciation (33,682)

Total changes in net position of governmental activities \$47,922

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

**Town of Lake Santeetlah
General Fund**

**Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2019**

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget – Positive (Negative)
Revenues:				
Ad valorem taxes	\$189,435	\$189,435	\$181,421	\$(8,014)
Other taxes	90,100	90,100	107,805	17,705
Restricted intergovernmental	8,598	8,598	8,470	(128)
Investment earnings	100	100	141	41
Miscellaneous	<u>82,475</u>	<u>88,222</u>	<u>105,196</u>	<u>16,974</u>
Total revenues	<u>370,708</u>	<u>376,455</u>	<u>403,033</u>	<u>26,578</u>
Expenditures:				
Current:				
General government	240,972	286,672	275,392	11,280
Public safety	20,300	20,300	14,231	6,069
Transportation	56,980	68,380	31,806	36,574
Contingency	-	-	-	-
Debt service:				
Principal	5,650	5,650	4,894	756
Interest and other charges	-	-	-	-
Capital outlay	<u>3,000</u>	<u>3,000</u>	-	<u>3,000</u>
Total expenditures	<u>326,902</u>	<u>384,002</u>	<u>326,323</u>	<u>57,679</u>
Revenues over (under) expenditures	43,806	(7,547)	76,710	84,257
Fund Balance Appropriations	<u>(43,806)</u>	<u>7,547</u>	-	<u>7,547</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	76,710	<u>\$91,804</u>
Fund balances, beginning of year			<u>171,828</u>	
Fund balances, end of year			<u>\$248,538</u>	

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

**Town of Lake Santeetlah
Statement of Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019**

	<u>Major Enterprise Fund</u>	
	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$73,177	\$73,177
Due from other funds	16,151	\$16,151
Accounts receivable	<u>542</u>	<u>542</u>
Total current assets	89,870	89,870
Capital Assets:		
Other capital assets, net of depreciation	<u>74,007</u>	<u>74,007</u>
Capital assets (net)	<u>74,007</u>	<u>74,007</u>
Total assets	<u>\$163,877</u>	<u>\$163,877</u>
LIABILITIES		
Current liabilities:		
Current portion of long-term liabilities	<u>\$5,155</u>	<u>\$5,155</u>
Total current liabilities	<u>5,155</u>	<u>5,155</u>
Non-current liabilities		
Due in more than one year	<u>19,624</u>	<u>19,624</u>
Total liabilities	<u>24,779</u>	<u>24,779</u>
NET POSITION		
Net investment in capital assets	74,007	74,007
Unrestricted	<u>65,091</u>	<u>65,091</u>
Total net position	<u>\$139,098</u>	<u>\$139,098</u>

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

Exhibit 7

Town of Lake Santeetlah
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Major Enterprise Fund	Total Proprietary Funds
	Water Fund	
OPERATING REVENUES		
Charges for services	\$99,225	\$99,225
Miscellaneous income	-	-
Total operating revenues	<u>99,225</u>	<u>99,225</u>
OPERATING EXPENSES		
Finance and administration	42,427	42,427
Water treatment and distribution	59,735	59,735
Depreciation	<u>4,009</u>	<u>4,009</u>
Total operating expenses	<u>106,171</u>	<u>106,171</u>
Operating Loss	(6,946)	(6,946)
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	<u>41</u>	<u>41</u>
Total nonoperating revenue (expenses)	<u>41</u>	<u>41</u>
Change in net position	(6,905)	(6,905)
Total net position – beginning	<u>146,003</u>	<u>146,003</u>
Total net position – ending	<u>\$139,098</u>	<u>\$139,098</u>

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

Town of Lake Santeetlah
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Major Enterprise Fund
	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and grants	\$99,225
Cash paid for goods and services	(53,432)
Cash paid to or on behalf of employees for services	<u>(34,249)</u>
Net cash provided by operating activities	11,544
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Decrease in internal advances	<u>25,300</u>
Net cash used by non-capital financing activities	25,300
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	<u>41</u>
Net cash provided by investing financing activities	41
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on long-term debt	<u>(12,558)</u>
Net cash used by capital and related financing activities	<u>(12,558)</u>
Net decrease in cash and cash equivalents	24,327
Balances – beginning of the year	<u>48,850</u>
Balances – end of the year	<u>\$73,177</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	(6,946)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	4,009
Decrease in accounts receivable	<u>14,481</u>
Total adjustments	<u>18,490</u>
Net cash provided by operating activities	<u>\$11,544</u>

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

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town. The Town has no component units.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. 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 of 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. At present, the Town does not have any 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. 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 services. The Town reports the following major enterprise fund:

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

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

Amount reported as program revenues include: 1) charges to customers of 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 water services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system. Operating expenses for enterprise funds include the cost of water treatment and distribution, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Effective with this change in policy, 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 during in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues that are unearned at year-end are recorded as unearned revenues.

D. Budgetary Data

The Town's budgets are adopted as required by 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 functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, two amendments to the original budget were completed. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in Town Council-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 non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

2. Cash and Cash Equivalents

The Town pools money from its two funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and certain investments are essentially demand deposits and are considered cash and cash equivalents.

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

3. Restricted Assets

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

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13 (a)], the Town levies ad valorem taxes on property, other than motor vehicles, on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. The Town has entered into an agreement with Graham County to collect ad valorem taxes. The agreement eliminates the discount offered for early payment. For the year ended June 30, 2019 the Town paid \$10,275 to Graham County for this service.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. At June 30, 2019, the Town has determined all receivables are fully realizable.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost exceeding a defined capitalization cost and an estimated useful life in excess of two years. The Town has established a Minimum capitalization cost of \$500 for all newly acquired assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2004, consist of the road network that was acquired or that received substantial improvements subsequent to July 1, 1987, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20
Buildings	39
Improvements	15
Equipment and furniture	3-10
Computer equipment	3

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

7. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflow 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 criteria. 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 no items that meets this criteria.

8. Long-term Obligations

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

In fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are not recorded as the leave is earned because the Town has only three employees and any remaining amounts of vacation not taken at any point in time would be immaterial to the financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. 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.

10. Net Position / Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt, 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.

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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. The Town does not have any non-spendable fund balance at June 30, 2019.

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 – Powell Bill (Transportation) - 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 road paving – portion of the long-term debt that was acquired for the sole purpose of road maintenance.

Assigned Fund Balance – the portion of fund balance that the Town intends to use for a specific purpose. At June 30, 2019 the Town did not have any assigned fund balance.

Committed Fund Balance – the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body. The Town did not have any committed fund balance at June 30, 2019.

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

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

II. Stewardship, Compliance, and Accountability

A. Contractual Violations

1. Excess of Expenditures over Appropriations – General Fund

For the fiscal year ended June 30, 2019, no expenditures were made by the Town's General Fund were in excess of the authorized appropriations made by the general government.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2019, the Town's deposits had a carrying amount of \$375,335 and bank balances, at two commercial banks, totaling \$372,833. All the bank balances were covered by federal depository insurance.

2. Receivables – Allowance for Doubtful Accounts

At June 30, 2019, the Enterprise Fund had \$542 of accounts receivable from customers as a result of water service billings. The Town has determined, at June 30, 2019, that all receivables are fully realizable

Due from other governments reported in the General Fund consisted of \$1,246 from the State of North Carolina.

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

3. Capital Assets

Primary Government

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$10,570	\$ -	\$ -	\$ -	\$10,570
Total capital assets not being depreciated	10,570	-	-	-	10,570
Capital assets being depreciated					
Land & infrastructure improvements	694,829	-	-	-	694,829
Buildings and building improvements	115,767	-	-	-	115,767
Computers	1,333	-	-	-	1,333
Equipment and furniture and fixtures	80,147	-	-	-	80,147
Total capital assets being depreciated	892,076	-	-	-	892,076
Less accumulated depreciation for:					
Land & infrastructure improvements	484,106	-	19,363	-	503,469
Buildings and building improvements	55,509	-	2,789	-	58,298
Computers	961	-	267	-	1,228
Equipment and furniture and fixtures	42,496	-	11,263	-	53,759
Total accumulated depreciation	583,072	-	33,682	-	616,754
Total capital assets being depreciated, net	309,004	-	(33,682)	-	275,322
Governmental activity capital assets, net	\$319,574	\$ -	\$(33,682)	\$ -	\$285,892
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Business - type activities:					
<i>Water Fund</i>					
Capital assets being depreciated:					
Equipment and furniture and fixtures	\$60,561	\$ -	\$ -	\$ -	\$60,561
Plant and system distributions	766,283	-	-	-	766,283
Total capital assets being depreciated	826,844	-	-	-	826,844
Less accumulated depreciation for:					
Equipment and furniture and fixtures	45,118	-	769	-	45,887
Plant and system distributions	703,710	-	3,240	-	706,950
Total accumulated depreciation	748,828	-	4,009	-	752,837
Water fund capital assets, net	\$78,016	\$ -	\$(4,009)	\$ -	\$74,007

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

B. Liabilities

1. Pension Plan Obligations

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

2. Deferred Outflows and Inflows of Resources

The Town did not have any items meeting these criteria at June 30, 2019.

3. Commitments

The Town did not have any significant commitments at June 30, 2019.

4. Operating Leases

The Town leases the land for the water system and wells from the U.S. Forest Service. Lease payments are \$1,000 every five years. The lease agreement was renewed for an additional term in 2015.

The Town rents half of the Town Hall facility to the Water Fund on a month-to-month rental of \$100 per month.

5. 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 disaster. Through commercial coverage, the Town obtained general liability coverage of \$2 million per occurrence, property coverage up to replacement value, and workers' compensation coverage up to \$1 million per occurrence.

There have been no significant reductions in insurance coverage in the prior year, and there have been no claims in the past three fiscal years.

In accordance with G.S. 159-29, the Town's employees that have access at any given time to \$100 or more of the Town's funds are performance bonded through a commercial surety bond. The finance officer, and tax collector/town clerk are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond up to a limit of either \$20,000 or \$25,000 per occurrence, depending on the type of crime.

6. Claims, Judgments and Contingent Liabilities

During the fiscal year the Town was and is currently the defendant to several legal actions. In one action, a resident claimed impact fees were calculated incorrectly. This case was resolved with the Town making a settlement. A second claim involved a resident disputing the Town's sale of a certain parcel of land, this case was dismissed without prejudice in May 2019. The last action involves two residents who have sued the Town and its Mayor and Vice Mayor. The plaintiffs claim the Town violated various laws while selling land. The Town is rigorously disputing this claim.

There are no other claims, judgments or contingent liabilities at June 30, 2019.

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

7. Long-Term Obligations

a. Non General Obligation Indebtedness

During a previous fiscal year, the Town entered into a term loan with United Community Bank. The loan originated December 2016, for \$50,000, requiring monthly payments of \$927, including interest at 3.58%, maturing October 2021. The proceeds of the loan were exclusively for the replacement of water meters. The balance outstanding at June 30, 2019 was \$24,779.

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

Year Ending June 30:	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$5,155	\$5,964
2021	9,912	1,207
2022	<u>9,712</u>	<u>1,407</u>
Total	<u>\$24,779</u>	<u>\$8,578</u>

b. Capital Lease Obligation

The City has entered into an agreement to lease a truck. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The agreement was executed on July 1, 2015 and requires 48 monthly payments of \$673. The truck is included in the equipment class of capital assets and its acquisition cost of \$31,291 is allocated 60% to governmental activities and 40% to the *Water Fund*. The obligation was satisfied at June 30, 2019.

c. Changes in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
Government funds:					
Capital lease obligation	\$4,894	\$ -	\$(4,894)	\$ -	\$ -
	<u>\$4,894</u>	<u>\$ -</u>	<u>\$(4,894)</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type activities:					
Non-general obligation indebtedness	\$34,074	\$ -	\$(9,295)	\$24,779	\$5,155
Capital lease obligation	<u>3,263</u>	<u>-</u>	<u>(3,263)</u>	<u>-</u>	<u>-</u>
	<u>\$37,337</u>	<u>\$ -</u>	<u>\$(12,558)</u>	<u>\$24,779</u>	<u>\$5,155</u>

At June 30, 2019, the Town had no general obligation debt outstanding. At June 30, 2019, the Town had a legal debt margin of \$6,655,927.

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

d. Interfund Balances and Activity

Balances Due to/from Other Funds

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

Due from the General Fund to the Water Fund in the amount of \$16,151.

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, (3) allocation of the new truck in a 60% / 40% allocation, and (4) payments between funds are made.

C. Fund Balance

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

Total fund balance - General Fund	\$261,098
Less:	
Transportation - Powell Bill	(5)
Road paving	(71,306)
Stabilization for State Statute	<u>(1,246)</u>
Remaining fund balance	<u>\$188,541</u>

Town of Lake Santeetlah, North Carolina
 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
 For the Year Ended June 30, 2019

	2019		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	\$189,435	\$181,421	\$(8,014)
Penalties and interest	-	-	-
Total	189,435	181,421	(8,014)
Unrestricted intergovernmental:			
Local option sales tax	75,500	85,213	9,713
Occupancy tax	-	2,927	2,927
Utility franchise tax	12,500	14,918	2,418
Sales tax refund	800	2,493	1,693
DMV tax refund	<u>1,300</u>	<u>2,254</u>	<u>954</u>
Total	90,100	107,805	17,705
Restricted intergovernmental:			
Powell Bill allocation	8,598	8,470	(128)
Investment earnings	100	141	41
Miscellaneous	<u>88,222</u>	<u>105,196</u>	<u>16,974</u>
Total revenues	<u>376,455</u>	<u>403,033</u>	<u>26,578</u>
Expenditures:			
General government:			
Governing body:			
Professional services	<u>122,500</u>	<u>128,862</u>	<u>(6,362)</u>
Total	122,500	128,862	(6,362)
Administration:			
Salaries and employee benefits	106,915	116,667	(9,752)
Other operating expenditures	34,707	9,914	24,793
Donations	<u>2,000</u>	<u>1,460</u>	<u>540</u>
Total	143,622	128,041	15,581

Town of Lake Santeetlah, North Carolina
 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
 For the Year Ended June 30, 2019

	2019		
	Budget	Actual	Variance Positive (Negative)
Tax Collection:			
Other operating expenditures	<u>\$12,000</u>	<u>\$10,275</u>	<u>\$1,725</u>
Total	12,000	10,275	1,725
Public buildings:			
Other operating expenditures	<u>\$5,550</u>	<u>\$5,214</u>	<u>\$336</u>
Total	<u>5,550</u>	<u>5,214</u>	<u>336</u>
Total general government	283,672	272,392	11,280
Public safety:			
Contracted services	9,000	6,775	2,225
Security light	10,000	7,160	2,840
Other operating expenditures	<u>1,300</u>	<u>296</u>	<u>1,004</u>
Total	20,300	14,231	6,069
Fire:			
Fire service fee	-	-	-
Fire station contributions	<u>3,000</u>	<u>3,000</u>	-
Total	<u>3,000</u>	<u>3,000</u>	-
Total public safety	<u>23,300</u>	<u>17,231</u>	<u>6,069</u>

Town of Lake Santeetlah, North Carolina
 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
 For the Year Ended June 30, 2019

	2019		
	Budget	Actual	Variance Positive (Negative)
Transportation:			
Streets and highways:			
Other operating expenditures	\$5,955	\$1,510	\$4,445
Contracted services	14,525	12,065	2,460
Repairs and maintenance	<u>47,900</u>	<u>18,231</u>	<u>29,669</u>
Total transportation	68,380	31,806	36,574
Contingency allowance	-	-	-
Debt service:			
Principal	5,650	4,894	756
Interest and other charges	-	-	-
Capital outlay	<u>3,000</u>	-	<u>3,000</u>
Total expenditures	<u>384,002</u>	<u>326,323</u>	<u>57,679</u>
Revenue over (under) expenditures	(7,547)	76,710	84,257
Fund balance appropriated	<u>7,547</u>	-	<u>(7,547)</u>
Net Change in fund balance	<u>\$ -</u>	76,710	<u>\$76,710</u>
Fund balances:			
Beginning of year, July 1		<u>184,388</u>	
End of year, June 30		<u>\$261,098</u>	

Town of Lake Santeetlah, North Carolina
 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Enterprise Fund
 For the Year Ended June 30, 2019

	2019		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating Revenues:			
Water charges	\$101,453	\$99,225	\$(2,228)
Operating grants	<u> -</u>	<u> -</u>	<u> -</u>
Total operating revenues	101,453	99,225	(2,228)
Nonoperating revenues			
Miscellaneous income	1,000	-	(1,000)
Investment earnings	<u> 75</u>	<u> 41</u>	<u> (34)</u>
Total nonoperating revenues	<u> 1,075</u>	<u> 41</u>	<u> (1,034)</u>
Total Revenues	102,528	99,266	(3,262)
Expenditures:			
Water administration			
Audit fees	3,600	3,600	-
Miscellaneous	<u> 2,960</u>	<u> 4,331</u>	<u> (1,371)</u>
Total	6,560	7,931	(1,371)

Town of Lake Santeetlah, North Carolina
 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Enterprise Fund
 For the Year Ended June 30, 2019

Water distribution:			
Salaries and employee benefits	33,413	34,249	(836)
Utilities	5,500	6,286	(786)
Postage	600	703	(103)
Repairs and maintenance	28,615	25,452	3,163
Supplies, testing and chemicals	9,644	9,646	(2)
Taxes and licenses	420	420	-
Contract operator	15,000	16,250	(1,250)
Other operating expenses	<u>1,576</u>	<u>1,225</u>	<u>351</u>
Total	94,768	94,231	537
Contingency allowance	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>101,328</u>	<u>102,162</u>	<u>(834)</u>
Revenues over expenditures	<u>1,200</u>	<u>(2,896)</u>	<u>(4,096)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		<u>(4,009)</u>	
Total		<u>(4,009)</u>	
Change in net position		<u>\$(6,905)</u>	

Town of Lake Santeetlah, North Carolina
 Schedule of Ad Valorem Taxes Receivable
 For the Year Ended June 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018 - 2019	\$-	\$190,257	\$189,141	\$1,116
2017 - 2018	615	-	272	343
2016 - 2017	528	-	194	334
2015 - 2016	432	-	-	432
2014 - 2015	<u>40</u>	<u>-</u>	<u>-</u>	<u>40</u>
	<u>\$1,615</u>	<u>\$190,257</u>	<u>\$189,607</u>	2,265
				Less allowance for uncollectible accounts - General Fund
				<u>(2,265)</u>
				Ad valorem taxes receivable, net - General Fund
				<u>\$ -</u>
<u>Reconciliation with revenues</u>				
				Ad valorem taxes - General Fund
				\$181,421
				Allowance for uncollectible accounts
				2,265
				Tax collection fees
				10,275
				Interest, penalties and discovery
				<u>(4,354)</u>
				Total collections and credits
				<u>\$189,607</u>

Town of Lake Santeetlah, North Carolina
 Analysis of Current Tax Levy – Town-Wide Levy
 For the Year Ended June 30, 2019

	Town – Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$84,558,667	0.00225	\$190,257	\$190,257	\$2,254
Discoveries			2,576	2,576	-
Releases			(21)	(21)	-
Total property valuation	<u>\$84,558,667</u>				
Net levy			192,812	192,812	2,254
Tax collection fees			(10,275)	(10,275)	
Uncollected taxes at June 30, 2019			<u>(1,116)</u>	<u>(1,116)</u>	-
Current year's taxes collected			<u>\$181,421</u>	<u>\$181,421</u>	<u>\$2,254</u>
Current levy collection percentage			<u>99.67%</u>	<u>99.67%</u>	