

Town of Lake Santeetlah, North Carolina

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

PT CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
RALEIGH, NORTH CAROLINA

TOWN OFFICIALS

MAYOR

Jim Hager

**COUNCIL
MEMBERS**

Bob Wehr (Vice Mayor)
Jim Hager (Finance Officer)
Karen Anderson (Ass't Finance
Officer)
Connie Gross
Keith Predmore
John Garland

**ADMINISTRATIVE
STAFF**

Kim Matheson, Town
Administrator
Emily Hooper, Town Clerk

Town of Lake Santeetlah, North Carolina
Table of Contents
June 30, 2017

Financial Section	Exhibit	Page
Independent Auditor's Report	-	6-7
Management Discussion and Analysis	-	8-15
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	16
Statement of Activities	2	17
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	3	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General Fund	5	19
Statement of Fund Net Position – Proprietary Funds	6	21
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	7	22
Statement of Cash Flows – Proprietary Funds	8	23
Notes to the Financial Statements	-	24-34

Town of Lake Santeetlah, North Carolina
Table of Contents
June 30, 2017
(continued)

Individual Fund Statements and Schedules:	Exhibit	Page
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	A-1	35-37
Schedules of Revenues and Expenditures – Budget and Actual (Non-GAAP): Enterprise Fund	B-1	38-39
Other Schedules:		
Schedule of Ad Valorem Taxes Receivable	C-1	40
Analysis of Current Tax Levy – Town – Wide Levy	C-2	41

**FINANCIAL
SECTION**



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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of The Town of Lake Santeetlah, North Carolina (the Town), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

PT CPAs PLLC

7610 Falls of Neuse Road • Raleigh, North Carolina 27615 | Tel 919.847.6800 • Fax 919.847.2900
110 Iowa Lane; Suite 101; Cary, NC 27511 | Tel 919-467-2050 | Fax 919-469-8480 • www.PTcpasnc.com

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the the Town of Lake Santeetlah, North Carolina, as of June 30, 2017, and the respective changes in financial position and, where appropriate, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Raleigh, North Carolina
September 30, 2017

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

As management of the Town of Lake Santeetlah (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

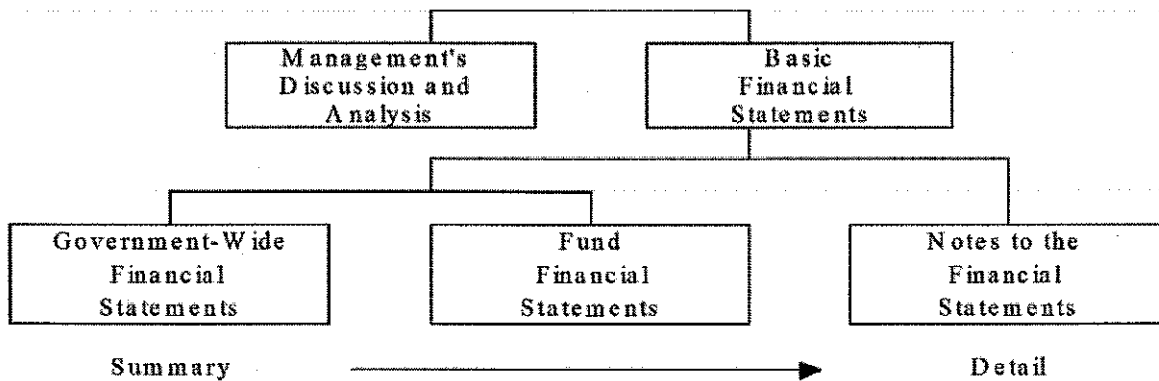
- The assets and deferred outflows of resources of the Town exceeded its liabilities at the close of the fiscal year by \$623,595. (*net position*).
- The government's total net position increased by \$76,342 primarily due to increases in ad valorem taxes and the sale tax allocation.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$171,828 with a net change of \$84,750 in fund balance, primarily due to increases in ad valorem taxes and the sales tax allocation. Approximately 89% of this total ending fund balance, or \$143,440 is available for spending for budgeted and unforeseen expenditures at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$143,440. The total general fund expenditures for the fiscal year were \$194,427 or approximately 269% of the fund balance of \$72,204 at the beginning of the fiscal year.
- At the end of the current fiscal year, the Town's proprietary fund reported an ending net position of \$150,322 with a net change of (\$8,729). Approximately 47% this total amount, or \$73,444, is available for spending at the government's discretion (*unreserved/unrestricted fund balance*). At the end of the fiscal year, the total proprietary fund expenditures were \$128,583 or approximately 175% of the unreserved fund balance.
- The Town had a capital lease obligation at June 30, 2017 in the amount of \$15,183. The lease was incurred to acquire a new truck. In addition the Town obtained \$50,000 in long-term debt to finance the installation of new automatic read water meters and Insight software. The balance outstanding at June 30, 2017 was \$44,545.

Overview of the Financial Statements

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

Required Components of Annual Financial Statements

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

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

Government-wide Financial Analysis

Town of Lake Santeetlah' s Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$187,794	\$88,967	\$124,061	\$145,955	\$311,855	\$234,922
Capital assets	<u>310,555</u>	<u>314,399</u>	<u>76,878</u>	<u>21,946</u>	<u>387,433</u>	<u>336,345</u>
Total assets	<u>\$498,349</u>	<u>\$403,366</u>	<u>\$200,939</u>	<u>\$167,901</u>	<u>699,288</u>	<u>571,267</u>
Long-term liabilities outstanding	4,690	13,275	38,101	8,850	42,791	22,125
Other liabilities	<u>20,386</u>	<u>1,889</u>	<u>12,516</u>	-	<u>32,902</u>	<u>1,889</u>
Total liabilities	<u>25,076</u>	<u>15,164</u>	<u>50,617</u>	<u>8,850</u>	<u>75,693</u>	<u>24,014</u>
Net position:						
Net investment in capital assets:						
Restricted	28,388	14,874	-	-	28,388	14,874
Unrestricted	<u>134,330</u>	<u>58,929</u>	<u>73,444</u>	<u>137,105</u>	<u>207,774</u>	<u>196,034</u>
Total net position	<u>\$473,273</u>	<u>\$388,202</u>	<u>\$150,322</u>	<u>\$159,051</u>	<u>\$623,595</u>	<u>\$547,253</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$623,595 at June 30, 2017. The Town's net assets increased by \$76,342 during the fiscal year ended June 30, 2017. However, a large portion, \$387,433 (62%), reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), net of related debt. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town's net assets, \$28,388 (5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$207,774 is unrestricted.

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

- The Town increased its millage rate during the fiscal year in an effort to increase its reserves.

Town of Lake Santeetlah's Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$-	\$-	\$89,549	\$130,788	\$89,549	\$130,788
Operating grants and contributions	8,617	8,635	30,260	15,499	38,877	24,134
General revenues:						
Property taxes	179,082	145,012	-	-	179,082	145,012
Other taxes	79,185	62,108	-	-	79,185	62,108
Other	<u>12,293</u>	<u>16,536</u>	<u>45</u>	<u>3,277</u>	<u>12,338</u>	<u>19,813</u>
Total revenues	279,177	232,291	119,854	149,564	399,031	381,855
Expenses:						
General government	147,382	193,225	-	-	147,382	193,225
Public safety	21,173	24,457	-	-	21,173	24,457
Transportation	25,551	38,046	-	-	25,551	38,046
Water	-	-	<u>128,583</u>	<u>175,169</u>	<u>128,583</u>	<u>175,169</u>
Total expenses	<u>194,106</u>	<u>255,728</u>	<u>128,583</u>	<u>175,169</u>	<u>322,689</u>	<u>430,897</u>
Decrease in net position	85,071	(23,437)	(8,729)	(25,605)	76,342	(49,042)
Net position, July 1	<u>388,202</u>	<u>519,970</u>	<u>159,051</u>	<u>186,379</u>	<u>547,253</u>	<u>596,295</u>
Net position, June 30	<u>\$473,273</u>	<u>\$496,533</u>	<u>\$150,322</u>	<u>\$160,774</u>	<u>\$623,595</u>	<u>\$547,253</u>

Governmental activities. Governmental activities increased the Town's net assets by \$85,071. Key elements of this decrease are as follows:

- Increase in the millage rate in the current fiscal year
- Increase in the sale tax allocation
- In the prior year there were unbudgeted storm damage repairs

Business-type activities: Business-type activities decreased the Town of Lake Santeetlah's net assets by (\$8,729). The key elements of this decrease are as follows:

- Unbudgeted water distribution repairs
- The cost of the sewer feasibility study was not completely covered by the ARC grant
- The prior year depreciation expense was significantly higher than the current year

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$143,440, while total fund balance reached \$171,828. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures of \$194,427. Unassigned fund balance represents approximately 74% of total General Fund expenditures of \$194,427, while the total fund balance of \$171,828 represents approximately 88% of that same amount.

At June 30, 2017, the governmental fund of the Town reported a fund balance of \$171,828, with a net increase in fund balance of \$84,750.

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

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water Fund at the end of the fiscal year amounted to \$73,444. The total decrease in net assets for this fund was (\$8,729) predominately from water distribution repairs, the sewer feasibility study, and depreciation expense, which is how infrastructure is replaced over time. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Lake Santeetlah's investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$387,433 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment.

Major capital additions during the fiscal year was new automatic read water meters and Insight software for all properties. There were also no significant demolitions or disposals.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$10,570	\$10,570	\$-	\$-	\$10,570	\$10,570
Building and improvements	66,244	59,316	60,330	4,940	126,574	64,256
Machinery and equipment	16,573	21,330	16,548	17,006	33,121	38,336
Infrastructure	<u>217,168</u>	<u>223,183</u>	-	-	<u>217,168</u>	<u>223,183</u>
Total	<u>\$310,555</u>	<u>\$314,399</u>	<u>\$76,878</u>	<u>\$21,946</u>	<u>\$387,433</u>	<u>\$336,345</u>

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

Long-term Debt. As of June 30, 2017, the Town had long-term debt outstanding in the amount of \$15,183 in the form of a capital lease obligation, entered into during a previous fiscal year to acquire a new town truck, and \$44,545 of long-term debt obtained to purchase new automatic water meters and Insight software.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$9,318,520.

Economic Factors and Next Year's Budgets and Rates

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

- The State of North Carolina reformed its sales tax regulations and this has resulted in a significant increase in the sales tax allocation to the Town.
- The FY 16-17 property tax rate is .00225 per \$100 of property value. This rate was adopted by the Town Council to respond to the Town's need to rebuild its unrestricted reserve funds to at least 12 months of General Fund operation.

**Budget Highlights for the Fiscal Year Ending
June 30, 2017**

Governmental Activities: For the fiscal year the fund balance increased by \$84,750. The increase was primarily the result of increasing the millage rate, having a higher sale tax allocation, and not having to spend on storm damages.

Business-type activities: For the fiscal year the fund balance decreased by (\$8,729). The decrease was primarily the result of depreciation expense. During FY 16-17 the Town spent \$37,826 on a sewer feasibility study, however, this expenditure was partially reimbursed through a grant from the Appalachian Regional Commission..

Requests for Information

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

Town of Lake Santeetlah
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$93,629	\$165,606	\$259,235
Accounts receivable (net)	-	24,232	24,232
Due from other governments	18,364	-	18,364
Restricted cash and cash equivalents	10,024	-	10,024
Internal balances	<u>65,777</u>	<u>(65,777)</u>	-
Total current assets	<u>\$187,794</u>	<u>\$124,061</u>	<u>\$311,855</u>
Non-current assets:			
Capital assets:			
Land	10,570	-	10,570
Other capital assets, net of depreciation	<u>299,985</u>	<u>76,878</u>	<u>376,863</u>
Total capital assets	<u>310,555</u>	<u>76,878</u>	<u>387,433</u>
Total non-current assets	<u>310,555</u>	<u>76,878</u>	<u>387,433</u>
Total assets	<u>\$498,349</u>	<u>\$200,939</u>	<u>\$699,288</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$14,513	\$-	\$14,513
Payroll taxes payable	1,453	-	1,453
Current portion of long-term liabilities	<u>4,420</u>	<u>12,516</u>	<u>16,936</u>
Total current liabilities	20,386	12,516	32,902
Non-current liabilities:			
Due in more than one year	<u>4,690</u>	<u>38,101</u>	<u>42,791</u>
Total liabilities	<u>25,076</u>	<u>50,617</u>	<u>75,693</u>
NET POSITION			
Net investment in capital assets	310,555	76,878	387,433
Restricted for:			
Transportation	24	-	24
Road repaving	10,000	-	10,000
Stabilization by State Statute	18,364	-	18,364
Unrestricted	<u>134,330</u>	<u>73,444</u>	<u>207,774</u>
Total net position	<u>\$473,273</u>	<u>\$150,322</u>	<u>\$623,595</u>

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

Town of Lake Santeetlah
Statement of Activities
For the Year Ended June 30, 2017

	Program Revenues					Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary Government:							
Governmental Activities:							
General government	\$146,620	\$-	\$-	\$-	\$(146,620)	\$-	\$(146,620)
Public safety	21,173	-	-	-	(21,173)	-	(21,173)
Transportation	25,551	-	8,617	-	(16,934)	-	(16,934)
Interest on long-term debt	<u>762</u>	-	-	-	<u>(762)</u>	-	<u>(762)</u>
Total governmental activities	<u>194,106</u>	-	<u>8,617</u>	-	<u>(185,489)</u>	-	<u>(185,489)</u>
Business-type activities							
Water	<u>128,583</u>	<u>89,549</u>	<u>30,260</u>	-	-	<u>(8,774)</u>	<u>(8,774)</u>
Total business-type activities	<u>128,583</u>	<u>89,549</u>	<u>30,260</u>	-	-	<u>(8,774)</u>	<u>(8,774)</u>
Total primary government	<u>\$322,689</u>	<u>\$89,549</u>	<u>\$38,877</u>	<u>\$-</u>	<u>\$(185,489)</u>	<u>\$(8,774)</u>	<u>\$(194,263)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					179,082	-	179,082
Unrestricted intergovernmental					79,185	-	79,185
Unrestricted investment earnings					113	45	158
Miscellaneous					<u>12,180</u>	-	<u>12,180</u>
Total general revenues					<u>270,560</u>	<u>45</u>	<u>270,605</u>
Change in net position					85,071	(8,729)	76,342
Net position - beginning					<u>388,202</u>	<u>159,051</u>	<u>547,253</u>
Net position - ending					<u>\$473,273</u>	<u>\$150,322</u>	<u>\$623,595</u>

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

**Town of Lake Santeetlah
Balance Sheet
Governmental Funds
June 30, 2017**

	<u>Major Fund</u>	
	<u>General</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$93,629	\$93,629
Restricted cash	10,024	10,024
Due from other fund	65,777	65,777
Due from other governmental agencies	<u>18,364</u>	<u>18,364</u>
Total assets	<u>\$187,794</u>	<u>\$187,794</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	<u>\$15,966</u>	<u>\$15,966</u>
Total current liabilities	15,966	15,966
FUND BALANCES:		
Restricted		
Transportation	24	24
Road repaving	10,000	10,000
Stabilization by State Statutue	18,364	18,364
Unassigned	<u>143,440</u>	<u>143,440</u>
Total fund balances	<u>171,828</u>	171,828
Total liabilities, deferred inflows of resources and fund balance	<u>\$187,794</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	310,555
Long-term liabilities used in governmental activities are not financial uses and therefore not reported in the funds	<u>(9,110)</u>
Net position of governmental activities	<u>\$473,273</u>

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

Town of Lake Santeetlah
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For Year Ended June 30, 2017

	Major Fund	Total Governmental Funds
	General	
REVENUES		
Ad valorem taxes	\$179,082	\$179,082
Unrestricted intergovernmental	79,185	79,185
Restricted intergovernmental	8,617	8,617
Investment earnings	113	113
Miscellaneous	<u>12,180</u>	<u>12,180</u>
Total revenues	279,177	279,177
EXPENDITURES		
Current:		
General government	135,776	135,776
Public safety	21,173	21,173
Transportation	25,551	25,551
Debt service:		
Principal	4,165	4,165
Interest and other charges	762	762
Capital outlay	<u>7,000</u>	<u>7,000</u>
Total expenditures	<u>194,427</u>	<u>194,427</u>
Net change in fund balances	84,750	84,750
Fund balances – beginning	<u>87,078</u>	<u>87,078</u>
Fund balances – ending	<u>\$171,828</u>	<u>\$171,828</u>

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

Net changes in fund balances – total governmental funds	84,750
---	--------

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

Principal payments on long-term debt	4,165
--------------------------------------	-------

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

Capital outlay	7,000
Depreciation	<u>(10,844)</u>

Total changes in net position of governmental activities	<u>\$85,071</u>
--	-----------------

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

Town of Lake Santeetlah
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2017

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget – Positive (Negative)
Revenues:				
Ad valorem taxes	\$190,601	\$190,601	\$179,082	\$(11,519)
Unrestricted intergovernmental	61,362	61,362	79,185	17,823
Restricted intergovernmental	8,626	8,626	8,617	(9)
Investment earnings	150	150	113	(37)
Miscellaneous	<u>7,624</u>	<u>7,624</u>	<u>12,180</u>	<u>4,556</u>
Total revenues	<u>268,363</u>	<u>268,363</u>	<u>279,177</u>	<u>10,814</u>
Expenditures:				
Current:				
General government	170,494	170,494	135,776	34,718
Public safety	25,600	25,600	21,173	4,427
Transportation	64,651	74,651	25,551	49,100
Contingency	32,551	32,551	-	32,551
Debt service:				
Principal	5,067	5,067	4,165	902
Interest and other charges	-	-	762	(762)
Capital outlay	-	-	<u>7,000</u>	<u>(7,000)</u>
Total expenditures	<u>298,363</u>	<u>308,363</u>	<u>194,427</u>	<u>113,936</u>
Revenues over (under) expenditures	(30,000)	(40,000)	84,750	124,750
Fund Balance Appropriations	<u>30,000</u>	<u>40,000</u>	-	-
Net change in fund balance	<u>\$-</u>	<u>\$-</u>	84,750	<u>\$124,750</u>
Fund balances, beginning of year			<u>87,078</u>	
Fund balances, end of year			<u>\$171,828</u>	

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

Exhibit 6

**Town of Lake Santeetlah
Statement of Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017**

	<u>Major Enterprise Fund</u>	
	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$165,606	\$165,606
Accounts receivable	<u>24,232</u>	<u>24,232</u>
Total current assets	189,838	189,838
Capital Assets:		
Other capital assets, net of depreciation	<u>76,878</u>	<u>76,878</u>
Capital assets (net)	<u>76,878</u>	<u>76,878</u>
Total assets	<u>\$266,716</u>	<u>\$266,716</u>
LIABILITIES		
Current liabilities:		
Due to other fund	65,777	65,777
Current portion of long-term liabilities	<u>12,516</u>	<u>12,516</u>
Total current liabilities	<u>78,293</u>	<u>78,293</u>
Non-current liabilities		
Due in more than one year	<u>38,101</u>	<u>38,101</u>
Total liabilities	<u>116,394</u>	<u>116,394</u>
NET POSITION		
Net investment in capital assets	76,878	76,878
Unrestricted	<u>73,444</u>	<u>73,444</u>
Total net position	<u>\$150,322</u>	<u>\$150,322</u>

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

Town of Lake Santeetlah
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Major Enterprise Fund	Total Proprietary Funds
	Water Fund	
OPERATING REVENUES		
Charges for services	\$89,549	\$89,549
Operating grants and contributions	<u>30,260</u>	<u>30,260</u>
Total operating revenues	119,809	119,809
OPERATING EXPENSES		
Finance and administration	52,619	52,619
Water treatment and distribution	74,240	74,240
Depreciation	<u>1,724</u>	<u>1,724</u>
Total operating expenses	<u>128,583</u>	<u>128,583</u>
Operating Loss	(8,774)	(8,774)
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	<u>45</u>	<u>45</u>
Total nonoperating revenue (expenses)	<u>45</u>	<u>45</u>
Change in net position	(8,729)	(8,729)
Total net position – beginning	<u>159,051</u>	<u>159,051</u>
Total net position – ending	<u>\$150,322</u>	<u>\$150,322</u>

Town of Lake Santeetlah
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Major Enterprise Fund
	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and grants	\$119,854
Cash paid for goods and services	(76,788)
Cash paid to or on behalf of employees for services	<u>(48,200)</u>
Net cash provided by operating activities	(5,134)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(56,656)
Decrease in internal advances	<u>106,114</u>
Net cash provided by non-capital financing activities	49,458
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on long-term debt, net of new issuance	<u>41,767</u>
Net cash provided by capital and related financing activities	<u>41,767</u>
Net increase in cash and cash equivalents	86,091
Balances – beginning of the year	<u>79,515</u>
Balances – end of the year	<u>\$165,606</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	(8,774)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,724
Decrease in accounts receivable	<u>1,916</u>
Total adjustments	<u>3,640</u>
Net cash provided by operating activities	<u><u>\$(5,134)</u></u>

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

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

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

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

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina.

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Effective with this change in policy, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed during in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, two amendments to the original budget were completed. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in Town Council-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30 (c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

2. Cash and Cash Equivalents

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

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13 (a)], ad valorem taxes on property, other than motor vehicles, are levied on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2015. The Town has entered into an agreement with Graham County to collect ad valorem taxes. The agreement eliminates the discount offered for early payment. For the year ended June 30, 2017 the Town paid \$10,896 to Graham County for this service.

4. 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. The Town has established an allowance for doubtful accounts at June 30, 2017, in the amount of \$2,500.

6. Capital Assets

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

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

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

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

7. Deferred Outflows / Inflows of Resources

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

8. Long-term Obligations

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

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

9. Compensated Absences

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

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

10. Net Position / Fund Balances

Net Position

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

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Town does not have any non-spendable fund balance at June 30, 2017.

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 – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

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

Assigned Fund Balance – the portion of fund balance that the Town intends to use for a specific purpose. At June 30, 2017 the Town did not have any assigned fund balance.

Committed Fund Balance – the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town’s governing body. The Town did not have any committed fund balance at June 30, 2017.

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

II. Stewardship, Compliance, and Accountability

A. Contractual Violations

1. Excess of Expenditures over Appropriations – General Fund

For the fiscal year ended June 30, 2017, no expenditures made in the Town’s General Fund were in excess of the authorized appropriations made by the general government.

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2017, the Town's deposits had a carrying amount of \$269,259 and bank balances, at two commercial banks, totaling \$261,469. All of the bank balances were covered by federal depository insurance.

2. Receivables – Allowance for Doubtful Accounts

At June 30, 2017 the Enterprise Fund had \$26,732 of accounts receivable from customers as a result of water service billings. The Town has established an allowance for doubtful accounts in the amount of \$2,500 at June 30, 2017.

Due from other governments reported in the General Fund consisted of \$13,639 due from the Appalachian Regional Commission and \$4,725 from the State of North Carolina.

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$10,570	\$-	\$-	\$-	\$10,570
Total capital assets not being depreciated	10,570	-	-	-	10,570
Capital assets being depreciated					
Land & infrastructure improvements	694,829	-	-	-	694,829
Buildings and building improvements	108,767	7,000	-	-	115,767
Computers	1,333	-	-	-	1,333
Equipment and furniture and fixtures	53,179	-	-	-	53,179
Total capital assets being depreciated	858,108	7,000	-	-	865,108
Less accumulated depreciation for:					
Land & infrastructure improvements	471,645	2,818	-	-	474,463
Buildings and building improvements	49,451	3,269	-	-	52,720
Computers	667	27	-	-	694
Equipment and furniture and fixtures	32,516	4,730	-	-	37,246
Total accumulated depreciation	554,279	10,844	-	-	565,123
Total capital assets being depreciated, net	303,829	(3,844)	-	-	299,985
Governmental activity capital assets, net	<u>\$314,399</u>	<u>\$(3,844)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$310,555</u>
	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Business - type activities:					
<i>Water Fund</i>					
Capital assets being depreciated:					
Equipment and furniture and fixtures	\$60,561	\$-	\$-	\$-	\$60,561
Plant and system distributions	701,642	56,656	-	-	758,298
Total capital assets being depreciated	762,203	56,656	-	-	818,859
Less accumulated depreciation for:					
Equipment and furniture and fixtures	41,053	458	-	-	41,511
Plant and system distributions	699,204	1,266	-	-	700,470
Total accumulated depreciation	740,257	1,724	-	-	741,981
Water fund capital assets, net	<u>\$21,946</u>	<u>\$54,932</u>	<u>\$-</u>	<u>\$-</u>	<u>\$76,878</u>

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

B. Liabilities

1. Pension Plan Obligations

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

2. Deferred Outflows and Inflows of Resources

The Town did not have any items meeting these criteria at June 30, 2017.

3. Commitments

The Town did not have any significant commitments at June 30, 2017.

4. Operating Leases

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

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

5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions injuries to employees; and natural disaster. Through commercial coverage, the Town obtained general liability coverage of \$2 million per occurrence, property coverage up to replacement value, and workers' compensation coverage up to \$1 million per occurrence.

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

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

6. Claims, Judgments and Contingent Liabilities

The Town has been served a civil complaint by a resident claiming that the Town failed to acknowledge an Upset Bid by an unrelated third party, related to the sale of land to all residents of a strip of land between a lot owner's boundary and the 1817 Contour Line. Attorneys for the Town believe this complaint is without merit and not defensible by the plaintiff.

There are no other claims, judgments or contingent liabilities at June 30, 2017.

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

7. Long-Term Obligations

a. Non General Obligation Indebtedness

During the fiscal year the Town has entered into a term loan with United Community Bank. The loan originated December 2016, for \$50,000, requiring monthly payments of \$927, including interest at 3.58%, maturing October 2021. The proceeds of the loan were exclusively for the replacement of water meters. The balance outstanding at June 30, 2017 was \$44,545.

b. Capital Lease Obligation

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

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

2018	\$8,076
2019	<u>8,076</u>
Total minimum lease payments	16,152
Less amount representing interest	<u>(969)</u>
Present value of minimum lease payments	<u>\$15,183</u>

c. Changes in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
Government funds:					
Non-general obligation indebtedness	\$-	\$-	\$-	\$-	\$-
Capital lease obligation	<u>13,275</u>	-	<u>(4,165)</u>	<u>9,110</u>	<u>4,420</u>
	<u>\$13,275</u>	<u>\$-</u>	<u>\$(4,165)</u>	<u>\$9,110</u>	<u>\$4,420</u>
Business-type activities:					
Non-general obligation indebtedness	\$-	\$50,000	\$(5,455)	\$44,545	\$9,739
Capital lease obligation	<u>8,850</u>	-	<u>(2,778)</u>	<u>6,072</u>	<u>2,777</u>
	<u>\$8,850</u>	<u>\$50,000</u>	<u>\$(8,233)</u>	<u>\$50,617</u>	<u>\$12,516</u>

Town of Lake Santeetlah, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

At June 30, 2017, the Town had no general obligation debt outstanding. At June 30, 2016, the Town had a legal debt margin of \$9,318,520.

d. Interfund Balances and Activity

Balances Due to/from Other Funds

Balances due to/from other funds at June 30, 2017, consist of the following:

Due from the Water Fund to the General Fund in the amount of \$65,777.

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) allocation of the new truck in a 60% / 40% allocation, and (4) payments between funds are made.

C. Fund Balance

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

Total fund balance - General Fund	\$171,828
Less:	
Transportation - Powell Bill	(24)
Road paving	(10,000)
Stabilization for State Statute	<u>(18,364)</u>
Remaining fund balance	<u>\$143,440</u>

Town of Lake Santeetlah, North Carolina
 Schedule of Revenues and Expenditures and Changes in Fund Balances
 Budget and Actual – General Fund
 For the Year Ended June 30, 2017

	2017		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	\$190,601	\$189,978	\$(623)
Penalties and interest	-	-	-
Total	190,601	189,978	(623)
Unrestricted intergovernmental:			
Local option sales tax	47,500	58,845	11,345
Utility franchise tax	12,200	12,901	701
Sales tax refund	662	5,763	5,101
DMV tax refund	<u>1,000</u>	<u>1,676</u>	<u>676</u>
Total	61,362	79,185	17,823
Restricted intergovernmental:			
Powell Bill allocation	8,626	8,617	(9)
Investment earnings	150	113	(37)
Miscellaneous	<u>7,624</u>	<u>12,180</u>	<u>4,556</u>
Total revenues	<u>268,363</u>	<u>290,073</u>	<u>21,710</u>
Expenditures:			
General government:			
Governing body:			
Professional services	<u>29,135</u>	<u>41,315</u>	<u>(12,180)</u>
Total	29,135	41,315	(12,180)
Administration:			
Salaries and employee benefits	82,050	83,488	(1,438)
Other operating expenditures	44,151	3,879	40,272
Donations	<u>2,000</u>	<u>2,500</u>	<u>(500)</u>
Total	128,201	89,867	38,334

Town of Lake Santeetlah, North Carolina
 Schedule of Revenues and Expenditures and Changes in Fund Balances
 Budget and Actual – General Fund
 For the Year Ended June 30, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Tax Collection:			
Other operating expenditures	<u>\$9,000</u>	<u>\$10,896</u>	<u>\$(1,896)</u>
Total	9,000	10,896	(1,896)
Public buildings:			
Other operating expenditures	<u>\$4,558</u>	<u>\$4,595</u>	<u>\$(37)</u>
Total	<u>4,558</u>	<u>4,595</u>	<u>(37)</u>
Total general government	170,894	146,673	24,221
Public safety:			
Contracted services	8,600	6,446	2,154
Security light	9,300	8,840	460
Other operating expenditures	<u>200</u>	<u>233</u>	<u>(33)</u>
Total	18,100	15,519	2,581
Fire:			
Fire service fee	-	-	-
Fire station contributions	<u>7,500</u>	<u>5,654</u>	<u>1,846</u>
Total	<u>7,500</u>	<u>5,654</u>	<u>1,846</u>
Total public safety	<u>25,600</u>	<u>21,173</u>	<u>4,427</u>

Town of Lake Santeetlah, North Carolina
 Schedule of Revenues and Expenditures and Changes in Fund Balances
 Budget and Actual – General Fund
 For the Year Ended June 30, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Transportation:			
Streets and highways:			
Other operating expenditures	\$1,650	\$5,784	\$(4,134)
Contracted services	63,950	15,789	48,161
Repairs and maintenance	<u>8,651</u>	<u>3,977</u>	<u>4,674</u>
Total transportation	74,251	25,550	48,701
Contingency allowance	32,551	-	32,551
Debt service:			
Principal	5,067	4,165	902
Interest and other charges	-	762	(762)
Capital outlay	-	<u>7,000</u>	<u>(7,000)</u>
Total expenditures	<u>308,363</u>	<u>205,323</u>	<u>103,040</u>
Revenue over (under) expenditures	(40,000)	84,750	124,750
Fund balance appropriated	<u>40,000</u>	-	<u>(40,000)</u>
Net Change in fund balance	<u>\$-</u>	84,750	<u>\$84,750</u>
Fund balances:			
Beginning of year, July 1		<u>87,078</u>	
End of year, June 30		<u>\$171,828</u>	

Town of Lake Santeetlah, North Carolina
 Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Enterprise Fund
 For the Year Ended June 30, 2017

	2017		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating Revenues:			
Water charges	\$126,449	\$89,549	\$(36,900)
Operating grants	-	<u>30,260</u>	<u>30,260</u>
Total operating revenues	126,449	119,809	(6,640)
Nonoperating revenues			
Miscellaneous income	1,000	-	(1,000)
Investment earnings	<u>85</u>	<u>45</u>	<u>(40)</u>
Total nonoperating revenues	<u>1,085</u>	<u>45</u>	<u>(1,040)</u>
Total Revenues	127,534	119,854	(7,680)
Expenditures:			
Water administration			
Audit fees	4,725	4,125	600
Interest expense	3,040	1,398	1,642
Miscellaneous	<u>3,291</u>	<u>2,235</u>	<u>1,056</u>
Total	11,056	7,758	3,298

Town of Lake Santeetlah, North Carolina
 Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Enterprise Fund
 For the Year Ended June 30, 2017

Water distribution:			
Salaries and employee benefits	48,145	48,200	(55)
Utilities	6,000	5,618	382
Postage	800	333	467
Repairs and maintenance	4,113	5,593	(1,480)
Feasibility study	8,020	37,826	(29,806)
Supplies, testing and chemicals	4,500	4,491	9
Taxes and licenses	420	420	-
Contract operator	13,500	13,945	(445)
Other operating expenses	<u>1,425</u>	<u>2,675</u>	<u>(1,250)</u>
Total	86,923	119,101	(32,178)
Contingency allowance	<u>29,555</u>	-	<u>29,555</u>
Total expenditures	<u>127,534</u>	<u>126,859</u>	<u>675</u>
Revenues over expenditures	-	(7,005)	<u>(7,005)</u>

**Reconciliation from budgetary basis
 (modified accrual) to full accrual:**

Reconciling items:	
Depreciation	<u>(1,724)</u>
Total	<u>(1,724)</u>
Change in net position	<u>\$(8,729)</u>

Town of Lake Santeetlah, North Carolina
 Schedule of Ad Valorem Taxes Receivable
 For the Year Ended June 30, 2017

Fiscal Year	Uncollected Balance June 30, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016 - 2017	\$-	\$187,265	\$186,474	\$791
2015 - 2016	<u>3,049</u>	-	<u>2,618</u>	<u>431</u>
	<u>\$3,049</u>	<u>\$187,265</u>	<u>\$189,092</u>	1,222
				Less allowance for uncollectible accounts - General Fund <u>(1,222)</u>
				Ad valorem taxes receivable, net - General Fund <u>\$-</u>
<u>Reconciliation with revenues</u>				
				Ad valorem taxes - General Fund \$189,978
				Allowance for uncollectible accounts 1,222
				Interest, penalties and discovery <u>(2,108)</u>
				Total collections and credits <u>\$189,092</u>

Town of Lake Santeetlah, North Carolina
 Schedule of Current Tax Levy – Town Wide Levy
 For the Year Ended June 30, 2017

	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	\$83,227,111	0.00225	\$187,261	\$185,585	\$1,676
Discoveries	635		635	635	-
Releases	<u>(631)</u>		<u>(631)</u>	<u>(631)</u>	-
Total property valuation	<u>\$83,227,115</u>				
Net levy			187,265	185,589	1,676
Uncollected taxes at June 30, 2016			<u>(1,222)</u>	<u>(1,222)</u>	-
Current year's taxes collected			<u>\$186,043</u>	<u>\$184,367</u>	<u>\$1,676</u>
Current levy collection percentage			<u>99.35%</u>	<u>99.34%</u>	