

TOWN OF LAKE SANTEETLAH
Lake Santeetlah, North Carolina

Financial Statements
For the Fiscal Year Ended
June 30, 2022

Town Council Members

**Connie Gross, Mayor
Tina Emerson, Finance Officer
Ralph Mitchell, Vice Mayor
Diana Simon
Jim Hager**

Administrative and Financial Staff

**Kim Matheson, Town Administrator
Emily Hooper, Town Clerk**

TOWN OF LAKE SANTEETLAH
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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit of the Town of Lake Santeetlah, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise of the Town of Lake Santeetlah's basic financial statements as listed in the table of contents.

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, each major fund, and the discretely presented component unit of the Town of Lake Santeetlah as of June 30, 2022, and the respective changes in financial position, and cash flows, where applicable, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Lake Santeetlah and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about Town of Lake Santeetlah's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material statement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

- Exercised professional judgement and maintained professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Lake Santeetlah's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Lake Santeetlah's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11, be presented to supplement the basic financial statements. Such information is the responsibility of management, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Lake Santeetlah's basic financial statements. The individual fund budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 budgetary schedules, and other schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

Anderson Smith & Wike PLLC

October 31, 2022
Elon, North Carolina
(336) 380-4123

TOWN OF LAKE SANTEETLAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

As management of the Town of Lake Santeetlah, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Lake Santeetlah for the fiscal year ended June 30, 2022. 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

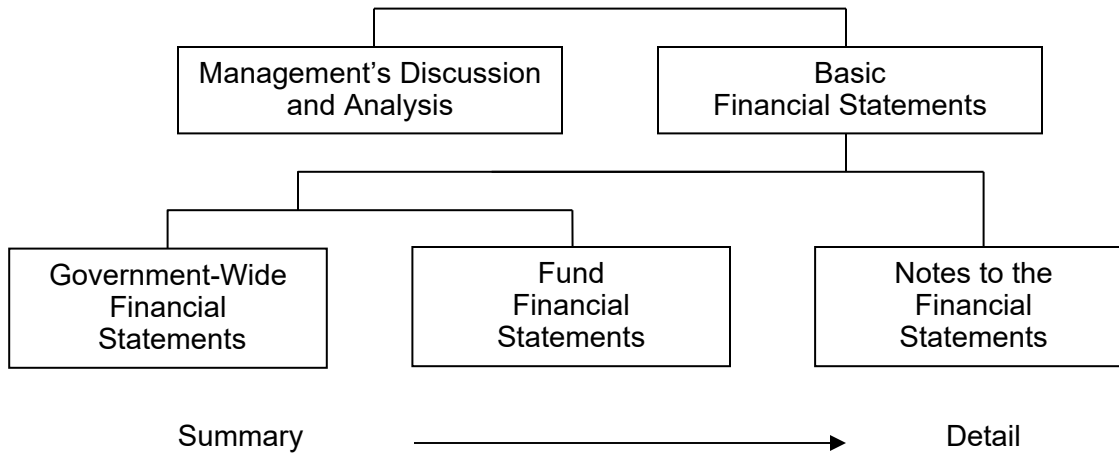
- The assets and deferred outflows of resources of the Town of Lake Santeetlah exceeded its liabilities and deferred inflows of resources at the close of the year by \$951,970 (net position).
- The government's total net position increased by \$195,810 primarily due to increased tax revenues.
- As of the close of the current fiscal year, the Town of Lake Santeetlah's governmental activities net position was \$702,060, a net increase of \$157,930. Approximately 46 percent of the net position, or \$320,903 is available for spending for budgeted and unforeseen expenditures at the government's discretion.
- As the end of the current fiscal year, unassigned fund balance for the General Fund was \$320,903.
- At the end of the current fiscal year, the Town's proprietary fund reported an ending net position of \$249,910 with a net change of \$37,880, which is comparable to the prior year net change of \$35,998.
- In prior years, the Town obtained long-term debt to finance the renovations to the water tank and its distribution system. The balance outstanding at June 30, 2022 was \$171,667.

Overview of the Financial Statements

This discussion and analysis is 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 of Lake Santeetlah.

Required Components of Annual Financial Report

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 fund statements; 2) the budgetary comparison statement; 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 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 section 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 on the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

TOWN OF LAKE SANTEETLAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

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

Fund Financial Statements

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

Governmental Fund – Governmental fund 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 fund. This fund focuses on how the 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 fund are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported on in the Statement of Net Position and the Statement of Activities) and governmental fund is described in 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 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 Council; 2) the final budget as amended by the Council; 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.

TOWN OF LAKE SANTEETLAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

Proprietary Fund – 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 of Lake Santeetlah uses an enterprise fund to account for its water activity. This fund is the same as the function shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements –The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 of this report.

Figure 2						
Condensed Statement of Net Position						
As of June 30, 2022 and 2021						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 337,982	\$ 232,423	\$ 103,797	\$ 78,960	\$ 441,779	\$ 311,383
Capital assets	368,983	321,032	319,048	325,789	688,031	646,821
Total assets	<u>706,965</u>	<u>553,455</u>	<u>422,845</u>	<u>404,749</u>	<u>1,129,810</u>	<u>958,204</u>
Current liabilities	4,905	9,438	21,268	21,052	26,173	30,490
Long-term liabilities outstanding	-	-	151,667	171,667	151,667	171,667
Total liabilities	<u>4,905</u>	<u>9,438</u>	<u>172,935</u>	<u>192,719</u>	<u>177,840</u>	<u>202,157</u>
Net position:						
Net investment in capital assets	368,983	321,032	147,381	134,122	516,364	455,154
Restricted	12,174	40,742	-	-	12,174	40,742
Unrestricted	<u>320,903</u>	<u>182,243</u>	<u>102,529</u>	<u>77,908</u>	<u>423,432</u>	<u>260,151</u>
Total net position	<u>\$ 702,060</u>	<u>\$ 544,017</u>	<u>\$ 249,910</u>	<u>\$ 212,030</u>	<u>\$ 951,970</u>	<u>\$ 756,047</u>

As noted earlier, net position may serve over time as one of the useful indicators of a government's financial condition. The assets of the Town exceeded liabilities by \$951,970 as of June 30, 2022. However, a large portion, \$516,364 (54%), 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, \$12,174 (1%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$423,432 is unrestricted. The Town's net position increased by \$195,810 during the fiscal year ended June 30, 2022.

**TOWN OF LAKE SANTEETLAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022**

Several aspects of the Town's financial operations influence the total restricted and unrestricted governmental net position:

- The Town realized a 98.73% collection of ad valorem taxes
- The Town completed renovations to the front entrance

The following table shows the revenues and expenses for the Town for the current and prior fiscal year.

Figure 3

**Condensed Statement of Changes in Net Position
For the Fiscal Years Ended June 30, 2022 and 2021**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues:						
Charges for services	\$ -	\$ -	\$ 131,668	\$ 131,656	\$ 131,668	\$ 131,656
Operating grants and contributions	14,653	24,657	-	-	14,653	24,657
Capital grants and contributions	8,900	-	-	-	8,900	-
General revenues:						
Property taxes	253,865	206,759	-	-	253,865	206,759
Other taxes	123,070	101,539	-	-	123,070	101,539
Other	52,784	2,644	585	59	53,369	2,703
Total revenues	453,272	335,599	132,253	131,715	585,525	467,314
Expenses:						
General government	219,994	247,506	-	-	219,994	247,506
Public safety	20,846	15,544	-	-	20,846	15,544
Transportation	54,502	26,848	-	-	54,502	26,848
Water	-	-	94,373	95,717	94,373	95,717
Total expenses	295,342	289,898	94,373	95,717	389,715	385,615
Increase (decrease) in net position	157,930	45,701	37,880	35,998	195,810	81,699
Net position, beginning	544,017	498,316	212,030	176,032	756,047	674,348
Net position, ending	\$ 701,947	\$ 544,017	\$ 249,910	\$ 212,030	\$ 951,857	\$ 756,047

**TOWN OF LAKE SANTEETLAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022**

Governmental activities. Governmental activities increased the Town's net position by \$157,930.

Business-type activities. Business type activities increased the Town of Lake Santeetlah's net position by \$37,880.

Financial Analysis of the Town's Funds

As noted earlier, the Town of Lake Santeetlah 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 fund balance in the General Fund was \$333,077. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

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

Proprietary 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 Fund at the end of the fiscal year amounted to \$102,529. The total increase in net assets for this fund was \$37,880, which is comparable to the prior year.

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, 2022, totals \$688,031 (net of accumulated depreciation). These assets include land, buildings, equipment, furniture and fixtures, computers and infrastructure. During the fiscal year, the Town did renovations to the front entrance and sold a side by side.

During the fiscal year, the Town did not incur and capital asset purchases or disposals in the water fund.

**TOWN OF LAKE SANTEETLAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022**

Figure 4						
Summary of Capital Assets						
As of June 30, 2022 and 2021						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Land	\$ 36,852	\$ 36,852	\$ 70,000	\$ 70,000	\$ 106,852	\$ 106,852
Buildings and improvements	119,805	45,372	-	-	119,805	45,372
Equipment, furniture and fixtures	5,246	12,865	9,595	10,575	14,841	23,440
Computers	-	26	-	-	-	26
Infrastructure	207,080	225,917	239,453	245,214	446,533	471,131
Total	\$ 368,983	\$ 321,032	\$ 319,048	\$ 325,789	\$ 688,031	\$ 646,821

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

Long-term Debt. As of June 30, the Town had long-term debt outstanding of \$171,667 obtained to fund the renovations to the water tank and the water distribution system.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$6,867,811.

Economic Factors and Next Year's Budgets and Rates

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

- Graham County conducted a thorough Property Assessment re-evaluation this year (2022), which will go into effect September 2022, for the fiscal year 2023.
- Property tax rate for the Town of Lake Santeetlah is projected to remain the same, unless property assessment evaluations have increased significantly. Current tax rate is .00295% and expected to remain the same for fiscal year 2022-2023.
- Water rates and quarterly assessments are not expected to increase at this time.

**TOWN OF LAKE SANTEETLAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022**

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:

Tina Emerson, Finance Officer
Town of Lake Santeetlah
16 Marina Drive
Lake Santeetlah, NC 28771
Phone: (704) 506-8168
Email: TinaSanteetlah@yahoo.com

TOWN OF LAKE SANTEETLAH
STATEMENT OF NET POSITION
June 30, 2022

Exhibit 1

	Primary Government			Tourism Development Authority
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 325,808	\$ 83,004	\$ 408,812	\$ 25,579
Accounts receivable (net)	-	32,002	32,002	-
Due from other governments	906	-	906	-
Internal balances	11,209	(11,209)	-	-
Restricted cash and cash equivalents	59	-	59	-
Total current assets	337,982	103,797	441,779	25,579
Non-current assets:				
Capital assets				
Land	36,852	70,000	106,852	-
Other capital assets, net of depreciation	332,131	249,048	581,179	-
Total noncurrent assets	368,983	319,048	688,031	-
Total assets	706,965	422,845	1,129,810	25,579
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	4,905	1,268	6,173	-
Current portion of long-term liabilities	-	20,000	20,000	-
Total current liabilities	4,905	21,268	26,173	-
Non-current liabilities:				
Due in more than one year	-	151,667	151,667	-
Total liabilities	4,905	172,935	177,840	-
NET POSITION				
Net investment in capital assets	368,983	147,381	516,364	-
Restricted for:				
Streets	59	-	59	-
Stabilization by State statute	12,115	-	12,115	-
Unrestricted	320,903	102,529	423,432	25,579
Total net position	\$ 702,060	\$ 249,910	\$ 951,970	\$ 25,579

TOWN OF LAKE SANTEETLAH
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Tourism Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 219,994	\$ -	\$ 14,653	\$ -	\$ (205,341)	\$ -	\$ (205,341)	
Public safety	20,846	-	-	-	(20,846)	-	(20,846)	
Transportation	54,502	-	-	8,900	(45,602)	-	(45,602)	
Total governmental activities	<u>295,342</u>	<u>-</u>	<u>14,653</u>	<u>8,900</u>	<u>(271,789)</u>	<u>-</u>	<u>(271,789)</u>	
Business-type activities:								
Water	94,373	131,668	-	-	-	37,295	37,295	
Total primary government	<u>\$ 389,715</u>	<u>\$ 131,668</u>	<u>\$ 14,653</u>	<u>\$ 8,900</u>	<u>(271,789)</u>	<u>37,295</u>	<u>(234,494)</u>	
Component Unit:								
Tourism Development Authority	\$ 30,800	\$ 22,105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (8,695)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					253,865	-	253,865	-
Other taxes					123,070	-	123,070	-
Unrestricted investment earnings					114	32	146	18
Miscellaneous					52,670	553	53,223	-
Total general revenues					<u>429,719</u>	<u>585</u>	<u>430,304</u>	<u>18</u>
Change in net position					157,930	37,880	195,810	(8,677)
Net position, beginning					513,222	179,687	692,909	34,256
Restatement					30,908	32,343	63,251	
Net position, beginning - as restated					<u>544,130</u>	<u>212,030</u>	<u>756,160</u>	
Net position, ending					<u>\$ 702,060</u>	<u>\$ 249,910</u>	<u>\$ 951,970</u>	<u>\$ 25,579</u>

TOWN OF LAKE SANTEETLAH
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

Exhibit 3

	<u>Major Fund</u>
	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 325,808
Restricted cash and cash equivalents	59
Due from other government agencies	906
Due from other fund	11,209
Total assets	<u>\$ 337,982</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	<u>\$ 4,905</u>
FUND BALANCES	
Restricted	
Streets	59
Stabilizaton by State Statute	12,115
Unassigned	<u>320,903</u>
Total fund balances	<u>333,077</u>
 Total liabilities and fund balances	 \$ 337,982
 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	 <u>368,983</u>
Net position of governmental activities	<u>\$ 702,060</u>

TOWN OF LAKE SANTEETLAH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Exhibit 4

	<u>Major Fund</u>
	<u>General Fund</u>
REVENUES	
Ad valorem taxes	\$ 253,865
Other taxes	123,070
Restricted intergovernmental	15,593
Contributions	7,960
Investment earnings	114
Settlement funds	40,000
Miscellaneous	12,670
Total revenues	<u>453,272</u>
EXPENDITURES	
Current:	
General government	184,983
Public safety	20,846
Transportation	54,502
Capital outlay	82,963
Total expenditures	<u>343,294</u>
Revenues over (under) expenditures	<u>109,978</u>
Fund balances, beginning	178,638
Restatement	44,461
Fund balances, beginning, as restated	<u>223,099</u>
Fund balances, ending	<u>\$ 333,077</u>

TOWN OF LAKE SANTEETLAH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (Continued)
For the Year Ended June 30, 2022

Exhibit 4

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

Net changes in fund balances - total governmental funds	\$ 109,978
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	52,852
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Loss on disposal of assets	(4,900)
Total changes in net position of governmental activities	<u>\$ 157,930</u>

TOWN OF LAKE SANTEETLAH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022

Exhibit 5

	General Fund			Variance With Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 253,625	\$ 253,625	\$ 253,865	\$ 240
Other taxes	97,000	97,000	123,070	26,070
Restricted intergovernmental	7,500	8,900	15,593	6,693
Investment earnings	65	65	114	49
Contributions	40,000	40,000	7,960	(32,040)
Settlement funds	-	-	40,000	40,000
Miscellaneous	4,636	4,636	12,670	8,034
Total revenues	<u>402,826</u>	<u>404,226</u>	<u>453,272</u>	<u>49,046</u>
Expenditures:				
Current:				
General government	225,509	221,853	184,983	36,870
Public safety	22,700	22,700	20,846	1,854
Transportation	129,795	133,843	54,502	79,341
Capital outlay	3,000	4,008	82,963	(78,955)
Total expenditures	<u>381,004</u>	<u>382,404</u>	<u>343,294</u>	<u>39,110</u>
Revenues over (under) expenditures	21,822	21,822	109,978	88,156
Fund balance appropriations	<u>21,822</u>	<u>21,822</u>	-	<u>(21,822)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	109,978	<u>\$ 109,978</u>
Fund balance, beginning			178,638	
Restatement			44,461	
Fund balances, beginning, as restated			<u>223,099</u>	
Fund balance, ending			<u>\$ 333,077</u>	

TOWN OF LAKE SANTEETLAH
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
June 30, 2022

Exhibit 6

	<u>Major Enterprise Fund</u>
	<u>Water Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 83,004
Accounts receivable	32,002
Total current assets	<u>115,006</u>
Non-current assets:	
Capital assets:	
Other capital assets, net of depreciation	<u>319,048</u>
Total assets	<u>434,054</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	1,268
Due to other fund	11,209
Current portion of long-term liabilities	20,000
Total current liabilities	<u>32,477</u>
Noncurrent liabilities:	
Due in more than one year	<u>151,667</u>
Total liabilities	<u>184,144</u>
NET POSITION	
Net investment in capital assets	147,381
Unrestricted	<u>102,529</u>
Total net position	<u>\$ 249,910</u>

TOWN OF LAKE SANTEETLAH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION - PROPRIETARY FUND
For the Year Ended June 30, 2022

	Exhibit 7
	Major Fund
	Water Fund
OPERATING REVENUES	
Charges for services	\$ 131,668
OPERATING EXPENSES	
Finance and Administration	48,788
Water treatment and distribution	33,385
Depreciation	6,741
Total operating expenses	88,914
Operating income (loss)	42,754
NONOPERATING REVENUES	
Investment earnings	32
Miscellaneous revenue	553
Interest charges	(5,459)
Total nonoperating revenue (expenses)	(4,874)
Change in net position	37,880
Total net position, beginning	179,687
Restatement	32,343
Total net position, as restated	212,030
Total net position, ending	\$ 249,910

TOWN OF LAKE SANTEETLAH
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2022

Exhibit 8

	<u>Major Fund</u>
	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and grants	\$ 114,072
Cash paid for goods and services	(41,568)
Cash paid to or on behalf of employees for services	(40,276)
	<hr/>
Net cash provided by operating activities	32,228
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Decrease in internal advances	11,096
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on long-term debt	(20,000)
Interest Expense	(5,459)
	<hr/>
Net cash provided (used) by capital and related financing activities	(25,459)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments and other	585
	<hr/>
Net increase in cash and cash equivalents	18,450
Balances, beginning of the year	64,554
	<hr/>
Balances, end of the year	<u>\$ 83,004</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating Income	<u>\$ 42,754</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	6,741
Changes in assets, and liabilities:	
(Increase) decrease in accounts receivable	(17,596)
Increase (decrease) in accounts payable	329
	<hr/>
Total adjustments	(10,526)
Net cash provided by operating activities	<u>\$ 32,228</u>

TOWN OF LAKE SANTEETLAH
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

The Town of Lake Santeetlah is a municipal corporation in Graham County and has a population of approximately 40. The Town is a municipal corporation that is governed by an elected mayor and a four-member council. The Town provides services which include general government, and streets. The Town maintains a water system which services the Town on a user-charge basis. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the financial statements in order to emphasize that it is legally separate from the Town.

Town of Lake Santeetlah Tourism and Development Authority (TDA)

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

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 activity* 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 activity of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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

TOWN OF LAKE SANTEETLAH
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. 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, 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. The budgetary comparison for the Water Capital Projects Fund has been included in the supplemental information.

Measurement Focus and Basis of Accounting

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

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

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

TOWN OF LAKE SANTEETLAH
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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 connections with a proprietary fund's principle ongoing operations. The principle operating revenues of the Town enterprise funds are charges to customers for sales and services. The town also recognizes as operating revenues 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 sales and services, 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 fund 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 fund. 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 telecommunications tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Lake Santeetlah because the tax is levied by Graham County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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 by general revenues.

TOWN OF LAKE SANTEETLAH
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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. 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 the multi-year funds. All amendments must be approved by the governing Council, and the Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

Deposits and Investments

All deposits of the Town and TDA are made in Council-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and TDA 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 and the TDA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

The Town has separate investment accounts for each of their funds, and considers all cash and investments to be cash and cash equivalents. The TDA considers all highly liquid investments (including restricted assets) with maturities of three months or less when purchased to be cash and cash equivalents.

Restricted Assets

Powell Bill funds are 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.

TOWN OF LAKE SANTEETLAH
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Restricted Cash

Governmental Activities

General Fund

Powell Bill \$ 59

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, 2021. In the Town's General Fund, ad valorem tax revenues are reported net of any discounts. The town has entered into an agreement with Graham County to collect ad valorem taxes.

Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. At June 30, 2022, the Town has determined all receivables are fully realizable.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs of \$500 for all newly acquired assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical 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>
Buildings	39
Infrastructure	20
Improvements	15
Furniture and equipment	3-10
Computer equipment	3

TOWN OF LAKE SANTEETLAH
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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.

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 only has 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. Sick leave does not vest. 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.

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.

Fund Balances

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. There are no nonspendable fund balance items.

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)].

TOWN OF LAKE SANTEETLAH
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Lake Santeetlah’s governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. There are no committed fund balance items.

Assigned fund balance – portion of fund balance that Town of Lake Santeetlah 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 in restricted or committed. The Town Council approves the appropriation.

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

Note II – Stewardship, Compliance, and Accountability

Significant Violations of Finance-Related Legal and Contractual Provisions

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2022, capital outlay expenditures made in the Town’s General Fund exceeded the authorized appropriations made by the governing board by \$78,955. This over-expenditure occurred because of management oversight. Management and the Council will more closely review the budget reports to ensure compliance in future years.

TDA – Promoting travel and tourism

Session Law 2015-102 stipulates that the TDA and spend no more than 1/3 of the occupancy tax collected to promote travel and tourism. The Town did not meet this requirement, as approximately 43% of the TDA’s occupancy tax revenue and unrestricted fund balance was spent on expenditures that do not meet the definition of promoting travel and tourism.

TOWN OF LAKE SANTEETLAH
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Note III - Detail Notes on All Funds

Assets

Deposits

All the deposits of the Town and TDA are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit'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 or TDA'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 or TDA, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and 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 and TDA comply with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2022, the Town's deposits had a carrying amount of \$408,871 and a bank balance of \$413,274. Of the bank balance, \$262,456 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

Receivables

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2022 are as follows:

General Fund:

Tax refund receivable	<u>\$ 906</u>
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Enterprise Fund:

Water Fund receivable	<u>\$ 32,002</u>
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The Town has determined, at June 30, 2022, that all receivables are fully realizable.

TOWN OF LAKE SANTEETLAH
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Capital Assets

Capital asset activity for the Government-Type Activities for the year ended June 30, 2022 was as follows:

	Beginning Balances	Increases	Retirements	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 36,852	\$ -	\$ -	\$ 36,852
Capital assets being depreciated:				
Infrastructure	705,482	-	-	705,482
Buildings & Building Improvements	108,767	77,347	-	186,114
Computers	1,333	-	-	1,333
Equipment, Furniture & Fixtures	68,347	-	8,168	60,179
Total capital assets being depreciated	<u>883,929</u>	<u>77,347</u>	<u>8,168</u>	<u>953,108</u>
Less accumulated depreciation for:				
Infrastructure	479,565	18,837	-	498,402
Buildings & Building Improvements	63,395	2,914	-	66,309
Computers	1,307	26	-	1,333
Equipment, Furniture & Fixtures	55,482	2,718	3,267	54,933
Total accumulated depreciation	<u>599,749</u>	<u>24,495</u>	<u>3,267</u>	<u>620,977</u>
Total capital assets being depreciated, net	<u>284,180</u>			<u>332,131</u>
Governmental activity capital assets, net	<u>\$ 321,032</u>			<u>\$ 368,983</u>

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

General government	\$ 24,495
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Capital asset activity for the Business-type activities for the year ended June 30, 2022 was as follows:

TOWN OF LAKE SANTEETLAH
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Business-type activities:	<u>Beginning Balances</u>	<u>Increases</u>	<u>Retirements</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Capital assets being depreciated:				
Equipment and Furniture	60,562	-	-	60,562
Infrastructure	960,289	-	-	960,289
Total capital assets being depreciated	<u>1,020,851</u>	<u>-</u>	<u>-</u>	<u>1,020,851</u>
Less accumulated depreciation for:				
Equipment and Furniture	49,987	980	-	50,967
Infrastructure	715,075	5,761	-	720,836
Total accumulated depreciation	<u>765,062</u>	<u>6,741</u>	<u>-</u>	<u>771,803</u>
Total capital assets being depreciated, net	<u>255,789</u>			<u>249,048</u>
 Business-type activities capital assets, net	 <u>\$ 325,789</u>			 <u>\$ 319,048</u>

Liabilities

Pension Plan Obligations

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

Risk Management

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

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 and town clerk are bonded individually for \$500,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$20,000 or \$25,000 per occurrence.

Claims, Judgments and Contingent Liabilities

At June 30, 2022, there was no material pending or threatened litigation or assessments involving the Town of Lake Santeetlah.

TOWN OF LAKE SANTEETLAH
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Long-Term Obligations

Non-General Obligation Indebtedness

In January 2021, the Town borrowed \$200,000 from United Community Bank, requiring monthly payments of \$1,667, plus interest at 2.95%, maturing January 2031. The balance of the outstanding debt at June 30, 2022 was \$171,667.

The future minimum payments of the loan agreement as of June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 20,000	\$ 4,861
2024	20,000	4,274
2025	20,000	3,664
2026	20,000	3,066
2027	20,000	2,468
2028-2031	<u>71,667</u>	<u>3,936</u>
Total	<u>\$ 171,667</u>	<u>\$ 22,269</u>

Changes in Long Term Liabilities

	<u>Beginning</u>			<u>Ending</u>	<u>Current</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>Maturities</u>
Business-type activities:					
UCB Loan	\$ 191,667	\$ -	\$ 20,000	\$ 171,667	\$ 20,000

At June 30, 2022, the Town of Lake Santeetlah had no bonds authorized or outstanding and a legal debt margin of \$6,867,811.

Interfund Balances and Activity

Due to/from other funds at June 30, 2022, consist of the following:

Balances due to the General Fund from the water fund for operating expenditures	<u>\$11,209</u>
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TOWN OF LAKE SANTEETLAH
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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	\$ 333,077
Less:	
Stabilization by State Statute	12,115
Powell Bill	59
Remaining fund balance	<u>\$ 320,903</u>

Note IV - Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from 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.

Note V – Prior Period Adjustment

During the year ended June 30, 2022, the council reported a prior period adjustment for the General Fund in the amount of \$44,461, Water Fund and business type activities in the amount of \$32,343, and governmental activities in the amount of \$30,907. These adjustments were made up of the following: Cash balances were overstated in the water fund and understated in the General Fund by \$44,461. An asset was understated in the water fund and business type activities, and overstated in governmental activities by \$70,000. Governmental activities net depreciated fixed assets were understated by \$5,368, and water fund net depreciated fixed assets were understated by \$6,804.

Budgetary Statements

TOWN OF LAKE SANTEETLAH
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Exhibit A-1			
Revenues:			
Ad valorem taxes:			
Taxes - Current Year	\$ 248,625	\$ 248,807	\$ 182
Taxes - Prior Years	5,000	3,873	(1,127)
Penalties and interest	-	1,185	1,185
Total	<u>253,625</u>	<u>253,865</u>	<u>240</u>
Unrestricted intergovernmental:			
Local option sales taxes	82,000	105,523	23,523
Utility franchise tax	12,500	14,577	2,077
Sales tax refund	1,000	906	(94)
DMV tax	1,500	2,064	564
Total	<u>97,000</u>	<u>123,070</u>	<u>26,070</u>
Restricted intergovernmental:			
Powell Bill allocation	8,900	8,900	-
American Rescue Plan Funds	-	6,693	6,693
Total	<u>8,900</u>	<u>15,593</u>	<u>6,693</u>
Investment earnings	65	114	49
Contributions	40,000	7,960	(32,040)
Settlement Funds	-	40,000	40,000
Miscellaneous	4,636	12,670	8,034
Total revenues	<u>404,226</u>	<u>453,272</u>	<u>49,046</u>
Expenditures:			
General government:			
Governing body:			
Professional services		33,424	
Other operating expenditures		21,451	
Total	<u>68,709</u>	<u>54,875</u>	<u>13,834</u>
Administration:			
Salaries and employee benefits		86,219	
Donations		350	
Other operating expenditures		21,062	
Total	<u>132,662</u>	<u>107,631</u>	<u>25,031</u>
Tax Collection:			
Other operating expenditures	13,000	14,226	(1,226)

TOWN OF LAKE SANTEETLAH
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Continued)
For the Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Exhibit A-1			
Manirre Public Park:			
Other operating expenditures	1,150	530	620
Public Buildings:			
Other operating expenditures	4,290	1,679	2,611
Election:			
Other operating expenditures	2,042	6,042	(4,000)
Total general government	221,853	184,983	36,870
Public Safety:			
Contracted services		9,147	
Security light		7,199	
Total	18,200	16,346	1,854
Fire:			
Fire station contributions	4,500	4,500	-
Total public safety	22,700	20,846	1,854
Roads and grounds general:			
Streets and highways:			
Repairs and maintenance		32,633	
Contracted services		1,850	
Other operating expenditures		9,669	
Total	122,568	44,152	78,416
Roads and grounds Powell Bill			
Streets and highways:			
Contracted services		9,850	
Other operating expenditures		500	
Total	11,275	10,350	925
Total transportation	133,843	54,502	79,341

TOWN OF LAKE SANTEETLAH
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Continued)
For the Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Capital outlay	4,008	82,963	(78,955)
Total expenditures	382,404	343,294	39,110
Revenues over (under) expenditures	21,822	109,978	(88,156)
Fund balance appropriated	21,822	-	(21,822)
Net Change in fund balance	\$ -	109,978	\$ (109,978)
Fund balances:			
Fund Balance, Beginning		178,638	
Restatement		44,461	
Fund balances, beginning, as restated		223,099	
Fund Balance, Ending		\$ 288,616	

Exhibit A-1

TOWN OF LAKE SANTEETLAH
WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2022

Exhibit B-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Consumption	\$ 33,136	\$ 50,211	\$ 17,075
Base Rate	110,320	80,320	(30,000)
Late Fee	-	1,137	1,137
Total operating revenues	<u>143,456</u>	<u>131,668</u>	<u>(11,788)</u>
Nonoperating revenues:			
Miscellaneous	1,000	553	(447)
Investment earnings	65	32	(33)
Total nonoperating revenues	<u>1,065</u>	<u>585</u>	<u>(480)</u>
Total revenues	<u>144,521</u>	<u>132,253</u>	<u>(12,268)</u>
Expenditures:			
Water administration:			
Audit fees		3,600	
Banking fees and interest		2,976	
Salaries and employee benefits		40,276	
Miscellaneous		1,936	
Total water administration	<u>62,398</u>	<u>48,788</u>	<u>13,610</u>
Water distribution:			
Utilities		7,402	
Postage		882	
Repairs and mainenance		2,107	
Supplies, testing and chemicals		4,903	
Taxes and licenses		420	
Contract operator		15,000	
Other operating expenditures		2,671	
Total water distribution	<u>34,929</u>	<u>33,385</u>	<u>1,544</u>

TOWN OF LAKE SANTEETLAH
WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
(Continued)
For the Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Exhibit B-1			
Debt service:			
Interest charges		5,459	
Principal retirement		20,000	
Total debt service	<u>26,097</u>	<u>25,459</u>	<u>638</u>
Total expenditures	<u>123,424</u>	<u>107,632</u>	<u>15,792</u>
Revenues over (under) expenditures	21,097	24,621	3,524
Fund balance appropriated	<u>(21,097)</u>	<u>-</u>	<u>(21,097)</u>
Revenues and fund balance appropriated over (under) expenditures	<u>\$ -</u>	24,621	<u>\$ (24,621)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		20,000	
Depreciation		<u>(6,741)</u>	
Total		<u>13,259</u>	
Change in Net Position		<u>\$ 37,880</u>	

TOWN OF LAKE SANTEETLAH
Tourism Development Authority - Component Unit
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2022

Exhibit C-1

	Original	Final	Actual Amounts	Variance with Final Budget -- Positive (Negative)
Revenues:				
Occupancy taxes	\$ 22,000	\$ 22,000	\$ 22,105	\$ 105
Capital Contribution	9,000	9,000	-	(9,000)
Interest	-	-	18	18
Total revenues	<u>31,000</u>	<u>31,000</u>	<u>22,123</u>	<u>(8,877)</u>
Expenditures:				
General government:				
Advertisements	11,000	21,000	14,366	6,634
Capital projects	9,000	23,000	12,869	10,131
Insurance	1,800	1,800	1,445	355
Other expenditures	2,670	6,670	957	5,713
Total general government expenditures	<u>24,470</u>	<u>52,470</u>	<u>29,637</u>	<u>22,833</u>
Administrative:				
Professional services	600	600	500	100
Other operating expenditures	930	930	663	267
Total administrative expenditures	<u>1,530</u>	<u>1,530</u>	<u>1,163</u>	<u>367</u>
Total expenditures	<u>26,000</u>	<u>54,000</u>	<u>30,800</u>	<u>23,200</u>
Revenues over (under) expenditures	5,000	(23,000)	(8,677)	14,323
Fund balance appropriations	<u>(5,000)</u>	<u>23,000</u>	<u>-</u>	<u>23,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(8,677)</u>	<u>\$ (8,677)</u>
Fund balances:				
Fund Balance, Beginning			<u>34,256</u>	
Fund Balance, Ending			<u>\$ 25,579</u>	

Other Schedules

This section contains additional information on property taxes

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

TOWN OF LAKE SANTEETLAH
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2022

Exhibit D-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022	\$ -	\$ 253,865	\$ 250,627	\$ 3,238
2020-2021	3,738	-	2,048	1,690
2019-2020	1,894	-	801	1,093
2018-2019	1,046	-	763	283
2017-2018	291	-	261	30
2016-2017	22	-	-	22
2015-2016	175	-	-	175
2014-2015	40	-	-	40
	<u>\$ 7,206</u>	<u>\$ 253,865</u>	<u>\$ 254,500</u>	6,571
Less: allowance for doubtful accounts: General Fund				<u>6,571</u>
Ad valorem taxes receivable - net				<u>\$ -</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 255,929
Reconciling items:				
Releases				215
Interest collected				<u>(1,185)</u>
Total collections and credits				<u>\$ 254,959</u>

TOWN OF LAKE SANTEETLAH
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
June 30, 2022

Exhibit D-2

	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	\$ 85,592,568	0.296	\$ 253,354	\$ 251,290	\$ 2,064
Discoveries - current and prior years	327,703		970	970	-
Releases	<u>(72,635)</u>		<u>(215)</u>	<u>(215)</u>	<u>-</u>
Total property valuation	<u>\$ 85,847,636</u>				
Net Levy:			254,109	252,045	2,064
Uncollected taxes at June 30, 2022			<u>(3,238)</u>	<u>(3,238)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 250,871</u>	<u>\$ 248,807</u>	<u>\$ 2,064</u>
Current levy collection percentage			<u>98.73%</u>	<u>98.72%</u>	<u>100.00%</u>