

**Town of Saratoga
North Carolina
Financial Report**

FOR THE FISCAL YEAR ENDED JUNE 30, 2019



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Town of Saratoga, North Carolina
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the Town Council
Town of Saratoga, 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 Saratoga, 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 of Saratoga's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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 Town of Saratoga, 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 4.1 through 4.8 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 Saratoga's basic financial statements. The individual fund financial schedules, 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 schedules, 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 individual fund financial schedules, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2020, on our consideration of the Town of Saratoga, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Saratoga's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Saratoga, North Carolina's internal control over financial reporting and compliance.

Cam, Riggs & Ingram, L.L.C.

Wilson, North Carolina

January 15, 2020

Management's Discussion and Analysis

Town of Saratoga, North Carolina

Management's Discussion and Analysis

June 30, 2019

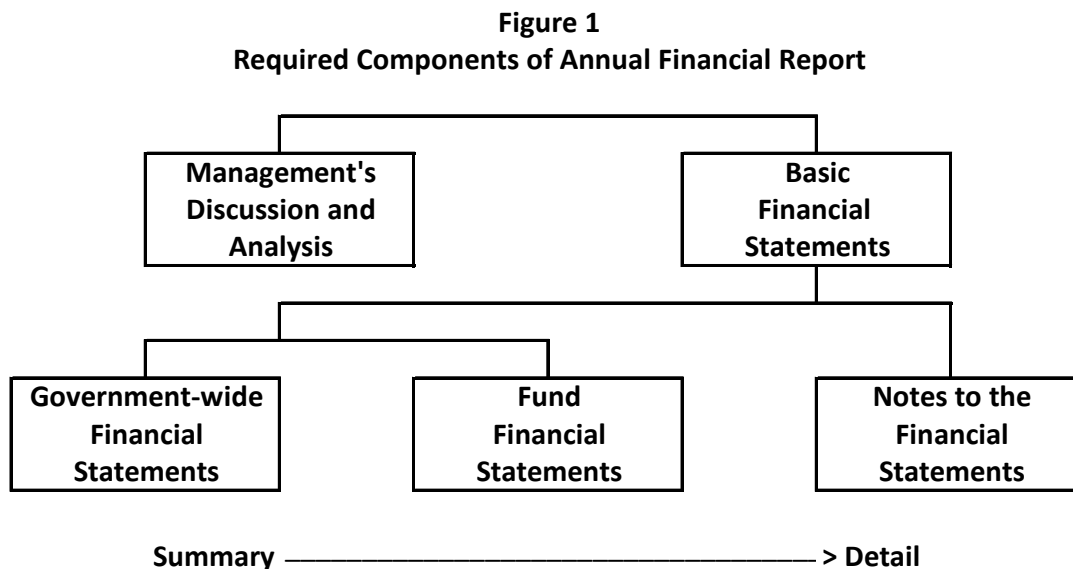
As management of the Town of Saratoga (the "Town"), we offer readers of the Town of Saratoga's financial statements this narrative overview and analysis of the financial activities of the Town of Saratoga for the fiscal year ended June 30, 2019. We encourage readers to read the information presented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

Financial Highlights

- The assets of the Town of Saratoga exceeded its liabilities at the close of the fiscal year by \$5,101,733 (*net position*).
- The government's total net position increased by \$607,202, primarily due to a \$595,207 capital grant in the business-type activities.
- As of the close of the current fiscal year, the Town of Saratoga's governmental funds reported combined ending fund balances of \$447,671 with a net change of \$14,038 in fund balance. Approximately 12.68% of this total amount, or \$56,749, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$312,078, or 126.76% of total general fund expenditures for the fiscal year.
- The Town of Saratoga's total debt decreased by \$19,671 (18.14%) during the current fiscal year.

Overview of the Financial Statements

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



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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information and other information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements. The other information presents data and analysis relating to the Town's Ad Valorem taxes and the tax levy.

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, environmental protection, 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. This includes the water and sewer services offered by the Town of Saratoga.

The government-wide financial statements are 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 Saratoga, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Saratoga 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 Saratoga adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Saratoga uses an enterprise fund to account for its water and sewer activity. This fund is the same as the function 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 18.1 of this report.

Town of Saratoga, North Carolina
Management's Discussion and Analysis
June 30, 2019

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 governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 459,239	\$ 448,422	\$ 977,688	\$ 547,560	\$ 1,436,927	\$ 995,982
Non-current assets	45,191	44,133	-	-	45,191	44,133
Capital assets	572,050	570,584	3,539,663	3,044,548	4,111,713	3,615,132
Total assets	<u>1,076,480</u>	<u>1,063,139</u>	<u>4,517,351</u>	<u>3,592,108</u>	<u>5,593,831</u>	<u>4,655,247</u>
Current liabilities	14,376	17,753	408,800	54,189	423,176	71,942
Long-term liabilities	35,840	47,422	33,082	41,352	68,922	88,774
Total liabilities	<u>50,216</u>	<u>65,175</u>	<u>441,882</u>	<u>95,541</u>	<u>492,098</u>	<u>160,716</u>
Net position:						
Net investment in capital						
assets	524,633	511,766	3,498,311	2,994,926	4,022,944	3,506,692
Restricted	56,749	59,303	-	-	56,749	59,303
Unrestricted	444,882	426,895	577,158	501,641	1,022,040	928,536
Total net position	<u>\$ 1,026,264</u>	<u>\$ 997,964</u>	<u>\$ 4,075,469</u>	<u>\$ 3,496,567</u>	<u>\$ 5,101,733</u>	<u>\$ 4,494,531</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Saratoga exceeded liabilities by \$5,101,733 as of June 30, 2019. The Town's net position increased by \$607,202 for the fiscal year ended June 30, 2019. However, the largest portion (78.85%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Saratoga uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Saratoga's 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 Saratoga's net position of \$56,749 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,022,040 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 97.31%. The statewide average in fiscal year 2019 was 98.78%.
- Increased sales tax revenues of approximately \$2,397 due to economic growth in the Town.
- Continued low cost of debt due to the Town's high bond rating.

Town of Saratoga, North Carolina
Management's Discussion and Analysis
June 30, 2019

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES:						
Program revenues:						
Charges for services	\$ 41,184	\$ 46,484	\$ 283,766	\$ 267,588	\$ 324,950	\$ 314,072
Operating grants & contributions	13,526	13,767	-	-	13,526	13,767
Capital grants & contributions	5,630	9,085	595,207	-	600,837	9,085
General revenues:						
Property taxes	142,747	138,559	-	-	142,747	138,559
Other taxes	55,823	53,426	-	-	55,823	53,426
Grants and contributions not restricted to specific programs	11,450	11,244	-	-	11,450	11,244
Unrestricted investment earnings	1,977	1,466	-	-	1,977	1,466
Miscellaneous	545	1,978	-	-	545	1,978
Total revenues	<u>272,882</u>	<u>276,009</u>	<u>878,973</u>	<u>267,588</u>	<u>1,151,855</u>	<u>543,597</u>
EXPENSES:						
Governmental activities:						
General government	122,098	136,749	-	-	122,098	136,749
Public safety	7,000	7,000	-	-	7,000	7,000
Transportation	5,583	5,464	-	-	5,583	5,464
Economic & physical development	151	-	-	-	151	-
Environmental protection	93,824	90,204	-	-	93,824	90,204
Cultural and recreational	14,996	12,347	-	-	14,996	12,347
Interest on long-term debt	930	1,114	-	-	930	1,114
Business-type activities:						
Water and sewer	-	-	300,071	303,251	300,071	303,251
Total expenses	<u>244,582</u>	<u>252,878</u>	<u>300,071</u>	<u>303,251</u>	<u>544,653</u>	<u>556,129</u>
Change in net position	28,300	23,131	578,902	(35,663)	607,202	(12,532)
NET POSITION, BEGINNING	<u>997,964</u>	<u>974,833</u>	<u>3,496,567</u>	<u>3,532,230</u>	<u>4,494,531</u>	<u>4,507,063</u>
NET POSITION, ENDING	<u>\$ 1,026,264</u>	<u>\$ 997,964</u>	<u>\$ 4,075,469</u>	<u>\$ 3,496,567</u>	<u>\$ 5,101,733</u>	<u>\$ 4,494,531</u>

Governmental activities: Governmental activities increased the Town's net position by \$28,300, accounting for 4.66% of the total growth in the net position of the Town of Saratoga. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Town management continued to reduce non-essential programs to a minimum and implemented cost saving strategies across Town departments. Certain nonrecurring expenses were either postponed or renegotiated to maintain a healthy net position. Management believes healthy investment in the Town will result in additional revenues, adding to the Town's net position by investing in capital assets which were largely funded by recreational grant revenues. Increased efforts to maximize tax collections also contributed to the favorable net position. Town management acknowledges that 2019 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Town of Saratoga, North Carolina
Management's Discussion and Analysis
June 30, 2019

Key elements of this increase are as follows:

- Capital grants and contributions in the amount of \$5,630 positively affected the Town's net position.
- Decreased general government expenditures positively affected the Town's net position.

Business-type activities: Business-type activities increased the Town of Saratoga's net position by \$578,902, accounting for 95.34% of the total growth in the government's net position. Rate increases in the Water and Sewer Fund and cost-saving measures taken to reduce operating costs, as well as a \$595,207 capital contribution also contributed to the increase in net position.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Saratoga. At the end of the current fiscal year, the Town of Saratoga's unassigned fund balance available in the General Fund was \$312,078, while total fund balance reached \$447,671, which is a net increase in fund balance of \$14,038. The Town currently has an available unassigned fund balance of 126.76% of General Fund expenditures, while total fund balance represents 181.84% of the same amount.

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

Revenues were greater than the budgeted amounts primarily because ad valorem taxes and sales and services revenues received were greater than the Town originally had expected to receive. Expenditures were held in check to allow the Town to comply with its overall budgetary requirements.

Proprietary Funds. The Town of Saratoga's 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 \$577,158. The total change in net position was \$578,902. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Saratoga's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Saratoga's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$4,111,713 (net of accumulated depreciation). These assets include land, buildings, utilities delivery systems, machinery and equipment, vehicles and infrastructure.

Town of Saratoga, North Carolina
Management's Discussion and Analysis
June 30, 2019

Major capital asset transactions during the year include the following:

- Expenditures of \$15,154 in transportation activities related to street resurfacing.
- Construction in progress expenditures of \$11,260 in the governmental activities related to recreational construction. The Town Park Project was completed and capitalized in the current year.
- Construction in progress expenditures of \$595,207 in the business-type activities related to the Speight School Road Municipal Sewer Improvements Project.

SUMMARY OF CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 65,691	\$ 65,691	\$ 31,576	\$ 30,527	\$ 97,267	\$ 96,218
Land improvements	62,585	20,957	-	-	62,585	20,957
Buildings	60,382	57,855	4,715	4,878	65,097	62,733
Water plant & distribution system	-	-	896,605	926,283	896,605	926,283
Sewer plant & collection system	-	-	1,845,069	1,910,431	1,845,069	1,910,431
Equipment and furniture	219,463	183,045	42,242	48,180	261,705	231,225
Vehicles & motorized equipment	109,845	120,598	-	-	109,845	120,598
Infrastructure	54,084	41,146	-	-	54,084	41,146
Construction in progress	-	81,291	719,456	124,249	719,456	205,540
TOTALS	\$ 572,050	\$ 570,583	\$ 3,539,663	\$ 3,044,548	\$ 4,111,713	\$ 3,615,131

Additional information on the Town's capital assets can be found in Note II.A.3 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2019, the Town of Saratoga had total debt outstanding of \$47,417 on a bank installment purchase note related to the purchase of a garbage truck and \$41,352 on a NC Drinking Water State Revolving Loan.

Town of Saratoga's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Installment purchase	\$ 47,417	\$ 58,818	\$ -	\$ -	\$ 47,417	\$ 58,818
NC Drinking Water State Revolving Loan	-	-	41,352	49,622	41,352	49,622
Totals	\$ 47,417	\$ 58,818	\$ 41,352	\$ 49,622	\$ 88,769	\$ 108,440

Town of Saratoga, North Carolina Management's Discussion and Analysis June 30, 2019

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Saratoga is \$1,923,866. The Town has no bonds authorized but unissued at June 30, 2019.

Additional information regarding the Town of Saratoga's long-term debt can be found in Note II.B.5 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- The Town of Saratoga is located in southeastern Wilson County in North Carolina.
- The removal of crop allotments has increased farming in the area and given some new life to the Town.
- Even though we have had several opportunities to grow, home building has almost completely stopped due to lack of sewer capacity, but there were new homes built in 2019. Further, the town is in the process of trying to clean up some abandoned homes and has had some success in getting owners to clean up properties in 2019. The Town continues to receive numerous grants and is in the process of several Water and Sewer Capital Projects to correct this situation.
- Concerning economic factors, the Town needs additional wastewater capacity which will allow the Town to grow. Capacity for wastewater sent to the Town of Stantonsburg for treatment is limited because of their limited capacity. We will continue to upgrade the system and receive, if possible, grants and monies to direct the wastewater treatment somewhere with a larger capacity, for which the groundwork has already been laid.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Budgeted expenditures in the General Fund are expected to increase 5.94% to \$392,475. The largest increases are in environmental protection and transportation expenditures. The Town's property tax rate remained unchanged at 58 cents per hundred dollars of valuation. The Town has chosen to appropriate \$75,000 in fund balance in the fiscal year 2020 budget.

Business-type Activities: With the new budget year, the Town's water and sewer rates will remain the same.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Saratoga, P.O. Box 206, Saratoga, NC 27873. One can also call (252)238-3487 or send an email to saratoga@saratoganc.org for more information.

Town Council Members

Charles T. Hawkins, Mayor

Elaine Saunders

Tim Shelton

Delance Ellis

Administrative and Financial Staff

Brenda Wilson, Finance Officer

Basic Financial Statements

Town of Saratoga, North Carolina
Statement of Net Position
June 30, 2019
Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 393,721	\$ 549,126	\$ 942,847
Taxes receivable (net)	6,520	-	6,520
Accrued interest receivable on taxes	2,249	-	2,249
Accounts receivable (net)	2,645	34,176	36,821
Due from other governments	17,765	-	17,765
Restricted assets:			
Cash and cash equivalents	36,339	37,671	74,010
Due from other governments	-	356,715	356,715
Total current assets	<u>459,239</u>	<u>977,688</u>	<u>1,436,927</u>
Non-current assets:			
Nuisance abatement receivable	45,191	-	45,191
Capital assets:			
Land, non-depreciable improvements, and construction in progress	65,691	751,032	816,723
Other capital assets, net of depreciation	506,359	2,788,631	3,294,990
Total capital assets	<u>572,050</u>	<u>3,539,663</u>	<u>4,111,713</u>
Total assets	<u>1,076,480</u>	<u>4,517,351</u>	<u>5,593,831</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	2,799	6,144	8,943
Current portion of long-term liabilities	11,577	8,270	19,847
Payable from restricted liabilities	-	394,386	394,386
Total current liabilities	<u>14,376</u>	<u>408,800</u>	<u>423,176</u>
Non-current liabilities:			
Due in more than one year	35,840	33,082	68,922
Total liabilities	<u>50,216</u>	<u>441,882</u>	<u>492,098</u>
NET POSITION			
Net investment in capital assets	524,633	3,498,311	4,022,944
Restricted for:			
Stabilization by state statute	20,410	-	20,410
Streets	36,339	-	36,339
Unrestricted	444,882	577,158	1,022,040
Total net position	<u>\$ 1,026,264</u>	<u>\$ 4,075,469</u>	<u>\$ 5,101,733</u>

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

Town of Saratoga, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2019
Exhibit 2

	Program Revenues		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES:			
General government	\$ 122,098	\$ -	\$ -
Public safety	7,000	-	-
Transportation	5,583	-	13,241
Economic and physical development	151	4,201	-
Environmental protection	93,824	36,683	285
Cultural and recreational	14,996	300	-
Interest on long-term debt	930	-	-
Total governmental activities	244,582	41,184	13,526
BUSINESS-TYPE ACTIVITIES:			
Water and sewer	300,071	283,766	-
Total primary government	\$ 544,653	\$ 324,950	\$ 13,526
			\$ 600,837

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

Town of Saratoga, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2019
Exhibit 2

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business- type Activities	Total
FUNCTIONS/PROGRAMS			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES:			
General government	\$ (122,098)	\$ -	\$ (122,098)
Public safety	(7,000)	-	(7,000)
Transportation	7,658	-	7,658
Economic and physical development	4,050	-	4,050
Environmental protection	(56,856)	-	(56,856)
Cultural and recreational	(9,066)	-	(9,066)
Interest on long-term debt	(930)	-	(930)
Total governmental activities	<u>(184,242)</u>	-	<u>(184,242)</u>
BUSINESS-TYPE ACTIVITIES:			
Water and sewer	-	578,902	578,902
Total primary government	<u>(184,242)</u>	<u>578,902</u>	<u>394,660</u>
GENERAL REVENUES:			
Taxes:			
Property taxes, levied for general purpose	142,747	-	142,747
Other taxes	55,823	-	55,823
Grants and contributions not restricted to specific programs	11,450	-	11,450
Unrestricted investment earnings	1,977	-	1,977
Miscellaneous	545	-	545
Total general revenues	<u>212,542</u>	-	<u>212,542</u>
Change in net position	28,300	578,902	607,202
NET POSITION, BEGINNING	<u>997,964</u>	<u>3,496,567</u>	<u>4,494,531</u>
NET POSITION, ENDING	<u>\$ 1,026,264</u>	<u>\$ 4,075,469</u>	<u>\$ 5,101,733</u>

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

Town of Saratoga, North Carolina
Governmental Funds
Balance Sheet
June 30, 2019
Exhibit 3

	Major Funds		Total Governmental Funds
	General	Saratoga Town Park - Phase IV	
ASSETS			
Cash and cash equivalents	\$ 393,721	\$ -	\$ 393,721
Restricted cash	36,339	-	36,339
Taxes receivable, net	6,520	-	6,520
Accounts receivable, net	47,836	-	47,836
Due from other governments	17,765	-	17,765
	<hr/>		
Total assets	\$ 502,181	\$ -	\$ 502,181
LIABILITIES			
Accounts payable and accrued liabilities	\$ 2,799	\$ -	\$ 2,799
Total liabilities	2,799	-	2,799
<hr/>			
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	6,520	-	6,520
Nuisance abatement receivable	45,191	-	45,191
Total deferred inflows of resources	51,711	-	51,711
<hr/>			
FUND BALANCES			
Restricted			
Stabilization by state statute	20,410	-	20,410
Streets	36,339	-	36,339
Assigned			
Economic and physical development	3,844	-	3,844
Subsequent year's expenditures	75,000	-	75,000
Unassigned	312,078	-	312,078
Total fund balances	447,671	-	447,671
	<hr/>		
Total liabilities, deferred inflows of resources and fund balances	\$ 502,181	\$ -	\$ 502,181
	<hr/>		

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

Town of Saratoga, North Carolina
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2019
Exhibit 4

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position follows:

Total fund balances of governmental funds		\$ 447,671
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 799,934	
Less accumulated depreciation	<u>(227,884)</u>	
Net capital assets		572,050
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred		2,249
Liabilities for earned revenues considered deferred inflows of resources in fund statements		51,711
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:		
Installment purchase obligations		<u>(47,417)</u>
Net position of governmental activities		<u><u>\$ 1,026,264</u></u>

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

Town of Saratoga, North Carolina

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Fiscal Year Ended June 30, 2019

Exhibit 5

	Major Funds		Total Governmental Funds
	General	Saratoga Town Park - Phase IV	
REVENUES			
Ad valorem taxes	\$ 142,410	\$ -	\$ 142,410
Unrestricted intergovernmental	67,273	-	67,273
Restricted intergovernmental	13,526	5,630	19,156
Sales and services	39,976	-	39,976
Investment earnings	1,977	-	1,977
Miscellaneous income	698	-	698
Total revenues	<u>265,860</u>	<u>5,630</u>	<u>271,490</u>
EXPENDITURES			
Current:			
General government	119,827	-	119,827
Public safety	7,000	-	7,000
Transportation	18,114	-	18,114
Economic and physical development	151	-	151
Environmental protection	85,808	-	85,808
Cultural and recreational	2,961	-	2,961
Debt service:			
Principal retirement	11,401	-	11,401
Interest and other charges	930	-	930
Capital outlay	-	11,260	11,260
Total expenditures	<u>246,192</u>	<u>11,260</u>	<u>257,452</u>
Revenues over (under) expenditures	<u>19,668</u>	<u>(5,630)</u>	<u>14,038</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	5,630	5,630
Transfers to other funds	(5,630)	-	(5,630)
Total other financing sources (uses)	<u>(5,630)</u>	<u>5,630</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other uses	14,038	-	14,038
FUND BALANCE, BEGINNING	<u>433,633</u>	<u>-</u>	<u>433,633</u>
FUND BALANCE, ENDING	<u>\$ 447,671</u>	<u>\$ -</u>	<u>\$ 447,671</u>

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

Town of Saratoga, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019
Exhibit 6

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

Net changes in fund balances of governmental funds	\$ 14,038
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	32,275
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(30,808)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:	
Change in unavailable revenue for tax revenues	295
Increase in accrued interest receivable on taxes	42
Change in unavailable revenue for nuisance abatement assessments	1,057
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:	
Principal payments on long-term debt	11,401
Total changes in net position of governmental activities	\$ 28,300

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

**Town of Saratoga, North Carolina
General Fund**

**Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual
For the Fiscal Year Ended June 30, 2019
Exhibit 7**

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 137,069	\$ 137,069	\$ 142,410	\$ 5,341
Unrestricted intergovernmental	65,082	65,082	67,273	2,191
Restricted intergovernmental	13,012	13,012	13,526	514
Sales and services	34,436	34,436	39,976	5,540
Investment earnings	1,284	1,284	1,977	693
Miscellaneous income	3,400	3,400	698	(2,702)
Total revenues	<u>254,283</u>	<u>254,283</u>	<u>265,860</u>	<u>11,577</u>
EXPENDITURES				
Current:				
General government	184,076	182,276	119,827	62,449
Public safety	7,000	7,000	7,000	-
Transportation	54,182	54,182	18,114	36,068
Economic and physical development	1,000	1,000	151	849
Human services	11,500	11,500	-	11,500
Environmental protection	86,364	87,864	85,808	2,056
Cultural and recreational	2,000	3,040	2,961	79
Debt service:				
Principal retirement	11,396	11,401	11,401	-
Interest and other charges	935	930	930	-
Total expenditures	<u>358,453</u>	<u>359,193</u>	<u>246,192</u>	<u>113,001</u>
Revenues over (under) expenditures	<u>(104,170)</u>	<u>(104,910)</u>	<u>19,668</u>	<u>124,578</u>
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	116,170	116,170	-	(116,170)
Transfers to other funds	(12,000)	(11,260)	(5,630)	5,630
Total other financing sources (uses)	<u>104,170</u>	<u>104,910</u>	<u>(5,630)</u>	<u>(110,540)</u>
Revenues and other financing sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>14,038</u>	<u>\$ 14,038</u>
FUND BALANCE, BEGINNING			<u>433,633</u>	
FUND BALANCE, ENDING			<u>\$ 447,671</u>	

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

Town of Saratoga, North Carolina
Proprietary Funds
Statement of Net Position
June 30, 2019
Exhibit 8

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 549,126
Accounts receivable (net)	34,176
Restricted assets:	
Cash and cash equivalents	37,671
Due from other governments	356,715
Total current assets	977,688
Capital assets:	
Land, non-depreciable improvements, and construction in progress	751,032
Other capital assets, net of depreciation	2,788,631
Capital assets (net)	3,539,663
Total assets	4,517,351
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	6,144
NC Drinking Water State Revolving Loan - current	8,270
Liabilities payable from restricted assets:	
Customer deposits	37,671
Accounts payable	356,715
Total current liabilities	408,800
Non-current liabilities:	
NC Drinking Water State Revolving Loan	33,082
Total liabilities	441,882
NET POSITION	
Net investment in capital assets	3,498,311
Unrestricted	577,158
Total net position	\$ 4,075,469

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

Town of Saratoga, North Carolina
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2019
Exhibit 9

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 283,766
OPERATING EXPENSES	
Water treatment and distribution	68,602
Waste collection and treatment	127,828
Depreciation	103,641
Total operating expenses	300,071
Income (loss) before capital contributions	(16,305)
Capital contributions	595,207
CHANGE IN NET POSITION	578,902
TOTAL NET POSITION, BEGINNING	3,496,567
TOTAL NET POSITION, ENDING	\$ 4,075,469

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

Town of Saratoga, North Carolina
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019
Exhibit 10

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 281,681
Cash paid for goods and services	(175,387)
Cash paid to or on behalf of employees for services	(25,737)
Customer deposits received (net)	<u>2,590</u>
Net cash provided by operating activities	<u>83,147</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital contributions	238,492
Acquisition and construction of capital assets	(242,041)
Principal paid on NC Drinking Water State Revolving Loan	<u>(8,270)</u>
Net cash used by capital and related financing activities	<u>(11,819)</u>

Net increase in cash and cash equivalents	71,328
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CASH AND CASH EQUIVALENTS, BEGINNING	<u>515,469</u>
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CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 586,797</u>
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RECONCILIATION OF CASH AND CASH EQUIVALENTS, ENDING

Cash and cash equivalents	\$ 549,126
Restricted cash and cash equivalents	<u>37,671</u>
Total cash and cash equivalents	<u>\$ 586,797</u>

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

Town of Saratoga, North Carolina
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019
Exhibit 10

Water and Sewer Fund

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating income (loss)	\$ (16,305)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	103,641
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(2,085)
Increase (decrease) in accounts payable and accrued liabilities	(4,694)
Increase (decrease) in customer deposits	2,590
Total adjustments	99,452
Net cash provided by operating activities	\$ 83,147

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

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Saratoga (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 of Saratoga is a municipal corporation that is governed by an elected mayor and a three-member council.

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the 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. Nonoperating revenues, such as subsidies result from non-exchange transactions. Other nonoperating revenues are ancillary activities such as investment earnings.

Town of Saratoga, North Carolina Notes to Financial Statements

The Town reports the following major governmental funds:

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

Saratoga Town Park – Phase IV. This fund is used to account for the Phase IV construction of a new Town park.

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.

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

Town of Saratoga, North Carolina Notes to Financial Statements

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

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

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

D. Budgetary Data

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

Town of Saratoga, North Carolina
Notes to Financial Statements

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 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 several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Restricted cash as of June 30, 2019 was comprised of the following amounts:

Governmental Activities

General Fund:

Powell Bill funds	\$ 36,339
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Business-type activities

Water and Sewer Fund:

Customer utility deposits	<u>37,671</u>
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Total restricted cash	<u><u>\$ 74,010</u></u>
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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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

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.

Town of Saratoga, North Carolina Notes to Financial Statements

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The Town has elected to record general infrastructure assets on a prospective basis beginning with the implementation of GASB 34. 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:

Asset Class	Estimated Useful Lives
Buildings	20-40
Water plant and distribution systems	10-50
Sewer plant and collection systems	10-50
Equipment and furniture	5-20
Vehicles and motorized equipment	8
Infrastructure	30

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of fund balance 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 net position and the governmental funds balance sheet 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 nuisance abatements receivable.

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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

Town of Saratoga, North Carolina
Notes to Financial Statements

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

9. Compensated Absences

When calculating vacation leave for employees whose yearly base hours are 2,080, the employee’s normal work day expressed in hours, up to a maximum of eight (8) shall be used. Those employees shall earn vacation leave at the following rate:

Length of Town Service	Hours Provided Each Year
Less than 3 years	40 Hours
3 to 10 years	80 Hours
10 years or more	120 Hours

Annual leave is credited to each employee at the beginning of each fiscal year (July 1). Any annual leave unused by June 30th of each year shall be removed from the employee’s leave balance. Consequently, there is no liability for accumulated earned vacation in the governmental or enterprise funds at June 30.

Employees shall have 6 days sick leave allotted at the beginning of each fiscal year. Unused sick leave shall not accumulate or carry forward from one year to the next. Consequently, there is no liability for accumulated sick leave in the governmental or enterprise funds at June 30.

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, 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.

For purposes of net position classification, expenses are to be spent from restricted net position first and then unrestricted net position.

Fund Balances:

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

The governmental fund types classify fund balances as follows:

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

Town of Saratoga, North Carolina Notes to Financial Statements

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 nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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

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

Assigned fund balance – portion of fund balance that the Town of Saratoga intends to use for specific purposes.

Assigned for Economic and Physical Development – portion of fund balance that has been budgeted by the Board for an annual economic and physical development festival called "Saratoga Day".

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified as restricted or committed.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds, nor any amounts in nonspendable form.

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

11. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

12. Future Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87 – *Leases* which seeks to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Town is currently assessing the impact of GASB 87 on the financial statements for the year ending June 30, 2021.

II. 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 the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in the Town's 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.

At June 30, 2019, the Town's deposits had a carrying amount of \$1,016,557 and a bank balance of \$1,047,988. Of the bank balance, \$250,000 was covered by federal depository insurance and \$797,988 was covered by collateral held under the Pooling Method. At June 30, 2019, the Town's petty cash fund totaled \$300.

Town of Saratoga, North Carolina
Notes to Financial Statements

2. Receivables – Allowances for Doubtful Accounts

Receivables at the government-wide level at June 30, 2019, were as follows:

	Accounts Receivable	Taxes and Related Accrued Interest	Due from Other Governments	Total
Governmental activities:				
General Fund	\$ 47,995	\$ 12,708	\$ 17,765	\$ 78,468
Allowance for doubtful accounts	(159)	(3,939)	-	(4,098)
Total governmental activities	<u>\$ 47,836</u>	<u>\$ 8,769</u>	<u>\$ 17,765</u>	<u>\$ 74,370</u>
Business-type activities				
Water and sewer	\$ 35,476	\$ -	\$ -	\$ 35,476
Allowance for doubtful accounts	(1,300)	-	-	(1,300)
Total business-type activities	<u>\$ 34,176</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,176</u>

The due from other governments that is owed to the Town consists of the following:

General Fund:

Local option sales tax	\$ 10,065
Utility franchise tax	1,988
Sales tax refund	3,851
Wilson County - property taxes	<u>1,861</u>
Total governmental activities	<u>\$ 17,765</u>

The General Fund has reported \$45,191 in accounts receivable related to nuisance abatement assessments as non-current as of June 30, 2019. This amount relates to demolishing abandoned houses and mowing abandoned properties. The Town has executed property liens on the related properties but the collection of these amounts is historically longer than one year.

Town of Saratoga, North Carolina
Notes to Financial Statements

3. Capital Assets

Governmental capital asset activity for the Town for the year ended June 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 65,691	\$ -	\$ -	\$ 65,691
Construction in progress	81,291	11,260	92,551	-
Total capital assets not being depreciated	<u>146,982</u>	<u>11,260</u>	<u>92,551</u>	<u>65,691</u>
Capital assets being depreciated:				
Land improvements	26,855	43,600	-	70,455
Buildings	79,126	4,802	-	83,928
Equipment and furniture	281,837	50,010	-	331,847
Vehicles and motorized equipment	169,530	-	-	169,530
Infrastructure	63,329	15,154	-	78,483
Total capital assets being depreciated	<u>620,677</u>	<u>113,566</u>	<u>-</u>	<u>734,243</u>
Less accumulated depreciation for:				
Land improvements	5,898	1,972	-	7,870
Buildings	21,271	2,275	-	23,546
Equipment and furniture	98,792	13,592	-	112,384
Vehicles and motorized equipment	48,932	10,753	-	59,685
Infrastructure	22,183	2,216	-	24,399
Total accumulated depreciation	<u>197,076</u>	<u>\$ 30,808</u>	<u>\$ -</u>	<u>227,884</u>
Total capital assets being depreciated, net	<u>423,601</u>			<u>506,359</u>
Governmental activity capital assets, net	<u><u>\$ 570,583</u></u>			<u><u>\$ 572,050</u></u>

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

General government	\$ 2,273
Transportation	5,583
Environmental protection	10,917
Cultural and recreational	<u>12,035</u>
Total depreciation expense	<u><u>\$ 30,808</u></u>

Town of Saratoga, North Carolina
Notes to Financial Statements

Business-type capital asset activity for the Town for the year ended June 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 30,527	\$ 1,049	\$ -	\$ 31,576
Construction in progress	124,249	595,207	-	719,456
Total capital assets not being depreciated	<u>154,776</u>	<u>596,256</u>	-	<u>751,032</u>
Capital assets being depreciated:				
Buildings	6,504	-	-	6,504
Water plant and distribution systems	1,406,629	-	-	1,406,629
Sewer plant and collection systems	2,806,678	-	-	2,806,678
Equipment and furniture	90,355	2,500	-	92,855
Total capital assets being depreciated	<u>4,310,166</u>	<u>2,500</u>	-	<u>4,312,666</u>
Less accumulated depreciation for:				
Buildings	1,626	163	-	1,789
Water plant and distribution systems	480,346	29,678	-	510,024
Sewer plant and collection systems	896,247	65,362	-	961,609
Equipment and furniture	42,175	8,438	-	50,613
Total accumulated depreciation	<u>1,420,394</u>	<u>\$ 103,641</u>	<u>\$ -</u>	<u>1,524,035</u>
Total capital assets being depreciated, net	<u>2,889,772</u>			<u>2,788,631</u>
Business-type activities capital assets, net	<u>\$ 3,044,548</u>			<u>\$ 3,539,663</u>

4. Construction Commitments

The Town has active construction projects as of June 30, 2019. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to- Date	Remaining Commitment
CDBG Infrastructure Grant -		
Speight School Road Municipal Sewer Improvements Project		
Engineering	\$ 103,090	\$ 66,020
Grant administration	84,246	40,311
Construction	531,393	691,139
Saratoga-Wilson Sanitary Sewer Connection Project		
Engineering	-	282,536
Grant administration	-	139,484
Speight School Road Metered Interconnection Upgrade		
Grant administration	-	61,485
Total	<u>\$ 718,729</u>	<u>\$ 1,280,975</u>

Town of Saratoga, North Carolina
Notes to Financial Statements

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2019, were as follows:

	Vendors
Governmental Activities:	
General	\$ 2,799
Business-type Activities:	
Water and sewer	\$ 6,144

2. Deferred Inflows of Resources

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

	Statement of Net Position	General Fund Balance Sheet
Property taxes receivable (General Fund)	\$ -	\$ 6,520
Nuisance abatements receivable (General Fund)	-	45,191
Total	\$ -	\$ 51,711

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 two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial carriers for single occurrence claims against general liability, auto liability and public officials liability in excess of \$1,000,000; property in excess of \$500,000 and \$1,000,000; and up to statutory limits for worker's compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Town does not carry flood insurance through the National Flood Insurance Plan (NFIP). The Town does not own property located in a flood plain and had no flood damage from the extensive damage caused in North Carolina by major hurricanes affecting North Carolina in recent years.

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

Town of Saratoga, North Carolina
Notes to Financial Statements

4. Claims, Judgments and Contingent Liabilities

According to the Town attorney, at June 30, 2019, there are no pending or threatened litigation, claims or assessments against the Town.

5. Long-Term Obligations

a. Installment Purchase

In August 2015, the Town entered into an \$81,000 direct borrowing contract to finance the purchase of a new garbage truck. The vehicle is pledged as collateral for the debt while the debt is outstanding. The financing contract requires annual principal payments with an interest rate of 1.59%.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$1,901 of interest are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2020	\$ 11,577	\$ 754	\$ 12,331
2021	11,760	572	12,332
2022	11,948	383	12,331
2023	12,132	192	12,324
Totals	<u>\$ 47,417</u>	<u>\$ 1,901</u>	<u>\$ 49,318</u>

Current fiscal year interest paid of \$930 has been reported as an expense on the Statement of Activities.

b. NC Drinking Water Revolving Loan

The Town is financing a water meter repair and rehabilitation project by means of a NC Drinking Water Revolving Loan. In accordance with the rules governing the Revolving Loan program, the first payment of principal on the loan was due on May 1, 2015. Annual debt service requirements on the 0% loan are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2020	\$ 8,270	\$ -	\$ 8,270
2021	8,270	-	8,270
2022	8,270	-	8,270
2023	8,270	-	8,270
2024	8,272	-	8,272
Totals	<u>\$ 41,352</u>	<u>\$ -</u>	<u>\$ 41,352</u>

Town of Saratoga, North Carolina
Notes to Financial Statements

c. Changes in Long-Term Liabilities

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental activities:					
Installment purchase	\$ 58,818	\$ -	\$ 11,401	\$ 47,417	\$ 11,577
Business-type activities:					
NC Drinking Water State Revolving Loan	\$ 49,622	\$ -	\$ 8,270	\$ 41,352	\$ 8,270

At June 30, 2019, the Town of Saratoga had no bonds authorized but un-issued and a legal debt margin of \$1,923,866.

C. Interfund Balances and Activity

Transfers to/from Other Funds

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

From the General Fund to Saratoga Town Park - Phase IV	<u>\$ 5,630</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 provided for matching funds for various grant programs.

During the 2019 fiscal year, the Town made one-time transfers from the General Fund of \$5,630 to Governmental Capital Project Funds per the terms of matching grants related to the construction of a new Town park.

D. 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	\$ 447,671
Less:	
Stabilization by State Statute	20,410
Streets - Powell Bill	36,339
Economic and physical development	3,844
Appropriated Fund Balance in 2020 budget	<u>75,000</u>
Remaining Fund Balance	<u>\$ 312,078</u>

III. JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with other municipalities, established the Upper Coastal Plain Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town of Saratoga paid membership fees of \$435 to the Council during the fiscal year ended June 30, 2019.

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. 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.

V. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

In September 2019, the Town approved offer and acceptance documents for the 30 year, no interest, \$1,647,420 Wastewater State Reserve (SRP) loan related to the Saratoga-Wilson Sanitary Sewer Connection Project.

In September 2019, the Town was awarded an additional \$104,738 in funding related to the Saratoga Municipal Water Distribution System Improvements Project because the construction bids came in higher than expected. As a result, the Town amended the project ordinance from \$217,848 to \$322,586 to reflect the additional funding. The Town approved offer and acceptance documents for the 20 year, no interest, \$322,586 Drinking Water State Revolving Fund (SRF) loan with \$108,924 principal forgiveness. The Town then awarded a \$248,460 construction contract for the project.

The Board has evaluated subsequent events through January 15, 2020, the date which the financial statements were available to be issued.

Supplementary Schedules

This Section Contains Individual Fund Schedules.

Town of Saratoga, North Carolina

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			2018
	Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Ad valorem taxes				
Current year	\$	\$ 139,080	\$	\$ 134,534
Prior years		2,769		3,086
Penalties and interest		561		808
Total		137,069	142,410	5,341
				138,428
Unrestricted intergovernmental				
Local option sales taxes		55,823		53,426
Utilities sales tax		5,757		5,305
Piped natural gas sales tax		561		566
Telecommunications sales tax		2,036		2,188
Video franchise fee		1,337		1,409
Beer and wine tax		1,759		1,776
Total		65,082	67,273	2,191
				64,670
Restricted intergovernmental				
Powell Bill allocation		13,241		13,487
Solid waste disposal tax		285		280
Total		13,012	13,526	514
				13,767
Sales and services				
Garbage collection fees		36,533		35,114
Nuisance abatement assessments		3,143		2,741
Recreation fees and rent		300		-
Total		34,436	39,976	5,540
				37,855
Investment earnings				
Interest earned		1,284	1,977	693
				1,466
Miscellaneous				
Miscellaneous		163		1,699
Returned check charges		385		280
Trash truck rental		150		213
Total		3,400	698	(2,702)
				2,192
Total revenues		254,283	265,860	11,577
				258,378

(continued)

**Town of Saratoga, North Carolina
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			2018
	Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES	359,193	246,192	113,001	248,525
Revenues over (under) expenditures	(104,910)	19,668	124,578	9,853
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated - Powell Bill	41,170	-	(41,170)	-
Fund balance appropriated - General Fund	75,000	-	(75,000)	-
Transfers to other funds	(11,260)	(5,630)	5,630	(9,086)
Total other financing sources (uses)	104,910	(5,630)	(110,540)	(9,086)
Revenues and other financing sources over (under) expenditures and other uses	<u>\$ -</u>	14,038	<u>\$ 14,038</u>	767
FUND BALANCE, BEGINNING		<u>433,633</u>		<u>432,866</u>
FUND BALANCE, ENDING		<u>\$ 447,671</u>		<u>\$ 433,633</u>

Town of Saratoga, North Carolina

General Fund

Schedule of Expenditures – 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 Positive (Negative)	2018
	Budget	Actual		Actual
GENERAL GOVERNMENT				
Governing body and administration:				
Fees paid elected officials	\$	\$ 1,275	\$	\$ 1,300
Salaries		42,929		40,336
FICA tax		3,382		3,185
Unemployment taxes		17		31
Health insurance		977		1,012
Professional services		29,695		32,703
Telephone		5,848		5,906
Travel		310		362
Maintenance and repairs		1,681		1,936
Advertising		2,325		6,580
Office supplies and postage		4,112		4,973
Goodwill		300		300
Utilities		8,319		9,020
Dues and subscriptions		1,871		1,830
Insurance and bonds		7,394		7,829
Mowing		4,912		11,372
Miscellaneous		2,339		3,564
Tax collection fees		2,141		2,080
Capital outlay		-		4,421
Total general government		182,276	62,449	138,740
PUBLIC SAFETY				
Fire department:				
Fire protection - Sanoca Fire Department		7,000	-	7,000
TRANSPORTATION				
Street repair and construction:				
Capital outlay		-		1,155
Powell Bill expenditures - capital outlay		18,114		1,155
Total transportation		54,182	36,068	2,310
ECONOMIC AND PHYSICAL DEVELOPMENT				
Economic development:				
Supplies and materials		1,000	849	-

(continued)

Town of Saratoga, North Carolina

General Fund

Schedule of Expenditures – Budget and Actual

For the Fiscal Year Ended June 30, 2019

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

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
HUMAN SERVICES				
Health:				
Mosquito spraying	11,500	-	11,500	-
ENVIRONMENTAL PROTECTION				
Sanitation:				
Salaries		38,623		36,228
FICA tax		2,955		2,771
Health insurance		10,571		10,079
Landfill fee		7,699		7,716
Auto supplies and repairs		13,348		10,627
Supplies and materials		5,080		8,043
Uniforms		1,484		1,322
Insurance and bonds		3,100		2,500
Capital outlay		2,900		-
Bad debts		48		32
Total environmental protection	87,864	85,808	2,056	79,318
CULTURAL AND RECREATIONAL				
Recreation:				
Utilities		2,961		2,026
Capital outlay		-		6,800
Total cultural and recreational	3,040	2,961	79	8,826
DEBT SERVICE				
Principal retirement		11,401		11,217
Interest and other charges		930		1,114
Total debt service	12,331	12,331	-	12,331
Total expenditures	\$ 359,193	\$ 246,192	\$ 113,001	\$ 248,525

**Town of Saratoga, North Carolina
Governmental Capital Projects Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2019**

SARATOGA TOWN PARK - PHASE IV

	Project Author - ization	Actual			Variance Positive (Negative)	
		Prior Years	Current Year	Total to Date		
REVENUES						
Restricted intergovernmental revenues:						
NC Parks and Recreation Trust Fund Grant		\$ 46,358	\$ 40,645	\$ 5,630	\$ 46,275	\$ (83)
EXPENDITURES						
Capital outlay:						
Cultural and recreational:						
Construction		70,803	8,960	79,763		
Technical services and fees		10,488	2,300	12,788		
Total expenditures		92,716	81,291	11,260	92,551	165
Revenues over (under) expenditures		(46,358)	(40,646)	(5,630)	(46,276)	82
OTHER FINANCING SOURCES						
Town of Saratoga match		46,358	40,646	5,630	46,276	(82)
Revenues and other financing sources over expenditures		<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE, BEGINNING						<u>-</u>
FUND BALANCE, ENDING						<u>\$ -</u>

Town of Saratoga, North Carolina

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)

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Charges for services:				
Water service	\$ 108,000	\$ 143,763	\$ 35,763	\$ 117,821
Sewer service	117,515	121,401	3,886	123,407
Water and sewer tap fees	2,200	13,000	10,800	19,900
Late fees	5,000	4,612	(388)	4,960
Reconnection fees	1,500	990	(510)	1,500
Total charges for services	<u>234,215</u>	<u>283,766</u>	<u>49,551</u>	<u>267,588</u>
EXPENDITURES				
Water treatment and distribution	86,422	68,602	17,820	79,255
Waste collection and treatment	135,522	127,828	7,694	120,268
Capital outlay	4,000	3,549	451	-
Debt Service	8,271	8,270	1	8,270
Total expenditures	<u>234,215</u>	<u>208,249</u>	<u>25,966</u>	<u>207,793</u>
Revenues over expenditures	\$ -	75,517	\$ 75,517	59,795
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL BASIS:				
Reconciling items:				
Principal retirement		8,270		8,270
Capital outlay		3,549		-
Capital contributions		595,207		-
Depreciation		(103,641)		(103,728)
Total reconciling items		<u>503,385</u>		<u>(95,458)</u>
Change in net position		<u>\$ 578,902</u>		<u>\$ (35,663)</u>

Town of Saratoga, North Carolina
Water and Sewer Fund
Schedule of 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)

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
WATER TREATMENT AND DISTRIBUTION				
Salaries	\$	\$ 16,004	\$	15,329
FICA tax		1,224		1,173
Professional services		2,601		2,780
Maintenance and repairs - water lines		13,635		22,660
Maintenance and repairs - equipment		12,161		17,602
Elevated water tank maintenance		5,195		5,054
Office supplies and postage		350		343
Supplies and materials		3,363		1,497
Water analysis		2,277		780
Special contract services		4,900		6,600
Electricity		5,367		4,827
Miscellaneous		-		-
Emergency water purchases		528		284
Permits		520		-
Bad debts		477		326
Total water treatment and distribution	86,422	68,602	17,820	79,255
WASTE COLLECTION AND TREATMENT				
Salaries		7,904		8,579
FICA tax		605		656
Professional services		2,601		2,781
Maintenance and repairs		21,298		3,580
Water treatment charges		82,078		87,990
Office supplies and postage		350		343
Supplies and materials		1,017		617
Special contract services		5,100		8,250
Electricity		6,117		6,558
Training		421		260
Bad debts		337		654
Total waste collection and treatment	135,522	127,828	7,694	120,268
CAPITAL OUTLAY				
Water capital outlay	1,250	1,250	-	-
Sewer capital outlay	2,750	2,299	451	-
Total capital outlay	4,000	3,549	451	-

(continued)

Town of Saratoga, North Carolina
Water and Sewer Fund

Schedule of 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)

	2019		2018	
	Budget	Actual	Variance Positive (Negative)	Actual
DEBT SERVICE				
Principal	8,271	8,270	1	8,270
Total expenditures	\$ 234,215	\$ 208,249	\$ 25,966	\$ 207,793

Town of Saratoga, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

CDBG INFRASTRUCTURE GRANT- SPEIGHT SCHOOL ROAD MUNICIPAL SEWER IMPROVEMENTS PROJECT

Project Author - ization	Actual			Variance Positive (Negative)	
	Prior Years	Current Year	Total to Date		
REVENUES					
CDBG Infrastructure Grant	\$ 1,694,935	\$ 124,249	\$ 595,207	\$ 719,456	\$ (975,479)
EXPENDITURES					
Construction	-	531,393	531,393		
Engineering design	72,222	1,200	73,422		
Boundary, research and topography survey	7,300	-	7,300		
Construction staking right-of-way	-	-	-		
Inspection	-	12,163	12,163		
Contract administration / observation	-	10,205	10,205		
Tap fees - short tap	-	-	-		
Tap fees - long tap	-	-	-		
Legal advertisement	720	-	720		
Grant administration	44,007	40,246	84,253		
Total expenditures	1,694,935	124,249	595,207	719,456	975,479
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Saratoga, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

SARATOGA MUNICIPAL WATER DISTRIBUTION SYSTEM IMPROVEMENTS PROJECT

	Project Author - ization	Actual			Variance Positive (Negative)					
		Prior Years	Current Year	Total to Date						
REVENUES	\$	-	\$	-	\$	-	\$	-	\$	-
EXPENDITURES										
Construction			-	-	-					
Engineering design			-	-	-					
Land surveying costs			-	-	-					
Construction inspection / observation			-	-	-					
Construction administration			-	-	-					
Permitting			-	-	-					
Loan fee			-	-	-					
Environmental review			-	-	-					
Grant / loan administration			-	-	-					
Total expenditures		217,848	-	-	-					217,848
Revenues over (under) expenditures		(217,848)	-	-	-					217,848
OTHER FINANCING SOURCES										
Drinking Water State Revolving Fund		108,924	-	-	-					(108,924)
Drinking Water State Revolving Fund - Principal Forgiveness		108,924	-	-	-					(108,924)
Total other financing sources		217,848	-	-	-					(217,848)
Revenues and other financing sources over expenditures	\$	-	\$	-	\$	-	\$	-	\$	-

Town of Saratoga, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

SARATOGA-WILSON SANITARY SEWER CONNECTION PROJECT

	Project Author - ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Construction		-	-	-	
Engineering design		-	-	-	
Boundary, research and topography survey		-	-	-	
Construction staking right-of-way		-	-	-	
Inspection		-	-	-	
Contract administration / observation		-	-	-	
Loan administration		-	-	-	
Total expenditures	1,647,420	-	-	-	1,647,420
Revenues over (under) expenditures	(1,647,420)	-	-	-	1,647,420
OTHER FINANCING SOURCES					
NC DEQ State Reserve Project Loan	1,647,420	-	-	-	(1,647,420)
Revenues and other financing sources over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Saratoga, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

SPEIGHT SCHOOL ROAD METERED INTERCONNECTION UPGRADE PROJECT

	Project Author - ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Construction		-	-	-	
Engineering design		-	-	-	
Construction inspection / observation		-	-	-	
Land surveying and construction administration		-	-	-	
Permitting		-	-	-	
Loan fee		-	-	-	
Legal costs		-	-	-	
Environmental document preparation		-	-	-	
Grant administration		-	-	-	
ER preparation		-	-	-	
Total expenditures		<u>757,867</u>	-	-	<u>757,867</u>
Revenues over (under) expenditures		(757,867)	-	-	757,867
OTHER FINANCING SOURCES					
Drinking Water State Revolving Fund - Principal Forgiveness		\$ 757,867	-	-	(757,867)
Revenues and other financing sources over expenditures		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Schedules

This Section contains additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Town of Saratoga, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections</u>	<u>Releases</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 142,919 (a)	\$ 139,080 (b)	\$ 1 (a)	\$ 3,838 (c)
2017-2018	3,407	3	2,506	3	901
2016-2017	784	-	205	-	579
2015-2016	680	-	58	-	622
2014-2015	622	-	-	-	622
2013-2014	845	-	-	-	845
2012-2013	782	-	-	-	782
2011-2012	733	-	-	-	733
2010-2011	888	-	-	-	888
2009-2010	649	-	-	-	649
2008-2009	683	-	-	683	-
	<u>\$ 10,073</u>	<u>\$ 142,922</u>	<u>\$ 141,849 (d)</u>	<u>\$ 687</u>	<u>10,459</u>

Less: allowance for uncollectible ad valorem taxes receivable (3,939)

Ad valorem taxes receivable - net \$ 6,520

RECONCILIATION TO REVENUES:

Ad valorem taxes - General Fund \$ 142,410

Reconciling items:

Penalties and interest collected (561)

Total collections \$ 141,849 (d)

The lower case letters next to certain amounts on the Analysis of Current Tax Levy and in the above schedule show the relationship of taxes levied, taxes collected, and uncollected taxes on both schedules.

Town of Saratoga, North Carolina
Analysis of Current Tax Levy
Town – Wide Levy
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	\$ 24,406,552	\$ 0.58	\$ 141,558	\$ 126,914	\$ 14,644
Discoveries:					
Current year taxes	234,655		1,361	1,361	-
Abatements	(172)		(1)	(1)	-
Total property valuation	<u>\$ 24,641,034</u>				
Net levy			142,918 (a)	128,274	14,644
Uncollected taxes at June 30, 2019			<u>(3,838) (c)</u>	<u>(3,838)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 139,080 (b)</u>	<u>\$ 124,436</u>	<u>\$ 14,644</u>
Current levy collection percentage			<u>97.31%</u>	<u>97.01%</u>	<u>100.00%</u>

The lower case letters next to certain amounts on the Schedule of Ad Valorem Taxes Receivable and in the above schedule show the relationship of taxes levied, taxes collected, and uncollected taxes on both schedules.

Compliance Section

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Saratoga, 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 of Saratoga, North Carolina's basic financial statements and have issued our report thereon dated January 15, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item [2018-01 (Repeat)] that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Saratoga, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Saratoga, North Carolina's Response to Findings

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

Purpose of this Report

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

Cary, Riggs & Ingram, L.L.C.

Wilson, North Carolina
January 15, 2020

**Town of Saratoga, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2019**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- | | | |
|--|-------------------|----------------------------|
| ■ Material weakness(es) identified? | <u> X </u> yes | <u> </u> no |
| ■ Significant Deficiency(s) identified | <u> </u> yes | <u> X </u> none reported |
| Noncompliance material to financial statements noted | <u> </u> yes | <u> X </u> no |

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2018-01 (Repeat)

MATERIAL WEAKNESS

Segregation of Duties Related to Cash Receipts

Criteria: A good system of internal control provides for a proper segregation of the accounting functions. The Town does not have the proper segregation of duties over cash receipts. For example, the same person receives payments, enters them in the accounts receivable subsidiary ledgers, prepares the bank deposit, and prepares the bank reconciliation. Proper segregation is not always possible in a small organization, but limited segregation to the extent possible can and should be implemented to reduce the risk of errors or fraud.

Condition: There is a lack of segregation of duties among Town personnel as it relates to cash receipts.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. The governing board should remain active and engaged in the day to day operations of the Town.

Views of Responsible Officials and Planned Corrective Actions: The Town agrees with this finding and will adhere to the corrective action plan on page 36 in this audit report.

Town of Saratoga

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Saratoga, NC 27873

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Corrective Action Plan For the Fiscal Year Ended June 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2018-01 (Repeat)

MATERIAL WEAKNESS

Segregation of Duties Related to Cash Receipts

Name of contact person: Brenda Wilson, Finance Officer

Corrective Action: The Town agrees but adding additional personnel at the present time is not practical from a cost-benefit perspective. The governing board will remain active and engaged on a day to day basis. A Town commissioner receives the bank statements unopened and compares the deposits to the daily listing of cash receipts prepared by the Finance Officer and signs off as reviewing the bank reconciliation.

Proposed Completion Date: The governing board will continue to perform the above procedures realizing that it is not practical from a cost-benefit perspective to add additional personnel at the present time.



**Town of Saratoga, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2019**

Finding 2018-01 (Repeat)

Status: The duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of separation. The governing board is remaining active and engaged in the day to day operations of the Town.