

**Town of Saratoga
North Carolina
Financial Report**

FOR THE FISCAL YEAR ENDED JUNE 30, 2020



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Town of Saratoga, North Carolina
Table of Contents
June 30, 2020

<u>Exhibit</u>		<u>Page</u>
	Financial Section:	
	Independent Auditors' Report	1-3
	Management's Discussion and Analysis	4.1-4.9
	Town Council and Key Staff	5
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	6
2	Statement of Activities	7-8
	Fund Financial Statements:	
3	Balance Sheet - Governmental Fund	9
4	Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position	10
5	Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	11
6	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	12
7	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	13
8	Statement of Net Position - Proprietary Fund	14
9	Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	15
10	Statement of Cash Flows - Proprietary Fund	16-17
	Notes to the Financial Statements	18.1-18.16

Town of Saratoga, North Carolina
Table of Contents
June 30, 2020

	Page
Individual Fund Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	19-20
Schedule of Expenditures - Budget and Actual - General Fund	21-22
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Fund	23
Schedule of Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Fund	24-25
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Capital Projects Fund:	
CDBG Infrastructure Grant - Speight School Road Municipal Sewer Improvements Project	26
Saratoga Municipal Water Distribution System Improvements Project	27
Saratoga-Wilson Sanitary Sewer Connection Project	28
Speight School Road Metered Interconnection Upgrade Project	29
Other Schedules:	
Schedule of Ad Valorem Taxes Receivable	30
Analysis of Current Tax Levy - Town-Wide Levy	31
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 <i>Government Auditing Standards</i>	32-33
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Compliance and the State Single Audit Implementation Act	34-35
Schedule of Findings and Questioned Costs	36-37
Corrective Action Plan	38
Summary Schedule of Prior Audit Findings	39
Schedule of Expenditures of Federal Awards	40
Notes to the Schedule of Expenditures of Federal Awards	41



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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, 2020, 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, 2020, 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 4.9 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 as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The individual fund financial schedules, budgetary schedules, and other schedules and the schedule of federal awards 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 and the schedule of expenditures of federal awards 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 18, 2021, 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.

Carly Riggs & Ingram, L.L.C.

Wilson, North Carolina
January 18, 2021

Management's Discussion and Analysis

Town of Saratoga, North Carolina
Management’s Discussion and Analysis
June 30, 2020

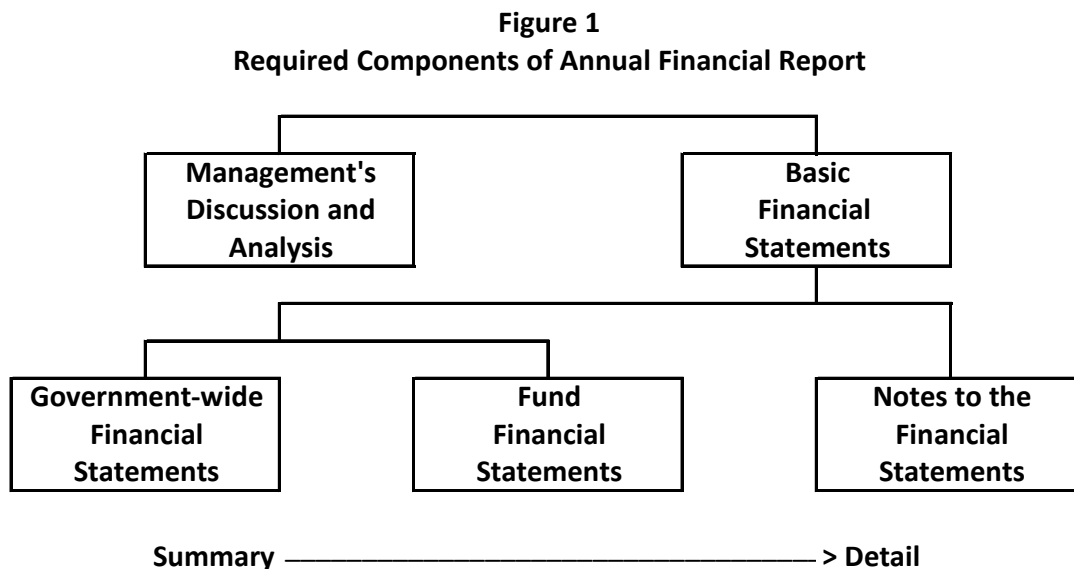
As management of the Town of Saratoga (the “Town”), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town’s financial statements, which follow this narrative.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$5,936,258 (*net position*).
- The government’s total net position increased by \$834,525, primarily due to \$800,649 in capital grants in the business-type activities.
- As of the close of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$464,338 with a net change of \$16,667 in fund balance. Approximately 16.00% of this total amount, or \$74,279, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$315,059, or 126.26% of total general fund expenditures for the fiscal year.
- The Town’s total debt increased by \$193,813 (218.33%) during the current fiscal year.

Overview of the Financial Statements

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



Town of Saratoga, North Carolina Management's Discussion and Analysis June 30, 2020

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 total liabilities. 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.

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, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in the governmental fund. 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 the governmental fund is described in a reconciliation that is a part of the fund financial statements.

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

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.

Other information. In addition to the basic financial statements and accompanying notes, this report includes supplementary and other information concerning the Town's operations and property taxes. The supplementary and other information can be found beginning on page 19 of this report.

Town of Saratoga, North Carolina
Management's Discussion and Analysis
June 30, 2020

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

Town of Saratoga's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 474,337	\$ 459,239	\$ 828,702	\$ 977,688	\$ 1,303,039	\$ 1,436,927
Non-current assets	26,679	45,191	-	-	26,679	45,191
Capital assets	579,109	572,050	4,487,856	3,539,663	5,066,965	4,111,713
Total assets	<u>1,080,125</u>	<u>1,076,480</u>	<u>5,316,558</u>	<u>4,517,351</u>	<u>6,396,683</u>	<u>5,593,831</u>
Current liabilities	14,507	14,376	194,048	408,800	208,555	423,176
Long-term liabilities	24,079	35,840	227,791	33,082	251,870	68,922
Total liabilities	<u>38,586</u>	<u>50,216</u>	<u>421,839</u>	<u>441,882</u>	<u>460,425</u>	<u>492,098</u>
Net position:						
Net investment in capital assets	543,271	524,633	4,241,112	3,498,311	4,784,383	4,022,944
Restricted	74,279	56,749	-	-	74,279	56,749
Unrestricted	423,989	444,882	653,607	577,158	1,077,596	1,022,040
Total net position	<u>\$ 1,041,539</u>	<u>\$ 1,026,264</u>	<u>\$ 4,894,719</u>	<u>\$ 4,075,469</u>	<u>\$ 5,936,258</u>	<u>\$ 5,101,733</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 exceeded liabilities by \$5,936,258 as of June 30, 2020. The Town's net position increased by \$834,525 for the fiscal year ended June 30, 2020. However, the largest portion (80.60%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town'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's net position of \$74,279 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,077,596 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 98.15%. The statewide average in fiscal year 2019 was 98.78%.
- Increased sales tax revenues of approximately \$4,128 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, 2020

Town of Saratoga's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 37,342	\$ 41,184	\$ 283,853	\$ 283,766	\$ 321,195	\$ 324,950
Operating grants & contributions	13,455	13,526	-	-	13,455	13,526
Capital grants & contributions	7,918	5,630	800,649	595,207	808,567	600,837
General revenues:						
Property taxes	140,085	142,747	-	-	140,085	142,747
Other taxes	59,951	55,823	-	-	59,951	55,823
Grants and contributions not restricted to specific programs	10,638	11,450	-	-	10,638	11,450
Unrestricted investment earnings	2,484	1,977	-	-	2,484	1,977
Miscellaneous	732	545	-	-	732	545
Total revenues	<u>272,605</u>	<u>272,882</u>	<u>1,084,502</u>	<u>878,973</u>	<u>1,357,107</u>	<u>1,151,855</u>
Expenses:						
Governmental activities:						
General government	128,632	122,098	-	-	128,632	122,098
Public safety	7,000	7,000	-	-	7,000	7,000
Transportation	6,245	5,583	-	-	6,245	5,583
Economic & physical development	-	151	-	-	-	151
Environmental protection	98,762	93,824	-	-	98,762	93,824
Cultural and recreational	15,940	14,996	-	-	15,940	14,996
Interest on long-term debt	751	930	-	-	751	930
Business-type activities:						
Water and sewer	-	-	265,252	300,071	265,252	300,071
Total expenses	<u>257,330</u>	<u>244,582</u>	<u>265,252</u>	<u>300,071</u>	<u>522,582</u>	<u>544,653</u>
Change in net position	15,275	28,300	819,250	578,902	834,525	607,202
Net position, beginning	<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>
Net position, ending	<u>\$ 1,041,539</u>	<u>\$ 1,026,264</u>	<u>\$ 4,894,719</u>	<u>\$ 4,075,469</u>	<u>\$ 5,936,258</u>	<u>\$ 5,101,733</u>

Governmental activities: Governmental activities increased the Town's net position by \$15,275, accounting for 1.83% of the total growth in the net position of the Town. 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 property tax revenues. Increased efforts to maximize tax collections also contributed to the favorable net position. Town management acknowledges that 2020 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, 2020

Key elements of this increase are as follows:

- Capital grants and contributions in the amount of \$7,918 positively affected the Town's net position.
- Operating grants and contributions in the amount of \$13,455 positively affected the Town's net position.

Business-type activities: Business-type activities increased the Town's net position by \$819,250, accounting for 98.17% of the total growth in the government's net position. Cost-saving measures taken to reduce operating costs in the Water and Sewer Fund, as well as \$800,649 in capital contributions also contributed to the increase in net position.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's unassigned fund balance available in the General Fund was \$315,059, while total fund balance reached \$464,338, which is a net increase in fund balance of \$16,667. The Town currently has an available unassigned fund balance of 126.26% of General Fund expenditures, while total fund balance represents 186.08% 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.

There were several reasons the Town revised its budget throughout the year. The Town increased environmental protection expenditures and reduced general government expenditures by the same amount to respond to higher than expected environmental protection expenditures. The Town also reduced appropriated fund balance and transportation expenditures by the same amount in response to lower than expected transportation expenditures. Revenues were greater than the budgeted amounts primarily because unrestricted intergovernmental revenues 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 Fund. The Town'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 \$653,607. The total change in net position was \$819,250. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Town of Saratoga, North Carolina
Management's Discussion and Analysis
June 30, 2020

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$5,066,965 (net of accumulated depreciation). These assets include land, buildings, utilities delivery systems, machinery and equipment, vehicles and infrastructure.

Major capital asset transactions during the year include the following:

- Two lots donated to the Town with an acquisition value of \$26,430.
- Equipment purchases in the governmental activities totaling \$14,209.
- Construction in progress expenditures of \$767,445 in the business-type activities related to the Speight School Road Municipal Sewer Improvements Project. This project was completed and placed into service during the year.
- Construction in progress expenditures of \$259,931 in the business-type activities related to the Saratoga Municipal Water Distribution System Improvements Project.
- Rehabilitation of two wells for \$36,356 and a new pump at the Page Street pump station for \$8,527.

Town of Saratoga's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 92,121	\$ 65,691	\$ 31,576	\$ 31,576	\$ 123,697	\$ 97,267
Land improvements	59,357	62,585	-	-	59,357	62,585
Buildings	57,995	60,382	4,553	4,715	62,548	65,097
Water plant & distribution system	-	-	901,837	896,605	901,837	896,605
Sewer plant & collection system	-	-	3,256,405	1,845,069	3,256,405	1,845,069
Equipment and furniture	218,811	219,463	33,554	42,242	252,365	261,705
Vehicles & motorized equipment	99,462	109,845	-	-	99,462	109,845
Infrastructure	51,363	54,084	-	-	51,363	54,084
Construction in progress	-	-	259,931	719,456	259,931	719,456
TOTALS	\$ 579,109	\$ 572,050	\$ 4,487,856	\$ 3,539,663	\$ 5,066,965	\$ 4,111,713

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, 2020, the Town had total debt outstanding of \$35,838 on a bank installment purchase note related to the purchase of a garbage truck and \$246,744 on two NC Drinking Water State Revolving Loans.

Town of Saratoga, North Carolina
Management's Discussion and Analysis
June 30, 2020

Town of Saratoga's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Installment purchase	\$ 35,838	\$ 47,417	\$ -	\$ -	\$ 35,838	\$ 47,417
NC Drinking Water State Revolving Loan	-	-	246,744	41,352	246,744	41,352
Totals	\$ 35,838	\$ 47,417	\$ 246,744	\$ 41,352	\$ 282,582	\$ 88,769

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 is \$1,937,338. The Town has no bonds authorized but un-issued at June 30, 2020.

Additional information regarding the Town'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 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; however, there were new homes being built in 2020. 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 2020. The Town continues to receive numerous grants and is in the process of several Water and Sewer Capital Projects to remedy 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 and construction has begun.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Budgeted expenditures in the General Fund are expected to increase 8.51% to \$406,201. The largest increases are in general government 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 2021 budget.

**Town of Saratoga, North Carolina
Management's Discussion and Analysis
June 30, 2020**

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 of Saratoga, North Carolina
Town Council and Key Staff
June 30, 2020**

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, 2020
Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 392,807	\$ 631,841	\$ 1,024,648
Taxes receivable (net)	5,226	-	5,226
Accrued interest receivable on taxes	2,025	-	2,025
Accounts receivable (net)	2,768	29,149	31,917
Due from other governments	21,995	-	21,995
Restricted assets:			
Cash and cash equivalents	49,516	38,761	88,277
Due from other governments	-	128,951	128,951
Total current assets	<u>474,337</u>	<u>828,702</u>	<u>1,303,039</u>
Non-current assets:			
Nuisance abatement receivable	26,679	-	26,679
Capital assets:			
Land, non-depreciable improvements, and construction in progress	92,121	291,507	383,628
Other capital assets, net of depreciation	486,988	4,196,349	4,683,337
Total capital assets	<u>579,109</u>	<u>4,487,856</u>	<u>5,066,965</u>
Total assets	<u>1,080,125</u>	<u>5,316,558</u>	<u>6,396,683</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	2,748	7,383	10,131
Current portion of long-term liabilities	11,759	18,953	30,712
Payable from restricted liabilities	-	167,712	167,712
Total current liabilities	<u>14,507</u>	<u>194,048</u>	<u>208,555</u>
Non-current liabilities:			
Due in more than one year	24,079	227,791	251,870
Total liabilities	<u>38,586</u>	<u>421,839</u>	<u>460,425</u>
Net position			
Net investment in capital assets	543,271	4,241,112	4,784,383
Restricted for:			
Stabilization by state statute	24,763	-	24,763
Streets	49,516	-	49,516
Unrestricted	423,989	653,607	1,077,596
Total net position	<u>\$ 1,041,539</u>	<u>\$ 4,894,719</u>	<u>\$ 5,936,258</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, 2020
Exhibit 2

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 128,632	\$ -	\$ -	\$ 7,918
Public safety	7,000	-	-	-
Transportation	6,245	-	13,145	-
Environmental protection	98,762	37,342	310	-
Cultural and recreational	15,940	-	-	-
Interest on long-term debt	751	-	-	-
Total governmental activities	257,330	37,342	13,455	7,918
Business-type activities:				
Water and sewer	265,252	283,853	-	800,649
Total primary government	\$ 522,582	\$ 321,195	\$ 13,455	\$ 808,567

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, 2020
Exhibit 2

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business- type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (120,714)	\$ -	\$ (120,714)
Public safety	(7,000)	-	(7,000)
Transportation	6,900	-	6,900
Environmental protection	(61,110)	-	(61,110)
Cultural and recreational	(15,940)	-	(15,940)
Interest on long-term debt	(751)	-	(751)
Total governmental activities	<u>(198,615)</u>	<u>-</u>	<u>(198,615)</u>
Business-type activities:			
Water and sewer	-	819,250	819,250
Total primary government	<u>(198,615)</u>	<u>819,250</u>	<u>620,635</u>
General revenues:			
Taxes:			
Property taxes, levied for general purpose	140,085	-	140,085
Other taxes	59,951	-	59,951
Grants and contributions not restricted to specific programs	10,638	-	10,638
Unrestricted investment earnings	2,484	-	2,484
Miscellaneous	732	-	732
Total general revenues	<u>213,890</u>	<u>-</u>	<u>213,890</u>
Change in net position	15,275	819,250	834,525
Net position, beginning	<u>1,026,264</u>	<u>4,075,469</u>	<u>5,101,733</u>
Net position, ending	<u>\$ 1,041,539</u>	<u>\$ 4,894,719</u>	<u>\$ 5,936,258</u>

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

Town of Saratoga, North Carolina
Governmental Fund
Balance Sheet
June 30, 2020
Exhibit 3

	Major Fund
	General
Assets	
Cash and cash equivalents	\$ 392,807
Restricted cash	49,516
Taxes receivable, net	5,226
Accounts receivable, net	29,447
Due from other governments	21,995
	21,995
Total assets	\$ 498,991
Liabilities	
Accounts payable and accrued liabilities	\$ 2,748
Deferred inflows of resources	
Property taxes receivable	5,226
Nuisance abatement receivable	26,679
Total deferred inflows of resources	31,905
Fund balances	
Restricted	
Stabilization by state statute	24,763
Streets	49,516
Assigned	
Subsequent year's expenditures	75,000
Unassigned	315,059
Total fund balances	464,338
Total liabilities, deferred inflows of resources and fund balances	\$ 498,991

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

Town of Saratoga, North Carolina
Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position
June 30, 2020
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		\$ 464,338
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)	\$ 838,193	
Less accumulated depreciation	<u>(259,084)</u>	
Net capital assets		579,109
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred		2,025
Liabilities for earned revenues considered deferred inflows of resources in fund statements		31,905
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>(35,838)</u>
Net position of governmental activities		<u><u>\$ 1,041,539</u></u>

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

Town of Saratoga, North Carolina
Governmental Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2020
Exhibit 5

	Major Fund
	General
Revenues:	
Ad valorem taxes	\$ 141,603
Unrestricted intergovernmental	70,589
Restricted intergovernmental	13,455
Sales and services	37,287
Investment earnings	2,484
Miscellaneous income	788
Total revenues	266,206
Expenditures:	
Current:	
General government	132,137
Public safety	7,000
Environmental protection	96,565
Cultural and recreational	1,507
Debt service:	
Principal retirement	11,579
Interest and other charges	751
Total expenditures	249,539
Revenues over expenditures	16,667
Fund balance, beginning	447,671
Fund balance, ending	\$ 464,338

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 the Governmental Fund to the Statement of Activities
For the Fiscal Year Ended June 30, 2020
Exhibit 6

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

Net changes in fund balances of governmental funds	\$ 16,667
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	14,209
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	(33,580)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:	
Acquisition value of real estate donated to the Town	26,430
Change in unavailable revenue for tax revenues	(1,294)
Decrease in accrued interest receivable on taxes	(224)
Change in unavailable revenue for nuisance abatement assessments	(18,512)
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	11,579
Total changes in net position of governmental activities	\$ 15,275

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, 2020
Exhibit 7

General Fund				
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 141,417	\$ 141,417	\$ 141,603	\$ 186
Unrestricted intergovernmental	66,933	66,933	70,589	3,656
Restricted intergovernmental	13,030	13,030	13,455	425
Sales and services	36,456	36,456	37,287	831
Investment earnings	1,685	1,685	2,484	799
Miscellaneous income	3,500	3,500	788	(2,712)
Total revenues	<u>263,021</u>	<u>263,021</u>	<u>266,206</u>	<u>3,185</u>
Expenditures:				
Current:				
General government	200,975	184,675	132,137	52,538
Public safety	7,000	7,000	7,000	-
Transportation	67,484	49,369	-	49,369
Economic and physical development	12,500	12,500	-	12,500
Environmental protection	89,185	105,485	96,565	8,920
Cultural and recreational	3,000	3,000	1,507	1,493
Debt service:				
Principal retirement	11,580	11,580	11,579	1
Interest and other charges	751	751	751	-
Total expenditures	<u>392,475</u>	<u>374,360</u>	<u>249,539</u>	<u>124,821</u>
Revenues over (under) expenditures	(129,454)	(111,339)	16,667	128,006
Other financing sources:				
Fund balance appropriated	<u>129,454</u>	<u>111,339</u>	-	<u>(111,339)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	16,667	<u>\$ 16,667</u>
Fund balance, beginning			<u>447,671</u>	
Fund balance, ending			<u>\$ 464,338</u>	

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

Town of Saratoga, North Carolina
Proprietary Fund
Statement of Net Position
June 30, 2020
Exhibit 8

	Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 631,841
Accounts receivable (net)	29,149
Restricted assets:	
Cash and cash equivalents	38,761
Due from other governments	128,951
Total current assets	828,702
Capital assets:	
Land, non-depreciable improvements, and construction in progress	291,507
Other capital assets, net of depreciation	4,196,349
Capital assets (net)	4,487,856
Total assets	5,316,558
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	7,383
NC Drinking Water State Revolving Loan - current	18,953
Liabilities payable from restricted assets:	
Customer deposits	38,761
Accounts payable	128,951
Total current liabilities	194,048
Non-current liabilities:	
NC Drinking Water State Revolving Loan	227,791
Total liabilities	421,839
Net position	
Net investment in capital assets	4,241,112
Unrestricted	653,607
Total net position	\$ 4,894,719

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

Town of Saratoga, North Carolina
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020
Exhibit 9

	Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 283,853
Operating expenses:	
Water treatment and distribution	38,275
Waste collection and treatment	102,911
Depreciation	124,066
Total operating expenses	265,252
Income before capital contributions	18,601
Capital contributions	800,649
Change in net position	819,250
Total net position, beginning	4,075,469
Total net position, ending	\$ 4,894,719

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

Town of Saratoga, North Carolina
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020
Exhibit 10

Cash flows from operating activities:

Cash received from customers	\$ 288,880
Cash paid for goods and services	(114,049)
Cash paid to or on behalf of employees for services	(25,898)
Customer deposits received (net)	<u>1,090</u>
Net cash provided by operating activities	<u>150,023</u>

Cash flows from capital and related financing activities:

Drinking Water State Revolving Loan proceeds	124,815
Capital contributions	1,117,260
Acquisition and construction of capital assets	(1,300,023)
Principal paid on NC Drinking Water State Revolving Loan	<u>(8,270)</u>
Net cash used by capital and related financing activities	<u>(66,218)</u>

Net increase in cash and cash equivalents 83,805

Cash and cash equivalents, beginning 586,797

Cash and cash equivalents, ending \$ 670,602

Reconciliation of cash and cash equivalents, ending

Cash and cash equivalents	\$ 631,841
Restricted cash and cash equivalents	<u>38,761</u>
Total cash and cash equivalents	<u>\$ 670,602</u>

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

Town of Saratoga, North Carolina
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020
Exhibit 10

Water and Sewer Fund

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 18,601
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	124,066
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	5,027
Increase (decrease) in accounts payable and accrued liabilities	1,239
Increase (decrease) in customer deposits	1,090
Total adjustments	131,422
Net cash provided by operating activities	\$ 150,023

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

Notes to the Financial Statements

Town of Saratoga, North Carolina Notes to 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 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 specific 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 fund:

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

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 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, 2020 was comprised of the following amounts:

Governmental Activities

General Fund:

Powell Bill funds	\$ 49,516
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Business-type activities

Water and Sewer Fund:

Customer utility deposits	<u>38,761</u>
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Total restricted cash	<u><u>\$ 88,277</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, 2019.

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 fund 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 / net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. In addition to liabilities, the statement of net position and the governmental fund 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 fund balance / 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.

Town of Saratoga, North Carolina Notes to Financial Statements

The governmental fund types classify fund balances as follows:

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 unexpended Powell Bill funds.

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

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

Town of Saratoga, North Carolina Notes to Financial Statements

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 GASB Statement No. 87, *Leases*. The objective of this Statement is 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 requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Town is currently reviewing this statement to determine the effect on the Town's financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been postponed by 18 months.

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.

Town of Saratoga, North Carolina
Notes to Financial Statements

At June 30, 2020, the Town's deposits had a carrying amount of \$1,112,625 and a bank balance of \$1,132,888. Of the bank balance, \$250,000 was covered by federal depository insurance and \$882,888 was covered by collateral held under the Pooling Method. At June 30, 2020, the Town's petty cash fund totaled \$300.

2. Receivables – Allowances for Doubtful Accounts

Receivables at the government-wide level at June 30, 2020, were as follows:

	Accounts Receivable	Taxes and Related Accrued Interest	Due from Other Governments	Total
Governmental activities:				
General Fund	\$ 29,647	\$ 11,274	\$ 21,995	\$ 62,916
Allowance for doubtful accounts	(200)	(4,023)	-	(4,223)
	<hr/>			
Total governmental activities	\$ 29,447	\$ 7,251	\$ 21,995	\$ 58,693
	<hr/> <hr/>			
Business-type activities				
Water and sewer	\$ 32,949	\$ -	\$ 128,951	\$ 161,900
Allowance for doubtful accounts	(3,800)	-	-	(3,800)
	<hr/>			
Total business-type activities	\$ 29,149	\$ -	\$ 128,951	\$ 158,100
	<hr/> <hr/>			

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

General Fund:

Local option sales tax	\$ 9,929
Utility franchise tax	1,588
Sales tax refund	8,282
Wilson County - property taxes	2,196
	<hr/>

Total governmental activities \$ 21,995

Business-type activities:

Drinking Water State Revolving Loan	\$ 88,847
Drinking Water State Revolving Loan - Principal Forgiveness	40,104
	<hr/>

Total business-type activities \$ 128,951

The General Fund has reported \$26,679 in accounts receivable related to nuisance abatement assessments as non-current as of June 30, 2020. 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, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 65,691	\$ 26,430	\$ -	\$ 92,121
Capital assets being depreciated:				
Land improvements	70,455	-	-	70,455
Buildings	83,928	-	-	83,928
Equipment and furniture	331,847	14,209	2,380	343,676
Vehicles and motorized equipment	169,530	-	-	169,530
Infrastructure	78,483	-	-	78,483
Total capital assets being depreciated	<u>734,243</u>	<u>14,209</u>	<u>2,380</u>	<u>746,072</u>
Less accumulated depreciation for:				
Land improvements	7,870	3,228	-	11,098
Buildings	23,546	2,387	-	25,933
Equipment and furniture	112,384	14,861	2,380	124,865
Vehicles and motorized equipment	59,685	10,383	-	70,068
Infrastructure	24,399	2,721	-	27,120
Total accumulated depreciation	<u>227,884</u>	<u>\$ 33,580</u>	<u>\$ 2,380</u>	<u>259,084</u>
Total capital assets being depreciated, net	<u>506,359</u>			<u>486,988</u>
Governmental activity capital assets, net	<u>\$ 572,050</u>			<u>\$ 579,109</u>

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

General government	\$ 2,145
Transportation	6,245
Environmental protection	10,757
Cultural and recreational	<u>14,433</u>
 Total depreciation expense	 <u>\$ 33,580</u>

Town of Saratoga, North Carolina
Notes to Financial Statements

Business-type capital asset activity for the Town for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 31,576	\$ -	\$ -	\$ 31,576
Construction in progress	719,456	1,027,376	1,486,901	259,931
Total capital assets not being depreciated	<u>751,032</u>	<u>1,027,376</u>	<u>1,486,901</u>	<u>291,507</u>
Capital assets being depreciated:				
Buildings	6,504	-	-	6,504
Water plant and distribution systems	1,406,629	36,356	5,022	1,437,963
Sewer plant and collection systems	2,806,678	1,495,428	-	4,302,106
Equipment and furniture	92,855	-	-	92,855
Total capital assets being depreciated	<u>4,312,666</u>	<u>1,531,784</u>	<u>5,022</u>	<u>5,839,428</u>
Less accumulated depreciation for:				
Buildings	1,789	162	-	1,951
Water plant and distribution systems	510,024	31,124	5,022	536,126
Sewer plant and collection systems	961,609	84,092	-	1,045,701
Equipment and furniture	50,613	8,688	-	59,301
Total accumulated depreciation	<u>1,524,035</u>	<u>\$ 124,066</u>	<u>\$ 5,022</u>	<u>1,643,079</u>
Total capital assets being depreciated, net	<u>2,788,631</u>			<u>4,196,349</u>
Business-type activities capital assets, net	<u>\$ 3,539,663</u>			<u>\$ 4,487,856</u>

4. Construction Commitments

The Town has active construction projects as of June 30, 2020. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to- Date	Remaining Commitment
Saratoga Municipal Water Distribution System Improvements Project		
Construction	\$ 202,754	\$ 43,831
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>\$ 202,754</u>	<u>\$ 527,336</u>

Town of Saratoga, North Carolina
Notes to Financial Statements

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2020, were as follows:

	Vendors
Governmental Activities:	
General	\$ 2,748
Business-type Activities:	
Water and sewer	\$ 7,383

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)	\$ -	\$ 5,226
Nuisance abatements receivable (General Fund)	-	26,679
Total	\$ -	\$ 31,905

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, 2020, 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, 2020, including \$1,147 of interest are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2021	\$ 11,759	\$ 572	\$ 12,331
2022	11,948	383	12,331
2023	12,131	192	12,323
Totals	<u>\$ 35,838</u>	<u>\$ 1,147</u>	<u>\$ 36,985</u>

Current fiscal year interest paid of \$751 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
2021	\$ 8,270	\$ -	\$ 8,270
2022	8,270	-	8,270
2023	8,270	-	8,270
2024	8,272	-	8,272
Totals	<u>\$ 33,082</u>	<u>\$ -</u>	<u>\$ 33,082</u>

Town of Saratoga, North Carolina
Notes to Financial Statements

c. NC Drinking Water Revolving Loan

The Town is financing a municipal water distribution system improvements 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 is due on May 1, 2021. Annual debt service requirements on the 0% loan are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2021	\$ 10,683	\$ -	\$ 10,683
2022	10,683	-	10,683
2023	10,683	-	10,683
2024	10,683	-	10,683
2025	10,683	-	10,683
2026-2030	53,416	-	53,416
2031-2035	53,416	-	53,416
2036-2040	53,415	-	53,415
Totals	<u>\$ 213,662</u>	<u>\$ -</u>	<u>\$ 213,662</u>

d. Changes in Long-Term Liabilities

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
Governmental activities:					
Installment purchase	\$ 47,417	\$ -	\$ 11,579	\$ 35,838	\$ 11,759
Business-type activities:					
NC Drinking Water State Revolving Loan	\$ 41,352	\$ -	\$ 8,270	\$ 33,082	\$ 8,270
NC Drinking Water State Revolving Loan	-	213,662	-	213,662	10,683
Totals	<u>\$ 41,352</u>	<u>\$ 213,662</u>	<u>\$ 8,270</u>	<u>\$ 246,744</u>	<u>\$ 18,953</u>

At June 30, 2020, the Town had no bonds authorized but un-issued and a legal debt margin of \$1,937,338.

Town of Saratoga, North Carolina
Notes to Financial Statements

C. Interfund Balances and Activity

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2020, consist of the following:

From the Water and Sewer Fund to the Water and Sewer Capital Projects Fund	<u>\$ 6,900</u>
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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 2020 fiscal year, the Town made a one-time transfer from the Water and Sewer Fund of \$6,900 to the Water and Sewer Capital Project Funds per the terms of matching grants related to the construction of the Speight School Road Municipal Sewer Improvements Project.

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	\$ 464,338
Less:	
Stabilization by State Statute	24,763
Streets - Powell Bill	49,516
Appropriated Fund Balance in 2021 budget	<u>75,000</u>
Remaining Fund Balance	<u>\$ 315,059</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 paid membership fees of \$433 to the Council during the fiscal year ended June 30, 2020.

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.

Town of Saratoga, North Carolina Notes to Financial Statements

V. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

In July 2020, the Town awarded a construction contract for \$807,567 related to the Saratoga-Wilson Sewer Connection Project. The project is being funded by a 30 year, no interest, \$1,343,292 Wastewater State Reserve (SRP) loan.

In September 2020, the Town received \$18,288 in CARES Act funding. The Town plans to use the funds to improve technology / telework capabilities to enable compliance with COVID-19 public health precautions.

In November 2020, due to lower than expected construction bids, the Town amended the project ordinance of the Saratoga-Wilson Sanitary Sewer Connection Project and lowered the overall cost of the project from \$1,647,420 to \$1,343,292.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, certain operations of the Town have been affected. The ability of some residents to make tax and/or utility payments has and may at times be impacted by the effects of the pandemic, as well as, state shared revenues, local, state and federal grant funding. In response to this event, the Town, through Executive Order of the Governor, suspended its cut-off policies for non-payment of utilities and/or extended due dates and payment options of utilities and property taxes for residents. Continued effects of the pandemic may result in uncertainties and a negative impact on operating activities and results of the Town. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

The Board has evaluated subsequent events through January 18, 2021, 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, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Ad valorem taxes				
Current year	\$	\$ 137,857	\$	\$ 139,080
Prior years		3,162		2,769
Penalties and interest		584		561
Total	141,417	141,603	186	142,410
Unrestricted intergovernmental				
Local option sales taxes		59,951		55,823
Utilities sales tax		5,365		5,757
Piped natural gas sales tax		467		561
Telecommunications sales tax		1,811		2,036
Video franchise fee		1,240		1,337
Beer and wine tax		1,755		1,759
Total	66,933	70,589	3,656	67,273
Restricted intergovernmental				
Powell Bill allocation		13,145		13,241
Solid waste disposal tax		310		285
Total	13,030	13,455	425	13,526
Sales and services				
Garbage collection fees		37,287		36,533
Nuisance abatement assessments		-		3,143
Recreation fees and rent		-		300
Total	36,456	37,287	831	39,976
Investment earnings				
Interest earned	1,685	2,484	799	1,977
Miscellaneous				
Miscellaneous		377		163
Returned check charges		356		385
Trash truck rental		55		150
Total	3,500	788	(2,712)	698
Total revenues	263,021	266,206	3,185	265,860

(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, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures	374,360	249,539	124,821	246,192
Revenues over (under) expenditures	(111,339)	16,667	128,006	19,668
Other financing sources (uses):				
Fund balance appropriated - Powell Bill	36,339	-	(36,339)	-
Fund balance appropriated - General Fund	75,000	-	(75,000)	-
Transfers to other funds	-	-	-	(5,630)
Total other financing sources (uses)	111,339	-	(111,339)	(5,630)
Revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	16,667	<u>\$ 16,667</u>	14,038
Fund balance, beginning		<u>447,671</u>		<u>433,633</u>
Fund balance, ending		<u>\$ 464,338</u>		<u>\$ 447,671</u>

Town of Saratoga, North Carolina
General Fund
Schedule of Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
General government:				
Governing body and administration:				
Fees paid elected officials	\$	\$ 1,275	\$	\$ 1,275
Salaries		45,851		42,929
FICA tax		3,605		3,382
Unemployment taxes		14		17
Health insurance		1,005		977
Professional services		26,962		29,695
Telephone		6,237		5,848
Travel		375		310
Maintenance and repairs		604		1,681
Advertising		647		2,325
Office supplies and postage		5,999		4,112
Election expense		4,700		-
Goodwill		300		300
Utilities		7,878		8,319
Dues and subscriptions		1,865		1,871
Insurance and bonds		8,462		7,394
Mowing		1,893		4,912
Miscellaneous		1,058		2,339
Tax collection fees		2,128		2,141
Christmas decorations		5,629		-
Capital outlay		5,650		-
Total general government		<u>184,675</u>	<u>132,137</u>	<u>52,538</u>
				<u>119,827</u>
Public safety:				
Fire department:				
Fire protection - Sanoca Fire Department		<u>7,000</u>	<u>7,000</u>	<u>-</u>
				<u>7,000</u>
Transportation:				
Street repair and construction:				
Powell Bill expenditures - capital outlay		<u>49,369</u>	<u>-</u>	<u>49,369</u>
				<u>18,114</u>
Economic and physical development:				
Economic development:				
Supplies and materials		<u>12,500</u>	<u>-</u>	<u>12,500</u>
				<u>151</u>

(continued)

Town of Saratoga, North Carolina
General Fund

Schedule of Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		2019	
	Budget	Actual	Variance Positive (Negative)	Actual
Environmental protection:				
Sanitation:				
Salaries		41,540		38,623
FICA tax		3,178		2,955
Health insurance		12,437		10,571
Landfill fee		8,393		7,699
Auto supplies and repairs		13,883		13,348
Supplies and materials		3,351		5,080
Uniforms		2,003		1,484
Insurance and bonds		3,100		3,100
Capital outlay		8,559		2,900
Bad debts		121		48
Total environmental protection	105,485	96,565	8,920	85,808
Cultural and recreational:				
Recreation:				
Utilities	3,000	1,507	1,493	2,961
Debt service:				
Principal retirement		11,579		11,401
Interest and other charges		751		930
Total debt service	12,331	12,330	1	12,331
Total expenditures	\$ 374,360	\$ 249,539	\$ 124,821	\$ 246,192

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, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Charges for services:				
Water service	\$ 135,000	\$ 141,192	\$ 6,192	\$ 143,763
Sewer service	120,000	126,365	6,365	121,401
Water and sewer tap fees	2,200	12,042	9,842	13,000
Late fees	4,000	3,564	(436)	4,612
Reconnection fees	1,000	690	(310)	990
Total charges for services	<u>262,200</u>	<u>283,853</u>	<u>21,653</u>	<u>283,766</u>
Expenditures:				
Water treatment and distribution	67,377	38,275	29,102	68,602
Waste collection and treatment	124,152	102,911	21,241	127,828
Capital outlay	55,500	51,049	4,451	3,549
Debt Service	8,271	8,270	1	8,270
Total expenditures	<u>255,300</u>	<u>200,505</u>	<u>54,795</u>	<u>208,249</u>
Revenues over expenditures	6,900	83,348	76,448	75,517
Other financing sources (uses):				
Transfers to other funds:				
Water and Sewer Capital Projects Fund	(6,900)	(6,900)	-	-
Revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 76,448</u>	<u>\$ 76,448</u>	<u>\$ 75,517</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Reconciling items:				
Principal retirement		8,270		8,270
Capital outlay		51,049		3,549
Depreciation		(124,066)		(103,641)
Capital contributions		800,649		595,207
Transfer to Water and Sewer Capital Projects Fund		6,900		-
Total reconciling items		<u>742,802</u>		<u>503,385</u>
Change in net position		<u>\$ 819,250</u>		<u>\$ 578,902</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, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		2019	
	Budget	Actual	Variance Positive (Negative)	Actual
Water treatment and distribution:				
Salaries	\$	\$ 15,354	\$	16,004
FICA tax		1,175		1,224
Professional services		-		2,601
Maintenance and repairs - water lines		2,200		13,635
Maintenance and repairs - equipment		3,697		12,161
Elevated water tank maintenance		5,289		5,195
Office supplies and postage		528		350
Supplies and materials		1,518		3,363
Water analysis		2,094		2,277
Special contract services		-		4,900
Electricity		4,538		5,367
Miscellaneous		16		-
Emergency water purchases		-		528
Permits		420		520
Bad debts		1,446		477
Total water treatment and distribution		<u>67,377</u>	<u>38,275</u>	<u>29,102</u>
				<u>68,602</u>
Waste collection and treatment:				
Salaries		8,704		7,904
FICA tax		665		605
Professional services		5,654		2,601
Maintenance and repairs		14,198		21,298
Water treatment charges		64,413		82,078
Office supplies and postage		528		350
Supplies and materials		133		1,017
Special contract services		-		5,100
Electricity		7,175		6,117
Training		100		421
Bad debts		1,341		337
Total waste collection and treatment		<u>124,152</u>	<u>102,911</u>	<u>21,241</u>
				<u>127,828</u>
Capital outlay:				
Water capital outlay	44,400	42,522	1,878	1,250
Sewer capital outlay	11,100	8,527	2,573	2,299
Total capital outlay	<u>55,500</u>	<u>51,049</u>	<u>4,451</u>	<u>3,549</u>

(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, 2020
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020		2019	
	Budget	Actual	Variance Positive (Negative)	Actual
Debt service:				
Principal	8,271	8,270	1	8,270
Total expenditures	\$ 255,300	\$ 200,505	\$ 54,795	\$ 208,249

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, 2020

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	\$ 719,456	\$ 760,545	\$ 1,480,001	\$ (214,934)
Expenditures:					
Construction		531,393	649,015	1,180,408	
Engineering design		72,222	-	72,222	
Boundary, research and topography survey		7,300	-	7,300	
Construction staking right-of-way		1,200	-	1,200	
Inspection		12,163	63,020	75,183	
Contract administration / observation		10,205	3,000	13,205	
Tap fees		-	9,618	9,618	
Legal advertisement		720	17,750	18,470	
Grant administration		84,253	25,042	109,295	
Total expenditures	1,694,935	719,456	767,445	1,486,901	208,034
Revenues over (under) expenditures	-	-	(6,900)	(6,900)	(6,900)
Other financing sources					
Transfer from Water & Sewer Fund	-	-	6,900	6,900	6,900
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, 2020

Saratoga Municipal Water Distribution System Improvements Project

	Project Author - ization	Actual			Variance Positive (Negative)					
		Prior Years	Current Year	Total to Date						
Revenues	\$	-	\$	-	\$	-	\$	-	\$	-
Expenditures:										
Construction		-	202,754	202,754						
Engineering design		-	12,353	12,353						
Land surveying costs		-	8,847	8,847						
Construction inspection / observation		-	8,008	8,008						
Construction administration		-	1,000	1,000						
Permitting		-	2,866	2,866						
Environmental review		-	1,437	1,437						
Grant / loan administration		-	16,500	16,500						
Total expenditures		322,586	-	253,765	253,765	68,821				
Revenues over (under) expenditures		(322,586)	-	(253,765)	(253,765)	68,821				
Other financing sources:										
Drinking Water State Revolving Fund		213,662	-	213,662	213,662	-				
Drinking Water State Revolving Fund - Principal Forgiveness		108,924	-	40,104	40,104	(68,820)				
Total other financing sources		322,586	-	253,766	253,766	(68,820)				
Revenues and other financing sources over expenditures	\$	-	\$	-	\$	1	\$	1	\$	1

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, 2020

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, 2020

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, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections</u>	<u>Releases</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 140,983 (a)	\$ 137,857 (b)	\$ 526 (a)	\$ 2,600 (c)
2018-2019	3,839	-	2,945	-	894
2017-2018	901	-	188	-	713
2016-2017	579	-	20	-	559
2015-2016	622	-	-	-	622
2014-2015	622	-	-	-	622
2013-2014	845	-	-	-	845
2012-2013	782	-	-	-	782
2011-2012	733	-	-	-	733
2010-2011	888	-	9	-	879
2009-2010	649	-	-	649	-
	<u>\$ 10,460</u>	<u>\$ 140,983</u>	<u>\$ 141,019 (d)</u>	<u>\$ 1,175</u>	<u>9,249</u>

Less: allowance for uncollectible ad valorem taxes receivable (4,023)

Ad valorem taxes receivable - net \$ 5,226

Reconciliation to revenues:

Ad valorem taxes - General Fund \$ 141,603

Reconciling items:

Penalties and interest collected (584)

Total collections \$ 141,019 (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, 2020

	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	\$ 23,994,828	\$ 0.58	\$ 139,170	\$ 124,680	\$ 14,490
Discoveries:					
Current year taxes	312,586		1,813	1,813	-
Abatements	(90,690)		(526)	(526)	-
Total property valuation	<u>\$ 24,216,724</u>				
Net levy			140,457 (a)	125,967	14,490
Uncollected taxes at June 30, 2020			<u>(2,600) (c)</u>	<u>(2,600)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 137,857 (b)</u>	<u>\$ 123,367</u>	<u>\$ 14,490</u>
Current levy collection percentage			<u>98.15%</u>	<u>97.94%</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



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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, 2020, 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 18, 2021.

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 18, 2021



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Saratoga, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Saratoga's major federal programs for the year ended June 30, 2020. The Town of Saratoga's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Saratoga's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Saratoga's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Saratoga's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Saratoga complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Town of Saratoga is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Saratoga's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Saratoga's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Wilson, North Carolina
January 18, 2021

Town of Saratoga, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified?	None noted
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Material weakness(es) identified?	No
Significant deficiency(s) identified?	None noted
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	No

Identification of major federal program:

<u>CFDA No(s)</u>	<u>Names of Federal Program or Cluster</u>
14.228	Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as a low-risk auditee?	No

Town of Saratoga, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

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.

Identification of a Repeat Finding: This is a repeat finding from the June 30, 2018 audit engagement, 2018-01.

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 38 in this audit report.

Section III - Federal Award Findings and Questioned Costs

None reported

Town of Saratoga

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Corrective Action Plan For the Fiscal Year Ended June 30, 2020

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, 2020**

Finding 2018-01 (Repeat)

Status: (Uncorrected) 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.

**Town of Saratoga, North Carolina
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020**

<u>Grantor/Pass-through Grantor/Program Title</u>	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal - (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Grants:					
Cash Programs:					
U.S. Department of Housing and Urban Development					
Passed-through N.C. Department of Environmental Quality					
Community Development Block Grant / State's Program and Non- Entitlement Grants in Hawaii	14.228	15-I-2756	\$ 760,545	\$ -	\$ 6,900
U.S. Environmental Protection Agency					
Passed-through N.C. Department of Environmental Quality					
<u>Drinking Water State Revolving Fund Cluster:</u>					
Capitalization Grants for Drinking Water State Revolving Funds	66.468	H-LRX-F-17-1922	253,765	-	-
Total Drinking Water State Revolving Fund Cluster			253,765	-	-
Total federal and state assistance			<u>\$ 1,014,310</u>	<u>\$ -</u>	<u>\$ 6,900</u>

For the fiscal year ended June 30, 2020, the Town did not provide any federal or state funding to a sub-recipient.

Town of Saratoga, North Carolina
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Notes to the Schedule of Expenditures of Federal Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of Federal awards (SEFA) includes the federal grant activity of the Town of Saratoga, North Carolina under the programs of the federal government for the year ended June 30, 2020. The information in this SEFA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Saratoga, North Carolina, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Saratoga, North Carolina.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Town of Saratoga, North Carolina has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Contingencies

Grant monies received and disbursed by the Town of Saratoga, North Carolina are for specific purposes and are subject to review by the grantor agencies. Such audits may result in required reimbursements due to disallowed expenditures. Based upon experience, the Town does not believe that such disallowance, if any, would have a material effect on the financial position of the Town.

Note 5: Loans

The Town of Saratoga, North Carolina did not expend federal awards related to loans or loan guarantees during the fiscal year ended June 30, 2020.

Note 6: Federally Funded Insurance

The Town of Saratoga, North Carolina has no federally funded insurance.