

REVIEWED

By SLGFD at 1:38 pm, Nov 01, 2021

Town of Lake Santeetlah, North Carolina

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2021

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

TOWN OFFICIALS

MAYOR

Jim Hager

COUNCIL MEMBERS

Keith Predmore (Vice
Mayor and Assistant Finance
Officer)

Jim Hager (Finance Officer)

Kevin Haag
Diana Simon
Roger Carlton

ADMINISTRATIVE STAFF

Kim Matheson, Town
Administrator
Emily Hooper, Town Clerk

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



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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of The Town of Lake Santeetlah, North Carolina (the Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

PT CPAs PLLC

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110 Iowa Lane • Cary, North Carolina 27511 | Tel 919.476.2050

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Lake Santeetlah, North Carolina, as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

PT CPAs, PLLC

Raleigh, North Carolina
October 15, 2021

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

As management of the Town of Lake Santeetlah (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

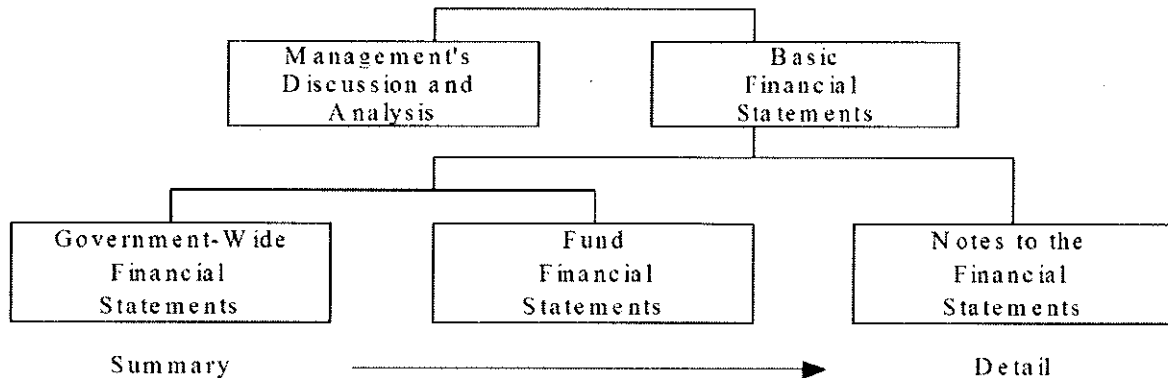
Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities at the close of the fiscal year by \$692,910. (*net position*).
- The government's total net position increased by \$51,018 primarily due to the increase in ad valorem taxes and less expenditures on legal fees as the Town concludes its prior litigation matters.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$178,638 with a net change of (\$54,313) in fund balance, primarily due to the completion of costly litigation and the purchase of land. Approximately 77% of this total ending fund balance, or \$137,896 is available for spending for budgeted and unforeseen expenditures at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$137,896. The total general fund expenditures for the fiscal year were \$389,912 or approximately 220% of the unassigned fund balance of \$177,145 at the beginning of the fiscal year.
- At the end of the current fiscal year, the Town's proprietary fund reported an ending net position of \$179,687 with a net change of \$36,111, primarily due to an increase in consumption fees and using bank financing to fund major renovations. Fund balance available for spending at the government's discretion (*unreserved/unrestricted fund balance*) was \$87,278. At the end of the fiscal year, the total proprietary fund expenditures were \$92,918.
- In prior years, the Town obtained long-term debt to finance the installation of new automatic read water meters and Insight software. The balance outstanding at June 30, 2020 was \$14,932. This amount was retired when the Town obtained \$200,000 in bank debt to finance the renovations to the water tank and its distribution system. The balance outstanding on the new loan was \$191,667 at June 30, 2021.

Overview of the Financial Statements

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

Required Components of Annual Financial Statements
Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities and 3) component units. The governmental activities include most of the Town's basic services such as public safety, transportation, and general administration. Property taxes and the county sales tax allocation finances most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water services offered by the Town. The final category is the component unit, the Town of Lake Santeetlah Tourism Development Authority (TDA). Although legally separate from the Town, the Town exercises control over the TDA by appointing its members and the TDA is required to support the Town's tourism industry.

Fund Financial Statements

The fund financial statements (See figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Town Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Town has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 24 of this report.

Government-wide Financial Analysis

Town of Lake Santeetlah' s Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 187,962	\$ 298,646	\$ 123,420	\$ 58,738	\$ 311,382	\$ 377,123
Capital assets	<u>334,585</u>	<u>265,365</u>	<u>248,848</u>	<u>99,230</u>	<u>583,433</u>	<u>359,899</u>
Total assets	<u>\$ 522,547</u>	<u>564,011</u>	<u>\$ 372,268</u>	<u>\$ 157,968</u>	<u>894,815</u>	<u>737,022</u>
Long-term liabilities outstanding	-	-	14,392	14,392	14,392	14,392
Other liabilities	<u>9,324</u>	<u>65,695</u>	<u>-</u>	<u>-</u>	<u>9,324</u>	<u>65,695</u>
Total liabilities	<u>9,324</u>	<u>65,695</u>	<u>14,392</u>	<u>14,392</u>	<u>23,716</u>	<u>80,087</u>
Net position:						
Net investment in capital assets:	334,585	265,365	92,409	99,230	426,994	364,595
Restricted	40,742	55,806	-	-	40,742	55,806
Unrestricted	<u>137,896</u>	<u>177,145</u>	<u>87,278</u>	<u>44,346</u>	<u>225,174</u>	<u>221,491</u>
Total net position	<u>\$ 513,223</u>	<u>\$ 498,316</u>	<u>\$ 179,687</u>	<u>\$ 143,576</u>	<u>\$ 692,910</u>	<u>\$ 641,892</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 \$692,910 at June 30, 2021. However, a large portion, \$426,994 (62%), reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), net of related debt. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town's net assets, \$40,742 (6%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$225,174 is unrestricted. The Town's net position increased by \$51,018 during the fiscal year ended June 30, 2021.

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

- The Town realized a 98.2% collection of ad valorem taxes
- The Town increased its rates charged to water customers
- The Town increased its millage for ad valorem taxes
- The Town's prior ongoing litigation came to a positive conclusion and the Town no longer was spending large sums on legal fees

Town of Lake Santeetlah's Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 131,656	\$ 108,952	\$ 131,656	\$ 108,952
Operating grants and contributions	24,657	8,417	-	-	24,657	8,417
General revenues:						
Property taxes	206,759	178,516	-	-	206,759	178,516
Other taxes	101,539	98,564	-	-	101,539	98,564
Other	2,644	10,323	59	48	2,703	10,371
Total revenues	335,599	295,820	131,715	109,000	467,314	404,820
Expenses:						
General government	278,300	302,505	-	-	278,300	302,505
Public safety	15,544	13,099	-	-	15,544	13,099
Transportation	26,848	28,890	-	-	26,848	28,890
Water	-	-	95,604	104,522	95,604	104,522
Total expenses	320,692	344,494	95,604	104,522	416,296	449,016
Decrease in net position	14,907	(48,674)	36,111	4,478	51,018	(44,196)
Net position, July 1	498,316	546,990	143,576	139,098	641,892	686,088
Net position, June 30	<u>\$ 513,223</u>	<u>\$ 498,316</u>	<u>\$ 179,687</u>	<u>\$ 143,576</u>	<u>\$ 692,910</u>	<u>\$ 641,892</u>

Governmental activities. Governmental activities increased the Town's net position by \$14,907. The increase is primarily the result of the increase in the millage rate for ad valorem taxes and the conclusion of prior litigation, in favor of the Town.

Business-type activities: Business-type activities increased the Town's net position by \$36,111. The key element of this increase was the increase in water rates to its customers.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's fund balance available in the General Fund was \$137,896, while total fund balance reached \$178,638. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures of \$389,912. Unassigned fund balance represents approximately 35% of total General Fund expenditures of \$389,912, while the total fund balance of \$178,638 represents approximately 46% of that same amount.

At June 30, 2021, the governmental fund of the Town reported a fund balance of \$178,638, with a net decrease in fund balance of (\$54,313), due primarily to the land purchase.

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

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water Fund at the end of the fiscal year amounted to \$87,278. The total increase in net assets for this fund was \$36,111 predominately from an increase of water rates to its customers and depreciation expense, which is how infrastructure is replaced over time. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$583,433 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment. During the fiscal year, the Town acquired an additional parcel of land.

During the fiscal year, the Town incurred \$156,439 of capital asset purchases related to its water distribution, funded through a bank loan. The Town also made a \$95,982 purchase of a plot of land.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 106,552	\$ 10,570	\$ -	\$ -	\$ 106,552	\$ 10,570
Building and improvements	55,088	57,877	238,273	87,596	293,361	145,473
Machinery and equipment	7,881	7,934	10,575	11,634	18,456	19,568
Infrastructure	165,064	188,984	-	-	165,064	188,984
Total	<u>\$ 334,585</u>	<u>\$ 265,365</u>	<u>\$ 248,848</u>	<u>\$ 99,230</u>	<u>\$ 583,433</u>	<u>\$ 364,595</u>

Additional information on the Town's capital assets can be found in note III (3) of the Basic Financial Statements.

Long-term Debt. As of June 30, 2021, the Town had long-term debt outstanding \$191,667 obtained to fund the renovations to the water tank and the water distribution system.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$6,655,927.

Economic Factors and Next Year's Budgets and Rates

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

- The Town prevailed as a defendant in several lingering lawsuits. Without having to spend the significant amount of its funds on professional fees, the Town should have the necessary resources to continue to further its economic development efforts. The Town was awarded approximately \$40,000 in legal fees reimbursements from the plaintiffs of these lawsuits.
- Property taxes will see a rate increase from .0026% to .00295% and will increase revenues by nearly 10%. The Town will use these increases in revenues to finance programs currently in place.
- Budgeted expenditures in the General Fund are expected to increase in a similar amount as the revenues increase, the majority of the increase will be spent in the area of transportation.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Finance Officer Jim Hagar, 4 Marina Drive, Lake Santeetlah, NC 28771 or by phone at (828) 479-8190.

Town of Lake Santeetlah
Statement of Net Position
June 30, 2021

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Tourism Development Authority
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 147,220	\$ 109,014	\$ 256,234	\$ 34,211
Accounts receivable (net)	-	14,406	14,406	-
Due from other governments	1,399	-	1,399	-
Restricted cash and cash equivalents	39,343	-	39,343	-
Internal balances	-	-	-	-
Total current assets	<u>\$ 187,962</u>	<u>\$ 123,420</u>	<u>\$ 311,382</u>	<u>\$ 34,211</u>
Non-current assets:				
Capital assets:				
Land	106,552	-	106,552	-
Other capital assets, net of depreciation	<u>228,033</u>	<u>248,848</u>	<u>476,881</u>	<u>45</u>
Total capital assets	<u>334,585</u>	<u>248,848</u>	<u>583,433</u>	<u>45</u>
Total non-current assets	<u>334,585</u>	<u>248,848</u>	<u>583,433</u>	<u>45</u>
Total assets	<u>\$ 522,547</u>	<u>\$ 372,268</u>	<u>\$ 894,815</u>	<u>\$ 34,256</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 9,324	\$ 914	\$ 10,238	\$ -
Current portion of long-term liabilities	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total current liabilities	9,324	20,914	30,238	-
Non-current liabilities:				
Due in more than one year	<u>-</u>	<u>171,667</u>	<u>171,667</u>	<u>-</u>
Total liabilities	<u>9,324</u>	<u>192,581</u>	<u>201,905</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	334,585	92,409	426,994	-
Restricted for:				
Transportation	57	-	57	-
Road repaving	39,286	-	39,286	-
Stabilization by State Statute	1,399	-	1,399	-
Other functions	-	-	-	34,256
Unrestricted	<u>137,896</u>	<u>87,278</u>	<u>225,174</u>	<u>-</u>
Total net position	<u>\$ 513,223</u>	<u>\$ 179,687</u>	<u>\$ 692,910</u>	<u>\$ 34,256</u>

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

Town of Lake Santeetlah
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 278,300	\$ -	\$ 17,105	\$ -	\$ (261,195)	\$ -	\$ (261,195)
Public safety	15,544	-	-	-	(15,544)	-	(15,544)
Transportation	26,848	-	-	7,552	(19,296)	-	(19,296)
Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities	<u>320,692</u>	<u>-</u>	<u>17,105</u>	<u>7,552</u>	<u>(296,035)</u>	<u>-</u>	<u>(296,035)</u>
Business-type activities							
Water	95,604	131,656	-	-	-	36,052	36,052
Total business-type activities	<u>95,604</u>	<u>131,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,052</u>	<u>36,052</u>
Total primary government	<u>\$ 416,296</u>	<u>\$ 131,656</u>	<u>\$ 17,105</u>	<u>\$ 7,552</u>	<u>\$ (296,035)</u>	<u>\$ 36,052</u>	<u>\$ (259,983)</u>
Component unit:							
Tourism Development Authority	9,166	25,320	-	-	-	-	16,154
Total component unit	<u>\$ 9,166</u>	<u>\$ 25,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,154</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					206,759	-	206,759
Other taxes					101,539	-	101,539
Unrestricted investment earnings					121	59	180
Miscellaneous					2,523	-	2,523
Total general revenues					<u>310,942</u>	<u>59</u>	<u>311,001</u>
Change in net position					14,907	36,111	51,018
Net position - beginning					498,316	143,576	641,892
Net position - ending					<u>\$ 513,223</u>	<u>\$ 179,687</u>	<u>\$ 692,910</u>
							<u>\$ 34,256</u>

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

**Town of Lake Santeetlah
Balance Sheet
Governmental Funds
June 30, 2021**

	<u>Major Fund</u>	
	<u>General</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 147,220	\$ 147,220
Restricted cash and cash equivalents	39,343	39,343
Due from other governmental agencies	1,399	1,399
Due from other funds	-	-
Total assets	<u>\$ 187,962</u>	<u>\$ 187,962</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,324	\$ 9,324
Total current liabilities	9,324	9,324
FUND BALANCES:		
Restricted		
Transportation	57	57
Road repaving	39,286	39,286
Stabilization by State Statute	1,399	1,399
Unassigned	<u>137,896</u>	<u>137,896</u>
Total fund balances	<u>178,638</u>	178,638
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 187,962</u>	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		334,585
Long-term liabilities used in governmental activities are not financial uses and therefore not reported in the funds		<u>-</u>
Net position of governmental activities		<u>\$ 513,223</u>

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

Town of Lake Santeetlah
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For Year Ended June 30, 2021

	<u>Major Fund</u>	<u>Total Governmental Funds</u>
	<u>General</u>	
REVENUES		
Ad valorem taxes	\$ 206,759	\$ 206,759
Other taxes	101,539	101,539
Restricted intergovernmental	7,552	7,552
Contributions	17,105	17,105
Investment earnings	121	121
Miscellaneous	<u>2,523</u>	<u>2,523</u>
Total revenues	335,599	335,599
EXPENDITURES		
Current:		
General government	251,538	251,538
Public safety	15,544	15,544
Transportation	26,848	26,848
Capital outlay	<u>95,982</u>	<u>95,982</u>
Total expenditures	<u>389,912</u>	<u>389,912</u>
Net change in fund balances	(54,313)	(54,313)
Fund balances – beginning	<u>232,951</u>	<u>232,951</u>
Fund balances – ending	<u>\$ 178,638</u>	<u>\$ 178,638</u>

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

Net changes in fund balances – total governmental funds (54,313)

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

Principal payments on long-term debt -

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

Capital outlay	95,982
Depreciation	<u>(26,762)</u>
Total changes in net position of governmental activities	<u>\$ 14,907</u>

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

Exhibit 5

Town of Lake Santeetlah
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2021

	<u>General Fund</u>			
	Original	Final	Actual Amounts	Variance with Final Budget – Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 221,090	\$ 220,590	\$ 206,759	\$ (13,831)
Other taxes	83,375	83,375	101,539	18,164
Restricted intergovernmental	8,417	8,417	7,552	(865)
Investment earnings	100	100	121	21
Contributions	10,000	10,000	17,105	7,105
Miscellaneous	<u>12,126</u>	<u>12,626</u>	<u>2,523</u>	<u>(10,103)</u>
Total revenues	<u>335,108</u>	<u>335,108</u>	<u>335,599</u>	<u>491</u>
Expenditures:				
Current:				
General government	182,128	253,303	251,538	1,765
Public safety	18,500	18,500	15,544	2,956
Transportation	134,345	61,505	26,848	34,657
Contingency	-	-	-	-
Capital outlay	<u>3,000</u>	<u>1,800</u>	<u>95,982</u>	<u>(94,182)</u>
Total expenditures	<u>337,973</u>	<u>335,108</u>	<u>389,912</u>	<u>(54,804)</u>
Revenues over (under) expenditures	(2,865)	-	(54,313)	(54,313)
Fund Balance Appropriations	<u>2,865</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(54,313)	<u>\$ (54,313)</u>
Fund balances, beginning of year			<u>232,951</u>	
Fund balances, end of year			<u>\$ 178,638</u>	

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

Exhibit 6

Town of Lake Santeetlah
Statement of Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	<u>Major Enterprise Fund</u>	
	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 109,014	\$ 109,014
Accounts receivable	<u>14,406</u>	<u>14,406</u>
Total current assets	123,420	123,420
Capital Assets:		
Other capital assets, net of depreciation	<u>248,848</u>	<u>248,848</u>
Capital assets (net)	<u>248,848</u>	<u>248,848</u>
Total assets	<u>\$ 372,268</u>	<u>\$ 372,268</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 914	\$ 914
Current portion of long-term liabilities	<u>20,000</u>	<u>20,000</u>
Total current liabilities	<u>20,914</u>	<u>20,914</u>
Non-current liabilities		
Due in more than one year	<u>171,667</u>	<u>171,667</u>
Total liabilities	<u>192,581</u>	<u>192,581</u>
NET POSITION		
Net investment in capital assets	92,409	92,409
Unrestricted	<u>87,278</u>	<u>87,278</u>
Total net position	<u>\$ 179,687</u>	<u>\$ 179,687</u>

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

Exhibit 7

Town of Lake Santeetlah
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Fund	
	Water Fund	Total Proprietary Funds
OPERATING REVENUES		
Charges for services	\$ 131,656	\$ 131,656
Total operating revenues	131,656	131,656
OPERATING EXPENSES		
Finance and administration	41,928	41,928
Water treatment and distribution	44,169	44,169
Depreciation	6,821	6,821
Total operating expenses	92,918	92,918
Operating income	38,738	38,738
NONOPERATING REVENUES (EXPENSES)		
Interest charges	(2,686)	(2,686)
Investment earnings	59	59
Total nonoperating revenue (expenses)	(2,627)	(2,627)
Change in net position	36,111	36,111
Total net position – beginning	143,576	143,576
Total net position – ending	\$ 179,687	\$ 179,687

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

Town of Lake Santeetlah
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

	Major Enterprise Fund Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and grants	\$ 131,656
Cash paid for goods and services	(57,776)
Cash paid to or on behalf of employees for services	(31,152)
Net cash provided by operating activities	42,728
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Increase in internal advances	(11,107)
Net cash provided by non-capital financing activities	(11,107)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	59
Net cash provided by investing financing activities	59
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(156,439)
Proceeds from non-general obligation indebtedness	200,000
Principal payments on long-term debt	(23,265)
Net cash provided by capital and related financing activities	20,296
Net decrease in cash and cash equivalents	51,976
Balances – beginning of the year	57,038
Balances – end of the year	\$ 109,014
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	38,738
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	6,821
Increase in accounts receivable	(3,745)
Increase in accounts payable	914
Total adjustments	3,990
Net cash provided by operating activities	\$ 42,728

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

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected mayor and a four- member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the financial statements in order to emphasize that it is legally separate from the Town.

Town of Lake Santeetlah Tourism and Development Authority (TDA)

The TDA was authorized under North Carolina Senate Bill 140, which authorized the Town to levy a room occupancy tax of up to 3%, the proceeds of which would be remitted to a Tourism Development Authority. The TDA is required to use at least two-thirds of the proceeds to promote travel and tourism and the remainder for tourist-related expenditures. The TDA has a June 30 year-end, and is presented as if it were a proprietary fund (discrete presentation).

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. At present, the Town does not have any non-major funds.

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

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

The Town reports the following major governmental fund:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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

Sales taxes and certain intergovernmental revenues, 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 Graham 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 North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. 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 Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the Town and TDA are made in Town Council-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the TDA may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and TDA 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 and the TDA 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). The Town's and TDA's investments are generally reported at fair value.

2. Cash and Cash Equivalents

The Town pools money from its two funds to facilitate disbursement and investment and to maximize investment income and considers all cash and certain investments to be cash and cash equivalents. The TDA considers all highly liquid investments (including restricted assets) with maturities of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

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

Town Restricted Cash:

Government activities

General fund

Powell Bill	\$ 57
Road paving	<u>39,286</u>
Total restricted cash	<u>\$ 39,343</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13 (a)], the Town levies ad valorem taxes on property, other than motor vehicles, on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts. The Town has entered into an agreement with Graham County to collect ad valorem taxes. The agreement eliminates the discount offered for early payment. For the year ended June 30, 2021 the Town paid \$11,378 to Graham County for this service.

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. At June 30, 2021, the Town has determined all receivables are fully realizable.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost exceeding a defined capitalization cost and an estimated useful life in excess of two years. The Town has established a minimum capitalization cost of \$500 for all newly acquired assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network that was acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

Property, plant and equipment of the TDA are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20
Vehicles	3-5
Equipment and furniture	10
Computer equipment	3

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

7. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflow of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criteria. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has no items that meets this criteria.

8. Long-term Obligations

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

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

9. Compensated Absences

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

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

10. Net Position / Fund Balances

Net Position

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

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town does not have any non-spendable fund balance at June 30, 2021.

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

Restricted for road paving – portion of the long-term debt that was acquired for the sole purpose of road maintenance.

Assigned Fund Balance – the portion of fund balance that the Town intends to use for a specific purpose. At June 30, 2021 the Town did not have any assigned fund balance.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The Town did not have any committed fund balance at June 30, 2021.

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

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina Statutes

For the fiscal year ended June 30, 2021, the Town had no instances of noncompliance.

2. Contractual Violations

For the fiscal year ended June 30, 2021, the Town had no contractual violations.

B. Excess of Expenditures over Appropriation

For the fiscal year ended June 30, 2021, no expenditures were made by the Town's General Fund in excess of the authorized appropriations made by the general government.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and TDA 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 or TDA's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and TDA, these deposits are considered to be held by the Town's and TDA's agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or TDA. Because of the inability to measure the exact amounts of collateral pledged for the Town and TDA 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. The TDA has no formal policy regarding custodial credit risk for deposits.

At June 30, 2021, the Town's deposits had a carrying amount of \$256,234 and bank balances, at several commercial banks, totaling \$296,771. All the bank balances were covered by federal depository insurance. The carry amount of deposits for the TDA was \$34,211 and the bank balance was \$34,211.

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

2. Receivables – Allowance for Doubtful Accounts

At June 30, 2021, the Enterprise Fund had \$14,406 of accounts receivable from customers as a result of water service billings. The Town has determined, at June 30, 2021, that all receivables are fully realizable

Due from other governments reported in the General Fund consisted of \$1,399 from the State of North Carolina

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2021 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 10,570	\$ 95,982	\$ -	\$ -	\$ 106,552
Total capital assets not being depreciated	10,570	95,982	-	-	106,552
Capital assets being depreciated					
Land & infrastructure improvements	694,829	-	-	-	694,829
Buildings and building improvements	115,767	-	-	-	115,767
Computers	1,333	-	-	-	1,333
Equipment and furniture and fixtures	<u>80,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,147</u>
Total capital assets being depreciated	892,076	-	-	-	892,076
Less accumulated depreciation for:					
Land & infrastructure improvements	522,686	19,023	-	-	541,709
Buildings and building improvements	61,087	2,789	-	-	63,876
Computers	1,255	53	-	-	1,308
Equipment and furniture and fixtures	<u>52,253</u>	<u>4,897</u>	<u>-</u>	<u>-</u>	<u>57,150</u>
Total accumulated depreciation	<u>637,281</u>	<u>26,762</u>	<u>-</u>	<u>-</u>	<u>664,043</u>
Total capital assets being depreciated, net	<u>254,795</u>	<u>(26,762)</u>	<u>-</u>	<u>-</u>	<u>228,033</u>
Governmental activity capital assets, net	<u>\$ 265,365</u>	<u>\$ 69,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 334,585</u>

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Business - type activities:					
<i>Water Fund</i>					
Capital assets being depreciated:					
Equipment and furniture and fixtures	\$ 60,561	\$ -	\$ -	\$ -	\$ 60,561
Plant and system distributions	<u>795,683</u>	<u>156,439</u>	<u>-</u>	<u>-</u>	<u>952,122</u>
Total capital assets being depreciated	856,244	156,439	-	-	1,012,683
Less accumulated depreciation for:					
Equipment and furniture and fixtures	46,425	1,060	-	-	47,485
Plant and system distributions	<u>710,589</u>	<u>5,761</u>	<u>-</u>	<u>-</u>	<u>716,350</u>
Total accumulated depreciation	<u>757,014</u>	<u>6,821</u>	<u>-</u>	<u>-</u>	<u>763,835</u>
Water fund capital assets, net	<u>\$ 99,230</u>	<u>\$ 149,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,848</u>

B. Liabilities

1. Pension Plan Obligations

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

2. Deferred Outflows and Inflows of Resources

The Town did not have any items meeting these criteria at June 30, 2021.

3. Commitments

The Town did not have any significant commitments at June 30, 2021.

4. Operating Leases

The Town leases the land for the water system and wells from the U.S. Forest Service. Lease payments are \$1,000 every five years. The lease agreement was renewed for an additional term in 2020.

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

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Through commercial coverage, the Town obtained general liability coverage of \$2 million per occurrence, property coverage up to replacement value, and workers' compensation coverage up to \$1 million per occurrence. There have been no significant reductions in insurance coverage in the prior year, and there have been no claims in the past three fiscal years.

In accordance with G.S. 159-29, the Town's employees that have access at any given time to \$100 or more of the Town's funds are performance bonded through a commercial surety bond. The Town's finance officer, the TDA's finance officer and tax collector/town clerk are each individually bonded for \$500,000 each. The remaining employees that have access to funds are bonded under a blanket bond up to a limit of either \$20,000 or \$25,000 per occurrence, depending on the type of crime.

6. Claims, Judgments and Contingent Liabilities

During the previous fiscal years the Town was the defendant in several legal actions. In one action, a resident claimed action involves two residents who have sued the Town and its Mayor and Vice Mayor. The plaintiffs claim the Town violated various laws while selling land. The Town rigorously disputed this claim and at June 30, 2021 the case was in the final stages of litigation.

There are no other claims, judgments or contingent liabilities at June 30, 2021.

7. Long-Term Obligations

a. Non General Obligation Indebtedness

During a previous fiscal year, the Town entered into a term loan with United Community Bank. The loan originated December 2016, for \$50,000, requiring monthly payments of \$927, including interest at 3.58%, maturing October 2021. The loan was paid off in full during 2021. In January 2021 the Town entered into a term loan with United Community Bank, for \$200,000, requiring monthly payments of \$1,667, plus interest at 2.95%, maturing January 2031. The balance outstanding at June 30, 2021 was \$191,667.

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

Year Ending June 30:	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 20,000	\$ 697
2023	20,000	5,382
2023	20,000	4,793
2025	20,000	4,204
2026	20,000	3,614
2027 - 2031	<u>91,667</u>	<u>9,329</u>
Total	<u>\$ 191,667</u>	<u>\$ 28,019</u>

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

b. Changes in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
<hr/>					
Business-type activities:					
Non-general obligation indebtedness	\$ 14,932	\$ 200,000	\$ (23,265)	\$ 191,667	\$ 20,000
	<u>\$ 14,932</u>	<u>\$ 200,000</u>	<u>\$ (23,265)</u>	<u>\$ 191,667</u>	<u>\$ 20,000</u>

At June 30, 2021, the Town had no general obligation debt outstanding. At June 30, 2021, the Town had a legal debt margin of \$6,655,927.

d. Interfund Balances and Activity

Balances Due to/from Other Funds

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) allocation of operating expense in a 60% / 40% allocation, and (4) payments between funds are made. At June 30, 2021 there were no interfund balances outstanding.

C. Fund Balance

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

Total fund balance - General Fund	\$ 178,638
Less:	
Transportation - Powell Bill	(57)
Road paving	(39,286)
Stabilization for State Statute	<u>(1,399)</u>
Remaining fund balance	<u>\$ 137,896</u>

Town of Lake Santeetlah
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	2021		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 220,590	\$ 206,759	\$ (13,831)
Penalties and interest	-	-	-
Total	220,590	206,759	(13,831)
Unrestricted intergovernmental:			
Local option sales tax	68,400	85,587	17,187
Utility franchise tax	13,400	13,625	225
Sales tax refund	600	1,399	799
DMV tax refund	975	928	(47)
Total	83,375	101,539	18,164
Restricted intergovernmental:			
Powell Bill allocation	8,417	7,552	(865)
Investment earnings	100	121	21
Contributions	10,000	17,105	7,105
Miscellaneous	12,626	2,523	(10,103)
Total revenues	335,108	335,599	491
Expenditures:			
General government:			
Governing body:			
Professional services	83,348	97,004	(13,656)
Total	83,348	97,004	(13,656)
Administration:			
Salaries and employee benefits	118,268	110,363	7,905
Other operating expenditures	26,187	20,678	5,509
Donations	2,000	600	1,400
Total	146,455	131,641	14,814

Town of Lake Santeetlah
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	2021		Variance Positive (Negative)
	Budget	Actual	
Tax Collection:			
Other operating expenditures	\$ 12,000	\$ 11,378	\$ 622
Total	12,000	11,378	622
Public buildings:			
Other operating expenditures	\$ 5,500	\$ 4,834	\$ 666
Total	5,500	4,834	666
Total general government	247,303	244,857	2,446
Public safety:			
Contracted services	9,000	8,847	153
Security light	8,500	6,696	1,804
Other operating expenditures	1,000	-	1,000
Total	18,500	15,543	2,957
Fire:			
Fire station contributions	6,000	6,000	-
Total	6,000	6,000	-
Total public safety	24,500	21,543	2,957

Town of Lake Santeetlah
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	2021		
	Budget	Actual	Variance Positive (Negative)
Transportation:			
Streets and highways:			
Other operating expenditures	\$ 13,205	\$ 10,979	\$ 2,226
Contracted services	13,800	13,720	80
Repairs and maintenance	<u>34,500</u>	<u>2,831</u>	<u>31,669</u>
Total transportation	61,505	27,530	33,975
Contingency allowance	-	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	<u>1,800</u>	<u>95,982</u>	<u>(94,182)</u>
Total expenditures	<u>335,108</u>	<u>389,912</u>	<u>(54,804)</u>
Revenue over (under) expenditures	-	(54,313)	(54,313)
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in fund balance	<u>\$ -</u>	<u>(54,313)</u>	<u>\$ (54,313)</u>
Fund balances:			
Beginning of year, July 1		<u>232,951</u>	
End of year, June 30		<u>\$ 178,638</u>	

Town of Lake Santeetlah
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Enterprise Fund
For the Year Ended June 30, 2021

	2021		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating Revenues:			
Water charges	\$ 123,028	\$ 131,656	\$ 8,628
Total operating revenues	123,028	131,656	8,628
Non-operating revenues			
Miscellaneous income	1,000	-	(1,000)
Investment earnings	85	59	(26)
Total nonoperating revenues	1,085	59	(1,026)
Total Revenues	124,113	131,715	7,602
Expenditures:			
Water administration			
Audit fees	3,600	3,450	150
Miscellaneous	1,000	1,000	-
Total	4,600	4,450	150
Water distribution:			
Salaries and employee benefits	36,414	31,152	5,262
Utilities	4,100	4,504	(404)
Postage	-	314	(314)
Repairs and maintenance	38,027	10,384	27,643
Supplies, testing and chemicals	11,000	8,143	2,857
Taxes and licenses	450	420	30
Contract operator	15,000	15,000	-
Other operating expenses	12,344	11,730	614
Total	117,335	81,647	35,688

Town of Lake Santeetlah
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Enterprise Fund
For the Year Ended June 30, 2021

	2021		Variance
	Budget	Actual	Positive (Negative)
Debt service:			
Interest charges	2,178	2,686	(508)
Principal retirement	-	23,265	(23,265)
Total	<u>2,178</u>	<u>25,951</u>	<u>(23,773)</u>
Capital outlay:			
Water system renovations	<u>200,000</u>	<u>156,439</u>	<u>43,561</u>
Total	<u>200,000</u>	<u>156,439</u>	<u>43,561</u>
Total expenditures	<u>324,113</u>	<u>268,487</u>	<u>55,626</u>
Revenues over expenditures	<u>(200,000)</u>	<u>(136,772)</u>	<u>63,228</u>
Other financing sources			
Proceeds from bank note payable	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Revenues and other sources over expenditures	<u>-</u>	<u>(136,772)</u>	<u>136,772</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		156,439	
Principal retirement		23,265	
Depreciation		<u>(6,821)</u>	
Total		<u>172,883</u>	
Change in net position		<u>\$ 36,111</u>	

Town of Lake Santeetlah
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - TDA
For the Year Ended June 30, 2021

	2021			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Occupancy taxes	\$ 10,000	\$ 10,000	\$ 25,320	\$ 15,320
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>25,320</u>	<u>15,320</u>
Expenditures:				
General government				
Advertisements	2,560	2,560	5,250	(2,690)
Capital projects	6,000	6,000	-	6,000
Social media initiative	40	40	73	(33)
Other expenditures	710	710	757	(47)
Insurance	1,600	1,600	1,701	(101)
Administrative:				
Professional services	600	600	500	100
Other operating expenditures	<u>390</u>	<u>390</u>	<u>885</u>	<u>(495)</u>
Total expenditures	<u>11,900</u>	<u>11,900</u>	<u>9,166</u>	<u>2,734</u>
Revenues over (under) expenditures	(1,900)	(1,900)	16,154	18,054
Fund Balance Appropriations	<u>1,900</u>	<u>1,900</u>	<u>-</u>	<u>1,900</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	16,154	<u>\$ 19,954</u>
Fund balances, beginning of year			<u>-</u>	
Fund balances, end of year			<u>\$ 16,154</u>	

Town of Lake Santeetlah
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 222,403	\$ 218,445	\$ 3,958
2019-2020	1,893	279	-	2,172
2018-2019	1,046	249	-	1,295
2017-2018	291	50	-	341
2016-2017	21	9	-	30
2015-2016	175	89	-	264
2014-2015	<u>40</u>	<u>24</u>	<u>-</u>	<u>64</u>
	<u>\$ 3,466</u>	<u>\$ 223,103</u>	<u>\$ 218,445</u>	8,124
Less allowance for uncollectible accounts - General Fund				<u>(8,124)</u>
Ad valorem taxes receivable, net - General Fund				<u>\$ -</u>
 <u>Reconciliation with revenues</u>				
Ad valorem taxes - General Fund				\$ 206,759
Allowance for uncollectible accounts				8,124
Tax collection fees				11,378
Interest, penalties and discovery				<u>(7,816)</u>
Total collections and credits				<u>\$ 218,445</u>

Town of Lake Santeetlah
 Analysis of Current Tax Levy - Town-Wide Levy
 For the Year Ended June 30, 2021

	Town – Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 84,111,555	0.0026	\$ 219,979	\$ 219,979	\$ 928
Discoveries			804	804	-
Releases			(256)	(256)	-
Total property valuation	<u>\$ 84,111,555</u>				
Net levy			220,527	220,527	928
Tax collection fees			(11,378)	(11,378)	
Uncollected taxes at June 30, 2021			(2,390)	(2,390)	-
Current year's taxes collected			<u>\$ 206,759</u>	<u>\$ 206,759</u>	<u>\$ 928</u>
Current levy collection percentage			<u>98.92%</u>	<u>98.92%</u>	