

REVIEWED

By SLGFD at 11:11 am, Feb 15, 2022

Town of Saratoga North Carolina Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2021





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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, 2021, 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, 2021, 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 and state 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 the State Single Audit Implementation Act, and is also not a required part of the basic financial statements.

The individual fund financial schedules, other schedules and the schedule of federal and state 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, other schedules and the schedule of expenditures of federal and state 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 February 8, 2022, 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.

Carr, Riggs & Ingram, P.L.L.C.

Wilson, North Carolina

February 8, 2022

Management's Discussion and Analysis

Town of Saratoga, North Carolina
Management's Discussion and Analysis
June 30, 2021

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, 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.

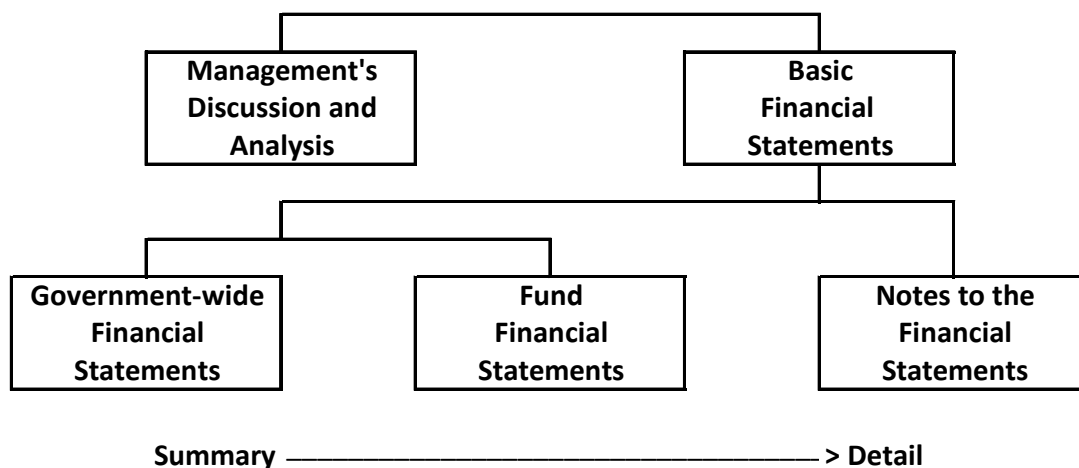
Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$5,948,230 (*net position*).
- The government's total net position increased by \$11,972, primarily due to \$33,829 in capital grants and contributions in the governmental activities and \$68,820 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 \$482,502 with a net change of \$18,164 in fund balance. Approximately 17.96% of this total amount, or \$86,681, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$320,821, or 109.27% of total general fund expenditures for the fiscal year.
- The Town's total debt increased by \$873,889 (309.25%) during the current fiscal year. The key factor in this increase was the issuance of Connect NC Bond Program Loan proceeds of \$921,626. This increase was offset by planned debt service principal payments of \$47,737.

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.

Figure 1
Required Components of Annual Financial Report



Town of Saratoga, North Carolina
Management's Discussion and Analysis
June 30, 2021

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.

Town of Saratoga, North Carolina
Management's Discussion and Analysis
June 30, 2021

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 more or fewer financial resources are 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, 2021

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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 491,956	\$ 474,337	\$ 710,628	\$ 828,702	\$ 1,202,584	\$ 1,303,039
Non-current assets	28,761	26,679	-	-	28,761	26,679
Capital assets	575,598	579,109	5,352,297	4,487,856	5,927,895	5,066,965
Total assets	1,096,315	1,080,125	6,062,925	5,316,558	7,159,240	6,396,683
Current liabilities	14,641	14,507	112,172	194,048	126,813	208,555
Long-term liabilities	12,128	24,079	1,072,069	227,791	1,084,197	251,870
Total liabilities	26,769	38,586	1,184,241	421,839	1,211,010	460,425
Net position:						
Net investment in capital assets						
assets	551,522	543,271	4,219,902	4,241,112	4,771,424	4,784,383
Restricted	86,681	74,279	-	-	86,681	74,279
Unrestricted	431,343	423,989	658,782	653,607	1,090,125	1,077,596
Total net position	\$ 1,069,546	\$ 1,041,539	\$ 4,878,684	\$ 4,894,719	\$ 5,948,230	\$ 5,936,258

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 \$5,948,230 as of June 30, 2021. The Town's net position increased by \$11,972 for the fiscal year ended June 30, 2021. However, the largest portion (80.22%) 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 \$86,681 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,090,125 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 98.37%. The statewide average in fiscal year 2020 was 98.96%.
- Increased sales tax revenues of approximately \$3,635 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, 2021

Town of Saratoga's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 39,918	\$ 37,342	\$ 282,938	\$ 283,853	\$ 322,856	\$ 321,195
Operating grants & contributions	12,721	13,455	-	-	12,721	13,455
Capital grants & contributions	33,829	7,918	68,820	800,649	102,649	808,567
General revenues:						
Property taxes	150,366	140,085	-	-	150,366	140,085
Other taxes	63,586	59,951	-	-	63,586	59,951
Grants and contributions not restricted to specific programs	10,147	10,638	-	-	10,147	10,638
Unrestricted investment earnings	1,806	2,484	-	-	1,806	2,484
Miscellaneous	975	732	-	-	975	732
Total revenues	313,348	272,605	351,758	1,084,502	665,106	1,357,107
Expenses:						
Governmental activities:						
General government	147,426	128,632	-	-	147,426	128,632
Public safety	7,000	7,000	-	-	7,000	7,000
Transportation	6,232	6,245	-	-	6,232	6,245
Environmental protection	106,534	98,762	-	-	106,534	98,762
Cultural and recreational	17,580	15,940	-	-	17,580	15,940
Interest on long-term debt	569	751	-	-	569	751
Business-type activities:						
Water and sewer	-	-	367,793	265,252	367,793	265,252
Total expenses	285,341	257,330	367,793	265,252	653,134	522,582
Change in net position	28,007	15,275	(16,035)	819,250	11,972	834,525
Net position, beginning	1,041,539	1,026,264	4,894,719	4,075,469	5,936,258	5,101,733
Net position, ending	\$ 1,069,546	\$ 1,041,539	\$ 4,878,684	\$ 4,894,719	\$ 5,948,230	\$ 5,936,258

Governmental activities: Governmental activities increased the Town's net position by \$28,007, accounting for all of the 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 2021 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, 2021

Key elements of this increase are as follows:

- Capital grants and contributions in the amount of \$33,829 positively affected the Town's net position.
- Operating grants and contributions in the amount of \$12,721 positively affected the Town's net position.

Business-type activities: Capital contributions of \$68,820 and cost-saving measures taken to reduce operating costs in the Water and Sewer Fund helped, but increased treatment charges and line repairs combined to offset these measures to the point that business-type activities decreased the Town's net position by (\$16,035).

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 \$320,821, while total fund balance reached \$482,502, which is a net increase in fund balance of \$18,164. The Town currently has an available unassigned fund balance of 109.27% of General Fund expenditures, while total fund balance represents 164.35% 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 miscellaneous revenue by \$15,541 and increased cultural and recreational expenditures by the same amount as a result of receiving two contributions from non-profit organizations to assist with purchasing real estate adjacent to the Town Park. The Town also increased cultural and recreational expenditures by \$7,500 and decreased economic and physical development expenditures by the same amount in response to higher than expected cultural and recreational expenditures. Environmental protection expenditures were also increased by \$2,000 with a corresponding decrease in general government expenditures in response to higher than expected environmental protection expenditures. Revenues were greater than the budgeted amounts primarily because restricted intergovernmental revenues and ad valorem taxes 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.

Town of Saratoga, North Carolina
Management's Discussion and Analysis
June 30, 2021

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 \$658,782. The total change in net position was (\$16,035). 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 \$5,927,895 (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:

- Land acquisition of 19.3 acres adjacent to the Town Park for \$15,031.
- Gate and fencing at the Town Park totaling \$5,426.
- Equipment purchases in the governmental activities totaling \$13,663.
- Construction in progress expenditures of \$50,904 in the business-type activities related to the Saratoga Municipal Water Distribution System Improvements Project. This project was completed and placed into service during the year.
- Construction in progress expenditures of \$954,574 in the business-type activities related to the Saratoga-Wilson Sanitary Sewer Connection Project.
- Digitized water and sewer line maps totaling \$5,500.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 107,152	\$ 92,121	\$ 31,576	\$ 31,576	\$ 138,728	\$ 123,697
Land improvements	61,463	59,357	-	-	61,463	59,357
Buildings	55,608	57,995	4,390	4,553	59,998	62,548
Water plant & distribution system	-	-	1,178,375	901,837	1,178,375	901,837
Sewer plant & collection system	-	-	3,153,017	3,256,405	3,153,017	3,256,405
Equipment and furniture	213,137	218,811	30,365	33,554	243,502	252,365
Vehicles & motorized equipment	89,598	99,462	-	-	89,598	99,462
Infrastructure	48,640	51,363	-	-	48,640	51,363
Construction in progress	-	-	954,574	259,931	954,574	259,931
TOTALS	\$ 575,598	\$ 579,109	\$ 5,352,297	\$ 4,487,856	\$ 5,927,895	\$ 5,066,965

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

Town of Saratoga, North Carolina
Management's Discussion and Analysis
June 30, 2021

Long-Term Debt. As of June 30, 2021, the Town had total debt outstanding of \$24,076 on a bank installment purchase note related to the purchase of a garbage truck and \$210,769 on two NC Drinking Water State Revolving Loans. The Town has also drawn \$921,626 on what is expected to be a \$1,268,079 Connect NC Bond Program Loan.

Town of Saratoga's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Installment purchase	\$ 24,076	\$ 35,838	\$ -	\$ -	\$ 24,076	\$ 35,838
NC Drinking Water State Revolving Loan	-	-	210,769	246,744	210,769	246,744
Connect NC Bond Program Loan	-	-	921,626	-	921,626	-
Totals	\$ 24,076	\$ 35,838	\$ 1,132,395	\$ 246,744	\$ 1,156,471	\$ 282,582

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 \$2,078,524. The Town has no bonds authorized but un-issued at June 30, 2021.

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 had almost completely stopped due to lack of sewer capacity; however, the Town completed the Saratoga-Wilson Sanitary Sewer Connection Project shortly after fiscal year end and the Town's wastewater is now being treated by the City of Wilson and sewer capacity is no longer an issue. The Town continues to receive numerous grants and has several Water and Sewer Capital Projects scheduled or in progress.
- There were several new homes built in 2021. 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 2021.

Town of Saratoga, North Carolina
Management's Discussion and Analysis
June 30, 2021

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Budgeted expenditures in the General Fund are expected to decrease 2.93% to \$409,378. The largest decrease is in cultural and recreational expenditures as the Town purchased real estate adjacent to the Town Park in the current fiscal year totaling \$15,031 and does not expect similar expenditures in the fiscal year 2022 budget. 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 2022 budget.

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

Requests for Information

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

**Town of Saratoga, North Carolina
Town Council and Key Staff
June 30, 2021**

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, 2021
Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 398,514	\$ 648,759	\$ 1,047,273
Taxes receivable (net)	4,903	-	4,903
Accrued interest receivable on taxes	1,858	-	1,858
Accounts receivable (net)	2,512	17,532	20,044
Due from other governments	22,203	-	22,203
Restricted assets:			
Cash and cash equivalents	61,966	44,337	106,303
Total current assets	491,956	710,628	1,202,584
Non-current assets:			
Nuisance abatement receivable	28,761	-	28,761
Capital assets:			
Land, non-depreciable improvements, and construction in progress	107,152	986,150	1,093,302
Other capital assets, net of depreciation	468,446	4,366,147	4,834,593
Total capital assets	575,598	5,352,297	5,927,895
Total assets	1,096,315	6,062,925	7,159,240
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	2,693	7,509	10,202
Current portion of long-term liabilities	11,948	60,326	72,274
Payable from restricted liabilities	-	44,337	44,337
Total current liabilities	14,641	112,172	126,813
Non-current liabilities:			
Due in more than one year	12,128	1,072,069	1,084,197
Total liabilities	26,769	1,184,241	1,211,010
Net position			
Net investment in capital assets	551,522	4,219,902	4,771,424
Restricted for:			
Stabilization by state statute	24,715	-	24,715
Streets	61,966	-	61,966
Unrestricted	431,343	658,782	1,090,125
Total net position	\$ 1,069,546	\$ 4,878,684	\$ 5,948,230

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, 2021
Exhibit 2

	Program Revenues		
	Charges for	Operating	Capital Grants
Expenses	Services	Grants and	and
		Contributions	Contributions
Functions/Programs			
Primary government:			
Governmental activities:			
General government	\$ 147,426	\$ -	\$ 18,288
Public safety	7,000	-	-
Transportation	6,232	12,415	-
Environmental protection	106,534	39,918	306
Cultural and recreational	17,580	-	15,541
Interest on long-term debt	569	-	-
Total governmental activities	285,341	39,918	33,829
Business-type activities:			
Water and sewer	367,793	282,938	68,820
Total primary government	\$ 653,134	\$ 322,856	\$ 102,649

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, 2021
Exhibit 2

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Functions/Programs	Governmental Activities	Business- type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (129,138)	\$ -	\$ (129,138)
Public safety	(7,000)	-	(7,000)
Transportation	6,183	-	6,183
Environmental protection	(66,310)	-	(66,310)
Cultural and recreational	(2,039)	-	(2,039)
Interest on long-term debt	(569)	-	(569)
Total governmental activities	(198,873)	-	(198,873)
Business-type activities:			
Water and sewer	-	(16,035)	(16,035)
Total primary government	(198,873)	(16,035)	(214,908)
General revenues:			
Taxes:			
Property taxes, levied for general purpose	150,366	-	150,366
Other taxes	63,586	-	63,586
Grants and contributions not restricted to specific programs	10,147	-	10,147
Unrestricted investment earnings	1,806	-	1,806
Miscellaneous	975	-	975
Total general revenues	226,880	-	226,880
Change in net position	28,007	(16,035)	11,972
Net position, beginning	1,041,539	4,894,719	5,936,258
Net position, ending	\$ 1,069,546	\$ 4,878,684	\$ 5,948,230

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

Town of Saratoga, North Carolina
Governmental Fund
Balance Sheet
June 30, 2021
Exhibit 3

	Major Fund	
	General	
Assets		
Cash and cash equivalents	\$	398,514
Restricted cash		61,966
Taxes receivable, net		4,903
Accounts receivable, net		31,273
Due from other governments		22,203
		<hr/>
Total assets	\$	518,859
		<hr/>
Liabilities		
Accounts payable and accrued liabilities	\$	2,693
		<hr/>
Deferred inflows of resources		
Property taxes receivable		4,903
Nuisance abatement receivable		28,761
Total deferred inflows of resources		33,664
		<hr/>
Fund balances		
Restricted		
Stabilization by state statute		24,715
Streets		61,966
Assigned		
Subsequent year's expenditures		75,000
Unassigned		320,821
Total fund balances		482,502
		<hr/>
Total liabilities, deferred inflows of resources and fund balances	\$	518,859
		<hr/>

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, 2021
Exhibit 4

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

Total fund balances of governmental fund	\$ 482,502
Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund (total capital assets on government-wide statement in governmental activities column)	\$ 870,486
Less accumulated depreciation	<u>(294,888)</u>
Net capital assets	575,598
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the governmental fund	1,858
Earned revenues considered deferred inflows of resources in fund statements	33,664
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>(24,076)</u>
Net position of governmental activities	<u><u>\$ 1,069,546</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, 2021
Exhibit 5

	Major Fund
	General
Revenues:	
Ad valorem taxes	\$ 150,856
Unrestricted intergovernmental	73,733
Restricted intergovernmental	31,009
Sales and services	37,836
Investment earnings	1,806
Miscellaneous	16,515
Total revenues	<u>311,755</u>
Expenditures:	
Current:	
General government	155,107
Public safety	7,000
Environmental protection	95,643
Cultural and recreational	23,510
Debt service:	
Principal retirement	11,762
Interest and other charges	569
Total expenditures	<u>293,591</u>
Revenues over expenditures	18,164
Fund balance, beginning	<u>464,338</u>
Fund balance, ending	<u><u>\$ 482,502</u></u>

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

Town of Saratoga, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of the Governmental Fund to the Statement of Activities
For the Fiscal Year Ended June 30, 2021
Exhibit 6

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

Net changes in fund balances of governmental funds	\$ 18,164
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	34,120
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	(37,631)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:	
Change in unavailable revenue for tax revenues	(323)
Decrease in accrued interest receivable on taxes	(167)
Change in unavailable revenue for nuisance abatement assessments	2,082
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	<u>11,762</u>
Total changes in net position of governmental activities	<u>\$ 28,007</u>

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, 2021
Exhibit 7

General Fund				
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 141,322	\$ 141,322	\$ 150,856	\$ 9,534
Unrestricted intergovernmental	84,305	84,305	73,733	(10,572)
Restricted intergovernmental	13,000	13,000	31,009	18,009
Sales and services	36,100	36,100	37,836	1,736
Investment earnings	2,457	2,457	1,806	(651)
Miscellaneous	4,500	20,041	16,515	(3,526)
Total revenues	281,684	297,225	311,755	14,530
Expenditures:				
Current:				
General government	213,518	211,518	155,107	56,411
Public safety	7,000	7,000	7,000	-
Transportation	62,547	62,547	-	62,547
Economic and physical development	12,500	5,000	-	5,000
Environmental protection	96,305	98,305	95,643	2,662
Cultural and recreational	2,000	25,041	23,510	1,531
Debt service:				
Principal retirement	11,580	11,762	11,762	-
Interest and other charges	751	569	569	-
Total expenditures	406,201	421,742	293,591	128,151
Revenues over (under) expenditures	(124,517)	(124,517)	18,164	142,681
Other financing sources:				
Fund balance appropriated	124,517	124,517	-	(124,517)
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	18,164	<u>\$ 18,164</u>
Fund balance, beginning			<u>464,338</u>	
Fund balance, ending			<u>\$ 482,502</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, 2021
Exhibit 8

Water and Sewer Fund

Assets

Current assets:

Cash and cash equivalents	\$ 648,759
Accounts receivable (net)	17,532
Restricted assets:	
Cash and cash equivalents	44,337
Total current assets	710,628

Capital assets:

Land, non-depreciable improvements, and construction in progress	986,150
Other capital assets, net of depreciation	4,366,147
Capital assets (net)	5,352,297
Total assets	6,062,925

Liabilities

Current liabilities:

Accounts payable and accrued liabilities	7,509
NC Drinking Water State Revolving Loan - current	18,057
Connect NC Bond Program Loan - current	42,269
Liabilities payable from restricted assets:	
Customer deposits	44,337
Total current liabilities	112,172

Non-current liabilities:

NC Drinking Water State Revolving Loan	192,712
Connect NC Bond Program Loan	879,357
Total liabilities	1,184,241

Net position

Net investment in capital assets	4,219,902
Unrestricted	658,782
Total net position	\$ 4,878,684

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, 2021
Exhibit 9

	Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 282,938
Operating expenses:	
Water treatment and distribution	69,141
Waste collection and treatment	152,115
Depreciation	146,537
Total operating expenses	<u>367,793</u>
Operating income (loss)	(84,855)
Nonoperating revenues:	
Drinking Water State Revolving Fund - principal forgiveness	<u>17,917</u>
Income (loss) before contributions	(66,938)
Capital contributions	<u>50,903</u>
Change in net position	(16,035)
Total net position, beginning	<u>4,894,719</u>
Total net position, ending	<u><u>\$ 4,878,684</u></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, 2021
Exhibit 10

Cash flows from operating activities:

Cash received from customers	\$ 294,555
Cash paid for goods and services	(193,778)
Cash paid to or on behalf of employees for services	(27,352)
Customer deposits received (net)	<u>5,576</u>
Net cash provided by operating activities	<u>79,001</u>

Cash flows from capital and related financing activities:

NC Drinking Water State Revolving Loan proceeds	88,847
Connect NC Bond Program loan	921,626
Capital contributions	91,007
Acquisition and construction of capital assets	(1,139,929)
Principal paid on NC Drinking Water State Revolving Loan	<u>(18,058)</u>
Net cash used by capital and related financing activities	<u>(56,507)</u>

Net increase in cash and cash equivalents	22,494
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Cash and cash equivalents, beginning	<u>670,602</u>
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Cash and cash equivalents, ending	<u><u>\$ 693,096</u></u>
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Reconciliation of cash and cash equivalents, ending

Cash and cash equivalents	\$ 648,759
Restricted cash and cash equivalents	<u>44,337</u>
Total cash and cash equivalents	<u><u>\$ 693,096</u></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, 2021
Exhibit 10

Water and Sewer Fund

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

Operating income (loss)	\$ (84,855)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	146,537
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	11,617
Increase (decrease) in accounts payable and accrued liabilities	126
Increase (decrease) in customer deposits	5,576
	163,856
Total adjustments	
Net cash provided by operating activities	\$ 79,001

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 specific 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 Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

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. Several Water and Sewer Capital Project Funds have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Project Funds has been included in the supplemental information.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, the General Fund is 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. 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, 2021 was comprised of the following amounts:

Governmental Activities

General Fund:

Powell Bill funds	\$ 61,966
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Business-type activities

Water and Sewer Fund:

Customer utility deposits	<u>44,337</u>
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Total restricted cash	<u><u>\$ 106,303</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, 2020.

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	25-30

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 withheld from the actual debt proceeds received or not, 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.

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.

Town of Saratoga, North Carolina

Notes to Financial Statements

12. New Financial Accounting Standards

GASB Statement No. 84, *Fiduciary Activities*

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. 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 extended by one year. This Statement did not affect the Town's financial reporting or financial operations.

GASB Statement No. 87, *Leases*

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 its 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.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

Town of Saratoga, North Carolina

Notes to Financial Statements

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The Town is currently reviewing this statement to determine the effect on its 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 extended by one year. This Statement did not affect the Town's financial reporting or financial operations.

GASB Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. 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 extended by one year. This Statement did not affect the Town's financial reporting or financial operations.

Town of Saratoga, North Carolina

Notes to Financial Statements

GASB Statement No. 91, *Conduit Debt Obligations*

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The Town is currently reviewing this statement to determine the effect on its 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 extended by one year.

GASB Statement No. 92, *Omnibus 2020*

In January 2020, the GASB issued GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

Town of Saratoga, North Carolina

Notes to Financial Statements

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020

Earlier application is encouraged and is permitted by topic. The Town is currently reviewing this statement to determine the effect on its 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 extended by one year.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) - most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable

Town of Saratoga, North Carolina

Notes to Financial Statements

- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged. The exceptions to the existing provisions for hedge accounting termination and lease modifications in this Statement will reduce the cost of the accounting and financial reporting ramifications of replacing IBORs with other reference rates. The reliability and relevance of reported information will be maintained by requiring that agreements that effectively maintain an existing hedging arrangement continue to be accounted for in the same manner as before the replacement of a reference rate. As a result, this Statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR.

The Town is currently reviewing this statement to determine the effect on its 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 extended by one year.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

Town of Saratoga, North Carolina

Notes to Financial Statements

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated). The Town is currently reviewing this statement to determine the effect on its financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The Town is currently reviewing this statement to determine the effect on its financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensations plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Town of Saratoga, North Carolina

Notes to Financial Statements

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Town does not anticipate this Statement affecting its financial reporting or financial operations.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. The Town implemented this statement for the year ended June 30, 2021.

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

Town of Saratoga, North Carolina

Notes to Financial Statements

At June 30, 2021, the Town's deposits had a carrying amount of \$1,153,276 and a bank balance of \$1,194,684. Of the bank balance, \$250,000 was covered by federal depository insurance and \$944,684 was covered by collateral held under the Pooling Method. At June 30, 2021, the Town's petty cash fund totaled \$300.

2. Receivables – Allowances for Doubtful Accounts

Receivables at the government-wide level at June 30, 2021, were as follows:

	Accounts Receivable	Taxes and Related Accrued Interest	Due from Other Governments	Total
Governmental activities:				
General Fund	\$ 31,473	\$ 10,822	\$ 22,203	\$ 64,498
Allowance for doubtful accounts	(200)	(4,061)	-	(4,261)
Total governmental activities	<u>\$ 31,273</u>	<u>\$ 6,761</u>	<u>\$ 22,203</u>	<u>\$ 60,237</u>
Business-type activities				
Water and sewer	\$ 19,132	\$ -	\$ -	\$ 19,132
Allowance for doubtful accounts	(1,600)	-	-	(1,600)
Total business-type activities	<u>\$ 17,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,532</u>

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

General Fund:

Local option sales tax	\$ 11,217
Utility franchise tax	1,758
Sales tax refund	6,132
Wilson County - property taxes	<u>3,096</u>
Total governmental activities	<u>\$ 22,203</u>

The General Fund has reported \$28,761 in accounts receivable related to nuisance abatement assessments as non-current as of June 30, 2021. 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, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,121	\$ 15,031	\$ -	\$ 107,152
Capital assets being depreciated:				
Land improvements	70,455	5,426	-	75,881
Buildings	83,928	-	-	83,928
Equipment and furniture	343,676	13,663	1,827	355,512
Vehicles and motorized equipment	169,530	-	-	169,530
Infrastructure	78,483	-	-	78,483
Total capital assets being depreciated	746,072	19,089	1,827	763,334
Less accumulated depreciation for:				
Land improvements	11,098	3,320	-	14,418
Buildings	25,933	2,387	-	28,320
Equipment and furniture	124,865	19,337	1,827	142,375
Vehicles and motorized equipment	70,068	9,864	-	79,932
Infrastructure	27,120	2,723	-	29,843
Total accumulated depreciation	259,084	\$ 37,631	\$ 1,827	294,888
Total capital assets being depreciated, net	486,988			468,446
Governmental activity capital assets, net	<u>\$ 579,109</u>			<u>\$ 575,598</u>

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

General government	\$ 4,934
Transportation	6,232
Environmental protection	11,938
Cultural and recreational	14,527
	<hr/>
Total depreciation expense	<u>\$ 37,631</u>

Town of Saratoga, North Carolina
Notes to Financial Statements

Business-type capital asset activity for the Town for the year ended June 30, 2021 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	259,931	1,005,478	310,835	954,574
Total capital assets not being depreciated	291,507	1,005,478	310,835	986,150
Capital assets being depreciated:				
Buildings	6,504	-	-	6,504
Water plant and distribution systems	1,437,963	310,835	-	1,748,798
Sewer plant and collection systems	4,302,106	-	-	4,302,106
Equipment and furniture	92,855	5,500	-	98,355
Total capital assets being depreciated	5,839,428	316,335	-	6,155,763
Less accumulated depreciation for:				
Buildings	1,951	163	-	2,114
Water plant and distribution systems	536,126	34,297	-	570,423
Sewer plant and collection systems	1,045,701	103,388	-	1,149,089
Equipment and furniture	59,301	8,689	-	67,990
Total accumulated depreciation	1,643,079	\$ 146,537	\$ -	1,789,616
Total capital assets being depreciated, net	4,196,349			4,366,147
Business-type activities capital assets, net	<u>\$ 4,487,856</u>			<u>\$ 5,352,297</u>

4. Construction Commitments

The Town has active construction projects as of June 30, 2021. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to- Date	Remaining Commitment
Saratoga-Wilson Sanitary Sewer Connection Project		
Construction	\$ 585,090	\$ 268,883
Engineering	256,536	26,000
Grant administration	80,000	59,484
Speight School Road Metered Interconnection Upgrade		
Grant administration	-	61,485
Total	<u>\$ 921,626</u>	<u>\$ 415,852</u>

Town of Saratoga, North Carolina

Notes to Financial Statements

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2021, were as follows:

	Vendors
Governmental Activities:	
General	\$ 2,693
Business-type Activities:	
Water and sewer	\$ 7,509

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)	\$ -	\$ 4,903
Nuisance abatements receivable (General Fund)	-	28,761
Total	\$ -	\$ 33,664

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, 2021, 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, 2021, including \$576 of interest are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2022	\$ 11,948	\$ 383	\$ 12,331
2023	12,128	193	12,321
Totals	<u>\$ 24,076</u>	<u>\$ 576</u>	<u>\$ 24,652</u>

Current fiscal year interest paid of \$569 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
2022	\$ 8,270	\$ -	\$ 8,270
2023	8,270	-	8,270
2024	8,271	-	8,271
Totals	<u>\$ 24,811</u>	<u>\$ -</u>	<u>\$ 24,811</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 was 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
2022	\$ 9,787	\$ -	\$ 9,787
2023	9,787	-	9,787
2024	9,787	-	9,787
2025	9,787	-	9,787
2026	9,787	-	9,787
2027-2031	48,936	-	48,936
2032-2036	48,936	-	48,936
2037-2040	39,151	-	39,151
Totals	<u>\$ 185,958</u>	<u>\$ -</u>	<u>\$ 185,958</u>

d. Connect NC Bond Program Loan

As of June 30, 2021, the Town had drawn \$921,626 of what will be a \$1,268,079 Connect NC Bond Program Loan related to the Saratoga-Wilson Sanitary Sewer Connection Project. In accordance with the rules governing the Revolving Loan program, the first payment of principal on the loan is due on May 1, 2022. Annual debt service requirements on the 0% loan are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2022	\$ 42,269	\$ -	\$ 42,269
2023	42,269	-	42,269
2024	42,269	-	42,269
2025	42,269	-	42,269
2026	42,269	-	42,269
2027-2031	211,345	-	211,345
2032-2036	211,345	-	211,345
2037-2041	211,345	-	211,345
2042-2046	211,345	-	211,345
2047-2051	211,354	-	211,354
Totals	<u>\$ 1,268,079</u>	<u>\$ -</u>	<u>\$ 1,268,079</u>

Town of Saratoga, North Carolina
Notes to Financial Statements

e. Changes in Long-Term Liabilities

	Balance July 1, 2020	Increases	Decreases *	Balance June 30, 2021	Current Portion of Balance
Governmental activities:					
Installment purchase	\$ 35,838	\$ -	\$ 11,762	\$ 24,076	\$ 11,948
Business-type activities:					
NC Drinking Water State Revolving Loan	\$ 33,082	\$ -	\$ 8,271	\$ 24,811	\$ 8,270
NC Drinking Water State Revolving Loan	213,662	-	27,704	185,958	9,787
Connect NC Bond Program Loan	-	921,626	-	921,626	42,269
Totals	\$ 246,744	\$ 921,626	\$ 35,975	\$ 1,132,395	\$ 60,326

At June 30, 2021, the Town had no bonds authorized but un-issued and a legal debt margin of \$2,078,524.

* At June 30, 2020, the Town's Saratoga Municipal Water Distribution System Improvements Project was in progress and the \$322,586 project was to be funded by a NC Drinking Water State Revolving Loan in the amount of \$213,662 and principal forgiveness in the amount of \$108,924. The Town signed the \$213,662 promissory note on March 5, 2020. The Town received funding of \$253,766 through June 30, 2020 and the Town recorded the loan amount of \$213,662 and \$40,104 of principal forgiveness. In the subsequent year, the project was completed and came in under budget and the loan amount and promissory note were changed and lowered by \$17,917 to \$195,745 as of February 13, 2021. As a result, the \$27,704 decrease in the loan above represents a loan payment of \$9,787 and \$17,917 in principal forgiveness to lower the loan to the proper amount.

C. Noncash Capital and Related Financing Activities

NC Drinking Water State Revolving Loan debt of \$17,917 was retired and a corresponding amount of principal forgiveness has been shown on the full accrual Statement of Revenues, Expenditures, and Changes in Net Position as a result of the matter described in the note directly above.

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	\$ 482,502
Less:	
Stabilization by State Statute	24,715
Streets - Powell Bill	61,966
Appropriated Fund Balance in 2022 budget	75,000
Remaining Fund Balance	<u>\$ 320,821</u>

Town of Saratoga, North Carolina

Notes to Financial Statements

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 \$434 to the Council during the fiscal year ended June 30, 2021.

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

V. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

In July 2021, the Town received \$64,377 from the United States Department of the Treasury from the American Rescue Plan for fiscal year 2022. The Town will receive an equal additional grant in fiscal year 2023. American Rescue Plan grant funds must be obligated by December 31, 2024 and expended by December 31, 2026. Grant funds can be expended for the following purposes:

- Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
- Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
- Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
- Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
- Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

In October 2021, the Town adopted two project ordinances related to the Gardner School Road / Daiselle Place / Pitt Road Municipal Sewer Improvement Project that was awarded in April 2021 in two phases. The first project ordinance for planning and grant administration was for \$80,267. The second project ordinance for construction, connections, and grant administration was for \$1,545,173. Both projects are to be entirely funded by CDBG Infrastructure grants.

Town of Saratoga, North Carolina

Notes to Financial Statements

In October 2021, the Town awarded a grant administration contract not to exceed \$66,000 related to phase one of the Gardner School Road / Daiselle Place / Pitt Road Municipal Sewer Improvement Project. The Town also awarded a grant administration contract not to exceed \$76,267 related to phase two of the Gardner School Road / Daiselle Place / Pitt Road Municipal Sewer Improvement Project. Both projects are being funded by CDBG Infrastructure grants.

In December 2021, the Town was awarded a Community Development Block Grant in the amount of \$593,000 for the Neighborhood Revitalization Program.

The Board has evaluated subsequent events through February 8, 2022, 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, 2021

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

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Ad valorem taxes				
Current year	\$	\$ 148,240	\$	\$ 137,857
Prior years		1,885		3,162
Penalties and interest		731		584
Total	141,322	150,856	9,534	141,603
Unrestricted intergovernmental				
Local option sales taxes		63,586		59,951
Utilities sales tax		5,172		5,365
Piped natural gas sales tax		549		467
Telecommunications sales tax		1,497		1,811
Video franchise fee		1,208		1,240
Beer and wine tax		1,721		1,755
Total	84,305	73,733	(10,572)	70,589
Restricted intergovernmental				
Powell Bill allocation		12,415		13,145
Coronavirus relief funds		18,288		-
Solid waste disposal tax		306		310
Total	13,000	31,009	18,009	13,455
Sales and services				
Garbage collection fees	36,100	37,836	1,736	37,287
Investment earnings				
Interest earned	2,457	1,806	(651)	2,484
Miscellaneous				
Contribution - Saratoga Lions Club		8,000		-
Contribution - Saratoga Youth League		7,541		-
Miscellaneous		729		377
Returned check charges		245		356
Trash truck rental		-		55
Total	20,041	16,515	(3,526)	788
Total revenues	297,225	311,755	14,530	266,206

(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, 2021

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

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures	421,742	293,591	128,151	249,539
Revenues over (under) expenditures	(124,517)	18,164	142,681	16,667
Other financing sources (uses):				
Fund balance appropriated - Powell Bill	49,517	-	(49,517)	-
Fund balance appropriated - General Fund	75,000	-	(75,000)	-
Total other financing sources (uses)	124,517	-	(124,517)	-
Revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	18,164	<u>\$ 18,164</u>	16,667
Fund balance, beginning		<u>464,338</u>		<u>447,671</u>
Fund balance, ending		<u>\$ 482,502</u>		<u>\$ 464,338</u>

Town of Saratoga, North Carolina
General Fund
Schedule of Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)

2021			2020
Budget	Actual	Variance Positive (Negative)	Actual

General government:

Governing body and administration:

Fees paid elected officials	\$	\$	2,700	\$	\$	1,275
Salaries			48,315			45,851
FICA tax			3,903			3,605
Unemployment taxes			29			14
Health insurance			1,020			1,005
Professional services			39,223			26,962
Telephone			7,627			6,237
Travel			357			375
Maintenance and repairs			2,103			604
Advertising			685			647
Office supplies and postage			5,856			5,999
Election expense			-			4,700
Goodwill			300			300
Utilities			5,214			7,878
Dues and subscriptions			1,896			1,865
Insurance and bonds			8,503			8,462
Mowing			1,513			1,893
Miscellaneous			957			1,058
Tax collection fees			2,268			2,128
Christmas decorations			-			5,629
Revise town zoning ordinances			10,000			-
Coronavirus Relief Fund expenditures:						
Capital outlay			12,613			5,650
Office supplies			25			-
Total general government			211,518			155,107
						56,411
						132,137

Public safety:

Fire department:

Fire protection - Sanoca Fire Department	7,000	7,000	-	7,000
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Transportation:

Street repair and construction:

Powell Bill expenditures	62,547	-	62,547	-
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Economic and physical development:

Economic development:

Supplies and materials	5,000	-	5,000	-
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(continued)

Town of Saratoga, North Carolina
General Fund
Schedule of Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)

	2021		2020
	Budget	Actual	Variance Positive (Negative)
			Actual
Environmental protection:			
Sanitation:			
Salaries		43,191	41,540
FICA tax		3,304	3,178
Health insurance		12,953	12,437
Landfill fee		9,575	8,393
Auto supplies and repairs		16,212	13,883
Supplies and materials		4,274	3,351
Uniforms		1,925	2,003
Insurance and bonds		3,100	3,100
Capital outlay		1,049	8,559
Bad debts		60	121
Total environmental protection	98,305	95,643	2,662
			96,565
Cultural and recreational:			
Recreation:			
Supplies		1,280	-
Utilities		1,773	1,507
Capital outlay		20,457	-
Total cultural and recreational	25,041	23,510	1,531
			1,507
Debt service:			
Principal retirement		11,762	11,579
Interest and other charges		569	751
Total debt service	12,331	12,331	-
			12,330
Total expenditures	\$ 421,742	\$ 293,591	\$ 128,151
			\$ 249,539

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, 2021
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)

2021			2020
Budget	Actual	Variance Positive (Negative)	Actual

Revenues:

Charges for services:

Water service	\$ 139,873	\$ 140,955	\$ 1,082	\$ 141,192
Sewer service	128,443	129,616	1,173	126,365
Water and sewer tap fees	7,500	7,500	-	12,042
Late fees	4,650	4,057	(593)	3,564
Reconnection fees	1,000	810	(190)	690
Total charges for services	281,466	282,938	1,472	283,853

Expenditures:

Water treatment and distribution	70,187	69,141	1,046	38,275
Waste collection and treatment	153,789	152,115	1,674	102,911
Capital outlay	38,536	38,448	88	51,049
Debt Service	18,954	18,058	896	8,270
Total expenditures	281,466	277,762	3,704	200,505

Revenues over expenditures	-	5,176	5,176	83,348
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Other financing sources (uses):

Transfers to other funds:

Water and Sewer Capital Projects Fund	-	-	-	(6,900)
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Revenues and other financing sources
over expenditures and other uses

\$ -	\$ 5,176	\$ 5,176	\$ 76,448
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**Reconciliation from budgetary basis
(modified accrual) to full accrual basis:**

Reconciling items:

Principal retirement	18,058	8,270
Capital outlay	38,448	51,049
Depreciation	(146,537)	(124,066)
Capital contributions	50,903	800,649
Drinking Water State Revolving Fund - principal forgiveness	17,917	-
Transfer to Water and Sewer Capital Projects Fund	-	6,900
Total reconciling items	(21,211)	742,802

Change in net position	\$ (16,035)	\$ 819,250
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Town of Saratoga, North Carolina
Water and Sewer Fund
Schedule of Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Water treatment and distribution:				
Salaries	\$	\$ 17,204	\$	\$ 15,354
FICA tax		1,316		1,175
Maintenance and repairs - water lines		27,553		2,200
Maintenance and repairs - equipment		6,255		3,697
Elevated water tank maintenance		5,289		5,289
Office supplies and postage		475		528
Supplies and materials		4,338		1,518
Water analysis		1,275		2,094
Electricity		4,677		4,538
Miscellaneous		24		16
Permits		420		420
Bad debts		315		1,446
Total water treatment and distribution	70,187	69,141	1,046	38,275
Waste collection and treatment:				
Salaries		8,204		8,704
FICA tax		628		665
Professional services		560		5,654
Maintenance and repairs		54,348		14,198
Water treatment charges		78,735		64,413
Office supplies and postage		475		528
Supplies and materials		769		133
Electricity		7,986		7,175
Training		270		100
Miscellaneous		9		-
Bad debts		131		1,341
Total waste collection and treatment	153,789	152,115	1,674	102,911
Capital outlay:				
Water capital outlay	2,800	2,750	50	42,522
Sewer capital outlay	35,736	35,698	38	8,527
Total capital outlay	38,536	38,448	88	51,049
Debt service:				
Principal	18,954	18,058	896	8,270
Total expenditures	\$ 281,466	\$ 277,762	\$ 3,704	\$ 200,505

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, 2021

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	41,646	244,400	
Engineering design	12,353	-	12,353	
Land surveying costs	8,847	-	8,847	
Construction inspection / observation	8,008	4,500	12,508	
Construction administration	1,000	4,758	5,758	
Permitting	2,866	-	2,866	
Environmental review	1,437	-	1,437	
Grant / loan administration	16,500	-	16,500	
Total expenditures	322,586	253,765	50,904	304,669
Revenues over (under) expenditures	(322,586)	(253,765)	(50,904)	(304,669)
Other financing sources:				
NC Drinking Water State Revolving Fund	213,662	213,662	(17,917)	195,745
NC Drinking Water State Revolving Fund - principal forgiveness	108,924	40,104	68,820	108,924
Total other financing sources	322,586	253,766	50,903	304,669
Revenues and other financing sources over expenditures	\$ -	\$ 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, 2021

Saratoga-Wilson Sanitary Sewer Connection Project

Project Author - ization	Actual			Variance Positive (Negative)				
	Prior Years	Current Year	Total to Date					
Revenues	\$	-	\$	-	\$	-	\$	-
Expenditures:								
Construction			-	585,090	585,090			
Engineering design			-	122,540	122,540			
Boundary, research and topography survey			-	25,600	25,600			
Construction staking right-of-way			-	7,400	7,400			
Inspection			-	87,944	87,944			
Contract administration / observation			-	13,052	13,052			
Loan administration			-	80,000	80,000			
Total expenditures	1,343,292		-	921,626	921,626	421,666		
Revenues over (under) expenditures	(1,343,292)		-	(921,626)	(921,626)	421,666		
Other financing sources:								
Connect NC Bond "Tax Exempt"								
Program loan	1,343,292		-	921,626	921,626	(421,666)		
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, 2021

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	757,867	-	-	-	757,867
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	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections	Releases	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 150,838 (a)	\$ 148,240 (b)	\$ 145 (a)	\$ 2,453 (c)
2019-2020	2,600	-	1,459	-	1,141
2018-2019	894	-	366	-	528
2017-2018	713	-	19	-	694
2016-2017	559	-	-	-	559
2015-2016	622	-	-	-	622
2014-2015	622	-	-	-	622
2013-2014	845	-	-	-	845
2012-2013	782	-	15	-	767
2011-2012	733	-	-	-	733
2010-2011	879	-	26	853	-
	<u>\$ 9,249</u>	<u>\$ 150,838</u>	<u>\$ 150,125 (d)</u>	<u>\$ 998</u>	<u>8,964</u>
Less: allowance for uncollectible ad valorem taxes receivable					<u>(4,061)</u>
Ad valorem taxes receivable - net					<u>\$ 4,903</u>
Reconciliation to revenues:					
Ad valorem taxes - General Fund					\$ 150,856
Reconciling items:					
Penalties and interest collected					<u>(731)</u>
Total collections					<u>\$ 150,125 (d)</u>

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, 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	\$ 24,447,931	\$ 0.58	\$ 141,798	\$ 125,974	\$ 15,824
Discoveries:					
Current year taxes	1,558,621		9,040	9,040	-
Abatements	(25,000)		(145)	(145)	-
Total property valuation	<u>\$ 25,981,552</u>				
Net levy			150,693 (a)	134,869	15,824
Uncollected taxes at June 30, 2021			<u>(2,453) (c)</u>	<u>(2,453)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 148,240 (b)</u>	<u>\$ 132,416</u>	<u>\$ 15,824</u>
Current levy collection percentage			<u>98.37%</u>	<u>98.18%</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, 2021, 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 February 8, 2022.

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) as a basis for designing 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 questioned costs 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 financial statements. 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 questioned costs. 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.

Carr, Riggs & Ingram, P.L.L.C.

Wilson, North Carolina
February 8, 2022



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE 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 State Program

We have audited the Town of Saratoga, North Carolina's, compliance with the types of compliance requirements described in 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 state programs for the year ended June 30, 2021. The Town of Saratoga's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Saratoga's major state 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 applicable sections of Title 2 US *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, 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 state 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 state program. However, our audit does not provide a legal determination of the Town of Saratoga's compliance.

Opinion on Each Major State 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 state programs for the year ended June 30, 2021.

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 state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state 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 state 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 state 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 state 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.

Carr, Rigg & Ingram, P.L.L.C.

Wilson, North Carolina
February 8, 2022

Town of Saratoga, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

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

State Awards

Type of auditors' report issued on compliance for major state programs:	Unmodified
Internal control over major state programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified?	None noted
Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	No

Identification of major state program:

Program Name

Connect NC Bond "Tax Exempt" Program

Town of Saratoga, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

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 36 in this audit report.

Section III - State Award Findings and Questioned Costs

None reported

Town of Saratoga

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Corrective Action Plan For the Fiscal Year Ended June 30, 2021

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, 2021

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 and State Awards
For the Fiscal Year Ended June 30, 2021

<u>Grantor/Pass-through Grantor/Program Title</u>	Assistance Listing 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 the Treasury					
Passed-through Office of State					
Budget and Management:					
NC Pandemic Recovery Office					
Passed-through Wilson County					
COVID-19 - Coronavirus Relief Fund	21.019	02-95-05	\$ 12,638	\$ -	\$ -
U.S. Environmental Protection Agency					
Passed-through N.C. Department of					
Environmental Quality					
<u>Drinking Water State Revolving</u>					
<u>Fund Cluster:</u>					
Capitalization Grants for Drinking					
Water State Revolving Funds	66.468	H-LRX-F-17-1922	50,904	-	-
Total Drinking Water State					
Revolving Fund Cluster			50,904	-	-
Total assistance - federal programs			63,542	-	-
State Grants:					
Cash Assistance:					
NC Department of Environmental Quality					
Division of Water Infrastructure					
Connect NC Bond "Tax Exempt"					
Program		E-SRP-W-17-0118	-	921,626	-
Total assistance			\$ 63,542	\$ 921,626	\$ -

For the fiscal year ended June 30, 2021, 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 and State Awards
For the Fiscal Year Ended June 30, 2021

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the Town of Saratoga, North Carolina under the programs of the federal and state government for the year ended June 30, 2021. The information in this SEFSA 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 SEFSA 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, 2021.

Note 6: Federally Funded Insurance

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