

# **TOWN OF STANLEY, NORTH CAROLINA**

## **BASIC FINANCIAL STATEMENTS**

*As of and for the Fiscal Year Ended June 30, 2019*

*And Report of Independent Auditor*

**TOWN OF STANLEY, NORTH CAROLINA**  
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## **FINANCIAL SECTION**

## Report of Independent Auditor

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stanley, North Carolina (the "Town") as of and for the year ended June 30, 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town. The individual fund statements and schedules and other schedules are not a required part of the basic financial statements.

The individual fund statements and 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, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Chemy Bekaert LLP*

Charlotte, North Carolina  
October 31, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# TOWN OF STANLEY, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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As management of the Town of Stanley (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, 2019. 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 and deferred inflows of resources at the close of the fiscal year by \$13,423,520 (net position).
- The government's total net position decreased \$463,531 due to an decrease in the governmental activities net position of \$36,143 and a decrease in the business-type activities net position of \$427,388.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$1,322,362 with a net increase of \$17,509 in fund balance.
- Approximately 53.63% of this total amount, or \$709,205 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$613,157, or 19.78%, of total General Fund expenditures for the fiscal year.
- The Town's total debt increased by \$578,041 during the current fiscal year. A key factor in this decrease was regular debt payments made during the year on existing debt.
- The Town has an A1 bond rating.

### Overview of the Financial Statements

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

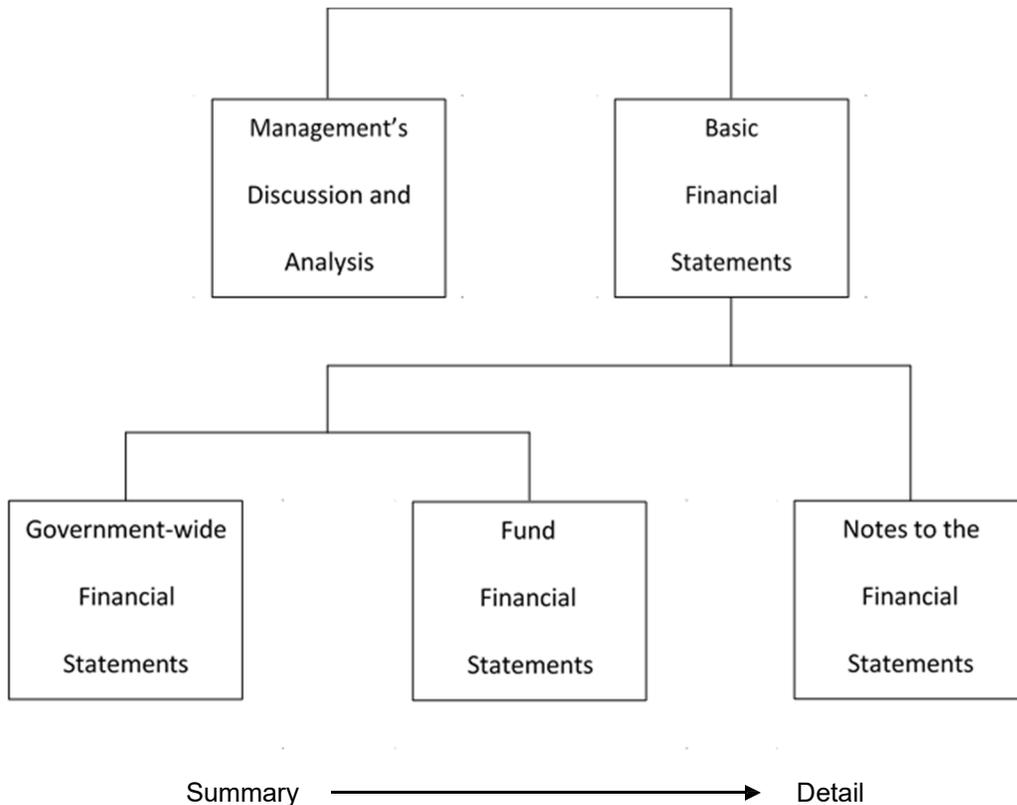
**TOWN OF STANLEY, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*JUNE 30, 2019*

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

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

# TOWN OF STANLEY, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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### Government-Wide Financial Statements

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

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

The government-wide statements are divided into 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, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and solid waste services offered by the Town.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

### Fund Financial Statements

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

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

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

**TOWN OF STANLEY, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2019

*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 12 of this report.

*Other Information* – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 41 of this report.

*Interdependence with Other Entities* – The Town depends on financial resources flowing from, or associated with both the federal government and the State of North Carolina (the "State"). Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

**Government-Wide Financial Analysis**

**Town of Stanley's Net Position**  
**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,823,346	\$ 1,477,347	\$ 1,670,015	\$ 2,073,745	\$ 3,493,361	\$ 3,551,092
Capital assets	5,108,630	5,218,664	12,913,809	13,266,936	18,022,439	18,485,600
Deferred outflows of resources	344,112	248,962	100,287	60,903	444,399	309,865
Total assets and deferred outflows of resources	<u>7,276,088</u>	<u>6,944,973</u>	<u>14,684,111</u>	<u>15,401,584</u>	<u>21,960,199</u>	<u>22,346,557</u>
Long-term liabilities outstanding	1,832,141	1,833,743	5,276,560	5,636,950	7,108,701	7,470,693
Other liabilities	484,800	153,786	870,378	799,173	1,355,178	952,959
Deferred inflows of resources	64,243	26,397	8,557	9,457	72,800	35,854
Total liabilities and deferred inflows of resources	<u>2,381,184</u>	<u>2,013,926</u>	<u>6,155,495</u>	<u>6,445,580</u>	<u>8,536,679</u>	<u>8,459,506</u>
Net Position:						
Net investment in capital assets	4,315,610	4,276,274	7,401,796	7,326,252	11,717,406	11,602,526
Restricted	709,205	521,599	-	-	709,205	521,599
Unrestricted	(129,911)	133,174	1,126,820	1,629,752	996,909	1,762,926
Total Net Position	<u>\$ 4,894,904</u>	<u>\$ 4,931,047</u>	<u>\$ 8,528,616</u>	<u>\$ 8,956,004</u>	<u>\$ 13,423,520</u>	<u>\$ 13,887,051</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$13,423,520 as of June 30, 2019. The Town's net position decreased by \$463,531 for the fiscal year ended June 30, 2019. However, the largest portion (87.29%) reflects the Town's net investment in capital assets (e.g. land, buildings, and machinery and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$709,205, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$996,909 is unrestricted.

One particular aspect of the Town's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.27%, which is comparable to the statewide average.

**TOWN OF STANLEY, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2019

**Town of Stanley's Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 330,473	\$ 323,265	\$ 2,560,462	\$ 2,605,628	\$ 2,890,935	\$ 2,928,893
Operating grants and contributions	126,884	139,920	-	-	126,884	139,920
Capital grants and contributions	696,443	118,627	-	-	696,443	118,627
General revenues:						
Property taxes	1,546,853	1,516,536	-	-	1,546,853	1,516,536
Other taxes	243	251	-	-	243	251
Grants and contributions not restricted to specific programs	819,030	781,141	-	-	819,030	781,141
Other	90,027	48,906	6,389	3,416	96,416	52,322
<b>Total Revenues</b>	<b>3,609,953</b>	<b>2,928,646</b>	<b>2,566,851</b>	<b>2,609,044</b>	<b>6,176,804</b>	<b>5,537,690</b>
Expenses:						
General government	313,622	548,281	-	-	313,622	548,281
Public safety	1,824,238	1,462,137	-	-	1,824,238	1,462,137
Public works	465,028	574,822	-	-	465,028	574,822
Parks and recreation	1,021,796	426,617	-	-	1,021,796	426,617
Interest on long-term debt	21,413	25,325	-	-	21,413	25,325
Water and sewer	-	-	2,994,239	2,338,341	2,994,239	2,338,341
<b>Total Expenses</b>	<b>3,646,096</b>	<b>3,037,182</b>	<b>2,994,239</b>	<b>2,338,341</b>	<b>6,640,335</b>	<b>5,375,523</b>
Net position:						
Increase in net position before transfers	(36,143)	(108,536)	(427,388)	270,703	(463,531)	162,167
Transfers	-	-	-	-	-	-
<b>Increase in net position</b>	<b>(36,143)</b>	<b>(108,536)</b>	<b>(427,388)</b>	<b>270,703</b>	<b>(463,531)</b>	<b>162,167</b>
Net position, July 1, as previously reported	4,931,047	4,964,863	8,956,004	8,662,982	13,887,051	13,627,845
Cumulative Change in Accounting Principle	-	74,720	-	22,319	-	97,039
<b>Net position, July 1, as restated</b>	<b>4,931,047</b>	<b>5,039,583</b>	<b>8,956,004</b>	<b>8,685,301</b>	<b>13,887,051</b>	<b>13,724,884</b>
<b>Net position, June 30</b>	<b>\$ 4,894,904</b>	<b>\$ 4,931,047</b>	<b>\$ 8,528,616</b>	<b>\$ 8,956,004</b>	<b>\$ 13,423,520</b>	<b>\$ 13,887,051</b>

**Governmental Activities** – Governmental activities decreased the Town's net position by \$36,143. This was based on overall expenditures exceeding revenues slightly.

**Business-type Activities** – Business-type activities decreased the Town's net position by \$427,388. Key elements of this decrease is a result of significantly higher water bills to the Town in fiscal year 2019 versus fiscal year 2019. This resulted from more water usage in the Town in 2019.

**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.

# TOWN OF STANLEY, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's fund balance available in the General Fund was \$613,157 while total fund balance reached \$1,272,910. The Town currently has an available fund balance of 19.78% of General Fund expenditures, while total fund balance represents 41.07% of the same amount.

At June 30, 2019, the governmental funds of the Town reported a combined fund balance of \$1,322,362 with a net increase in fund balance of \$17,509.

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

*Proprietary Fund* – The Town's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,126,820. The total change in net position was a decrease of \$427,388.

### 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, 2019 totaled \$18,022,439 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following:

- Town hall expansion
- Fire department air packs
- Downtown revitalization
- Purchase of a police vehicle
- Purchase of an excavator for public works
- Purchase of a submersible pump for sewer
- Water line replacement

**TOWN OF STANLEY, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2019

**Town of Stanley's Capital Assets  
(net of depreciation)  
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 476,232	\$ 476,232	\$ 624,775	\$ 624,775	\$ 1,101,007	\$ 1,101,007
Buildings and systems	2,374,730	2,449,456	22,783	11,147	2,397,513	2,460,603
Improvements other than buildings	592,965	628,728	12,131,379	12,509,143	12,724,344	13,137,871
Machinery and equipment	318,669	200,202	-	-	318,669	200,202
Infrastructure	960,679	993,458	-	-	960,679	993,458
Vehicles and motorized equipment	385,355	470,588	134,872	121,871	520,227	592,459
Total	<u>\$ 5,108,630</u>	<u>\$ 5,218,664</u>	<u>\$ 12,913,809</u>	<u>\$ 13,266,936</u>	<u>\$ 18,022,439</u>	<u>\$ 18,485,600</u>

Additional information on the Town's capital assets can be found in Note 2(A)(4) of the Basic Financial Statements.

*Long-term Debt* – As of June 30, 2019, the Town had total bonded debt outstanding of \$360,000. Of this, the entire amount is backed by the full faith and credit of the Town.

**Town of Stanley's Outstanding Debt  
General Obligation Bonds  
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ -	\$ -	\$ 360,000	\$ 450,000	\$ 360,000	\$ 450,000
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,000</u>	<u>\$ 450,000</u>	<u>\$ 360,000</u>	<u>\$ 450,000</u>

The Town's total debt decreased by \$578,041 during the current fiscal year related to regular debt payments made during the year.

As mentioned in the financial highlights section of this document, the Town has an A1 bond rating from Moody's Investor Service. This bond rating is a clear indication of the sound financial condition of the Town. This achievement is a primary factor in keeping interest costs low on the Town's outstanding debt.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$21,364,958. The Town has no bonds authorized or unissued as of June 30, 2019.

Additional information regarding the Town's long-term debt can be found in Note 2(B)(5) of this report.

# TOWN OF STANLEY, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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### **Economic Factors, Next Year's Budgets and Rates, and Budget Highlights for the Fiscal Year Ending June 30, 2020**

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

- The Town applied for and was approved to seek financing to construct a new Town Hall addition to house a Council chambers, additional office space, and conference room space, along with a small kitchen and additional restroom facilities. This new addition will be capitalized during the 2020-21 budget year.
- The Town continued to see a strong real estate market. Arbordale sub-division was approved and will include the construction of approximately 240 homes, and will be part of the city limits and will product additional water and sewer revenues as well as ad valorem tax revenue. The Town also approved an additional 50 home sites that will be called Bennington Woods sub-division. The Town is also in discussions with an additional developer to construct an additional 300 homes along the Highway 27 corridor and would be inside the city limits of Stanley.
- The Town of Stanley purchased a historic property called the "Hacker" property for \$50,000. The "Hacker" property once housed the United States Post Office when the Town was still Chartered as "Stanley Creek." The Town recently sold this property to a couple who reside in Stanley for \$97,000+, and they plan to develop it into a clothing store and later a restaurant. The building is now back on the tax roles and will be improved.
- The Town received a donated building several years ago and recently sold the building to an investor who plans to develop the building into a restaurant. The building once housed Dr. Graham Weather's medical practice and is over 6,000 square feet. This sales put the commercial property back on the tax roles and it will be improved for a new restaurant. This sales was in the amount of \$115,000.
- The Manager expects property tax revenue to increase during the 2019-2020 fiscal year budget and increase yet again in the 2020-21 budget, as real estate sales and commercial development continue to increase.
- The Manager and staff have met with an investor and expect a significant commercial property to be development in the general business area located on Highway 27 near West Dallas Road. This type of development and interest from other investors, indicates a strong interest in the Stanley area for commercial and residential growth.
- The Town expects to complete a Community Development Block Grant (CDBG) project in December of 2019. This project will replace the oldest part of our sewer system. Studies conducted several years ago indicated that the old part of the system was taking in a tremendous amount of inflow from rain and storm water. This project will decrease the amount of I&I into our metered sewer system and therefore, we expect metered sewer to decrease during significant rain events. This will help make the enterprise fund stronger as these improvements continue to take place in future projects.
- The Town Council adopted a downtown improvement plan that will continue to invest in the downtown and central business district. This investment will include the installation of new downtown decorative lighting, new park benches, fencing along CSX railroad, a gazebo constructed in the CSX right of way, and will include music and WiFi. The plan also includes the construction of new welcome signs at the North and South end of Highway 27, on Hickory Grove Road and Highway 275. These improvements are part of a downtown plan that was designed and adopted several budget years prior.

**TOWN OF STANLEY, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*JUNE 30, 2019*

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**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 Heath R. Jenkins, Town Manager, Stanley Town Hall, 416 Highway 27 S, Stanley, NC 28164.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF STANLEY, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**

**EXHIBIT 1**

JUNE 30, 2019

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 899,536	\$ 1,085,826	\$ 1,985,362
Restricted cash and cash equivalents	349,373	187,987	537,360
Taxes receivables, net	15,173	-	15,173
Accounts receivable, net	91,665	305,660	397,325
Due from other governments	558,141	-	558,141
Internal balances	(90,542)	90,542	-
Total Current Assets	<u>1,823,346</u>	<u>1,670,015</u>	<u>3,493,361</u>
Noncurrent Assets:			
Capital Assets:			
Land, non-depreciable improvements, and construction in progress	476,232	624,775	1,101,007
Other capital assets, net of depreciation	4,632,398	12,289,034	16,921,432
Total Capital Assets	<u>5,108,630</u>	<u>12,913,809</u>	<u>18,022,439</u>
Total Assets	<u>6,931,976</u>	<u>14,583,824</u>	<u>21,515,800</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension and OPEB deferrals	344,112	89,233	433,345
Charge on refunding	-	11,054	11,054
Total Deferred Outflows of Resources	<u>344,112</u>	<u>100,287</u>	<u>444,399</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	434,800	257,042	691,842
Security deposit	50,000	-	50,000
Current portion of long-term liabilities	201,644	425,349	626,993
Payable from restricted assets	-	187,987	187,987
Total Current Liabilities	<u>686,444</u>	<u>870,378</u>	<u>1,556,822</u>
Long-term liabilities:			
Net pension liability (LGERS)	331,818	103,269	435,087
Total pension liability (LEOSSA)	474,944	-	474,944
Total OPEB liability	134,573	41,551	176,124
Due in more than one year	689,162	5,131,740	5,820,902
Total Liabilities	<u>2,316,941</u>	<u>6,146,938</u>	<u>8,463,879</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension and OPEB deferrals	64,243	8,557	72,800
Total Deferred Inflows of Resources	<u>64,243</u>	<u>8,557</u>	<u>72,800</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,315,610	7,401,796	11,717,406
Restricted for:			
Stabilization by State Statute	310,380	-	310,380
Other functions	398,825	-	398,825
Unrestricted	(129,911)	1,126,820	996,909
Total Net Position	<u>\$ 4,894,904</u>	<u>\$ 8,528,616</u>	<u>\$ 13,423,520</u>

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

**TOWN OF STANLEY, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**

**EXHIBIT 2**

YEAR ENDED JUNE 30, 2019

Functions/Programs	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
<b>Primary Government:</b>							
Governmental Activities:							
General government	\$ 313,622	\$ 12,425	\$ -	41,802	\$ (259,395)	\$ -	\$ (259,395)
Public safety	1,824,238	2,792	21,687	179,330	(1,620,429)	-	(1,620,429)
Public works	465,028	282,566	105,197	-	(77,265)	-	(77,265)
Parks and recreation	1,021,796	32,690	-	475,311	(513,795)	-	(513,795)
Interest on long-term debt	21,413	-	-	-	(21,413)	-	(21,413)
Total Governmental Activities	<u>3,646,096</u>	<u>330,473</u>	<u>126,884</u>	<u>696,443</u>	<u>(2,492,296)</u>	<u>-</u>	<u>(2,492,296)</u>
Business-type Activities:							
Water and sewer	<u>2,994,239</u>	<u>2,560,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(433,777)</u>	<u>(433,777)</u>
Total Business-type Activities	<u>2,994,239</u>	<u>2,560,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(433,777)</u>	<u>(433,777)</u>
Total Primary Government	<u>\$ 6,640,335</u>	<u>\$ 2,890,935</u>	<u>\$ 126,884</u>	<u>\$ 696,443</u>	<u>(2,492,296)</u>	<u>(433,777)</u>	<u>(2,926,073)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					1,546,853	-	1,546,853
Other taxes					243	-	243
Grants and contributions not restricted to specific programs					819,030	-	819,030
Unrestricted investment earnings					27,196	6,389	33,585
Miscellaneous					62,831	-	62,831
Total general revenues					<u>2,456,153</u>	<u>6,389</u>	<u>2,462,542</u>
Change in net position					(36,143)	(427,388)	(463,531)
Net position, beginning of year					4,931,047	8,956,004	13,887,051
Net position, end of year					<u>\$ 4,894,904</u>	<u>\$ 8,528,616</u>	<u>\$ 13,423,520</u>

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

**TOWN OF STANLEY, NORTH CAROLINA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**

**EXHIBIT 3**

JUNE 30, 2019

	Major Fund			Total Governmental Funds
	General	Community Development Block Grant	Total Non-Major Funds	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 849,259	\$ -	\$ 50,277	\$ 899,536
Restricted cash and cash equivalents	349,373	-	-	349,373
Receivables, net:				
Taxes	15,173	-	-	15,173
Accounts	49,863	-	41,802	91,665
Due from other governments	219,726	338,415	-	558,141
Due from other funds	41,802	-	-	41,802
Total Assets	<u>\$ 1,525,196</u>	<u>\$ 338,415</u>	<u>\$ 92,079</u>	<u>\$ 1,955,690</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	95,560	\$ 338,415	\$ 825	\$ 434,800
Security deposit	50,000	-	-	50,000
Due to other funds	90,542	-	41,802	132,344
Total Liabilities	<u>236,102</u>	<u>338,415</u>	<u>42,627</u>	<u>617,144</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	15,173	-	-	15,173
License fees receivable	1,011	-	-	1,011
Total Deferred Inflows of Resources	<u>16,184</u>	<u>-</u>	<u>-</u>	<u>16,184</u>
<b>FUND BALANCES</b>				
Restricted				
Stabilization by State Statute	310,380	-	-	310,380
Streets	349,373	-	-	349,373
Parks and recreation	-	-	49,452	49,452
Unassigned	613,157	-	-	613,157
Total Fund Balances	<u>1,272,910</u>	<u>-</u>	<u>49,452</u>	<u>1,322,362</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,525,196</u>	<u>\$ 338,415</u>	<u>\$ 92,079</u>	<u>\$ 1,955,690</u>

**TOWN OF STANLEY, NORTH CAROLINA**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**

**EXHIBIT 3**

*JUNE 30, 2019*

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Ending fund balance - governmental funds		\$ 1,322,362
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.		5,108,630
Deferred outflows of resources related to OPEB and pensions are not reported in the funds.		344,112
Earned revenues considered deferred inflows of resources in fund statements.		16,184
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Gross long-term debt	(890,806)	
Net pension liability	(331,818)	
Total pension liability (LGERS)	(474,944)	
Total OPEB liability	<u>(134,573)</u>	
		(1,832,141)
Deferred inflows of resources related to OPEB and pensions are not reported in the funds.		<u>(64,243)</u>
Net position of governmental activities		<u><u>\$ 4,894,904</u></u>

**TOWN OF STANLEY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS**

**EXHIBIT 4**

YEAR ENDED JUNE 30, 2019

	Major Fund			Total Governmental Funds
	General	Community Development Block Grant	Total Non-Major Funds	
Revenues:				
Ad valorem taxes	\$ 1,548,437	\$ -	\$ -	\$ 1,548,437
Other taxes and licenses	243	-	-	243
Unrestricted intergovernmental	819,030	-	-	819,030
Restricted intergovernmental	309,006	475,311	41,802	826,119
Permits and fees	12,425	-	-	12,425
Sales and services	315,256	-	-	315,256
Investment earnings	26,903	-	293	27,196
Miscellaneous	25,383	-	37,448	62,831
Total Revenues	<u>3,056,683</u>	<u>475,311</u>	<u>79,543</u>	<u>3,611,537</u>
Expenditures:				
Current:				
General government	468,709	-	-	468,709
Public safety	1,618,943	-	-	1,618,943
Public works	419,308	-	-	419,308
Parks and recreation	415,064	475,311	50,233	940,608
Debt service:				
Principal payments	155,385	-	-	155,385
Interest and fees	21,885	-	-	21,885
Total Expenditures	<u>3,099,294</u>	<u>475,311</u>	<u>50,233</u>	<u>3,624,838</u>
Excess of revenues over (under) expenditures	<u>(42,611)</u>	<u>-</u>	<u>29,310</u>	<u>(13,301)</u>
Other Financing Sources (Uses):				
Loan proceeds	30,810	-	-	30,810
Total Other Financing Sources (Uses)	<u>30,810</u>	<u>-</u>	<u>-</u>	<u>30,810</u>
Net change in fund balance	(11,801)	-	29,310	17,509
Fund balances, beginning of year	<u>1,284,711</u>	<u>-</u>	<u>20,142</u>	<u>1,304,853</u>
Fund balances, end of year	<u>\$ 1,272,910</u>	<u>\$ -</u>	<u>\$ 49,452</u>	<u>\$ 1,322,362</u>

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

**TOWN OF STANLEY, NORTH CAROLINA****EXHIBIT 4****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES***YEAR ENDED JUNE 30, 2019*

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

Net changes in fund balances - total governmental funds		\$ 17,509
<p>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 were more than depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	211,238	
Depreciation expense for governmental assets	<u>(321,272)</u>	(110,034)
<p>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 and related items.</p>		
New loans issued	(30,810)	
Principal payments on long-term debt	<u>180,180</u>	149,370
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues	<u>(1,112)</u>	(1,112)
<p>Contributions to the pension and OPEB plans in the current fiscal year are not included on the Statement of Activities.</p>		
		(111,445)
<p>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.</p>		
Pension obligation (LEOSA)	(39,851)	
Pension obligation (LGERS)	106,908	
Compensated absences	(29,219)	
Other postemployment benefits (OPEB)	<u>(18,269)</u>	19,569
Total changes in net position of governmental activities		<u>\$ (36,143)</u>

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

**TOWN OF STANLEY, NORTH CAROLINA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES – BUDGET AND ACTUAL – GENERAL FUND**

YEAR ENDED JUNE 30, 2019

	<b>General Fund</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,403,300	\$ 1,608,300	\$ 1,548,437	\$ (59,863)
Other taxes and licenses	-		243	243
Unrestricted intergovernmental	1,102,300	804,500	819,030	14,530
Restricted intergovernmental	296,000	309,809	309,006	(803)
Permits and fees	-	15,000	12,425	(2,575)
Sales and services	273,000	301,500	315,256	13,756
Investment earnings	-	7,500	26,903	19,403
Miscellaneous	-	260,863	25,383	(235,480)
Total Revenues	<u>3,074,600</u>	<u>3,307,472</u>	<u>3,056,683</u>	<u>(250,789)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	389,800	494,300	468,709	25,591
Public safety	1,635,100	1,720,072	1,618,943	101,129
Public works	533,700	563,700	419,308	144,392
Parks and recreation	376,600	433,530	415,064	18,466
Principal payments	165,900	165,900	155,385	(10,515)
Interest expense	23,500	23,500	21,885	(1,615)
Total Expenditures	<u>3,124,600</u>	<u>3,401,002</u>	<u>3,099,294</u>	<u>277,448</u>
Revenues over expenditures	(50,000)	(93,530)	(42,611)	26,659
<b>Other Financing Sources (Uses):</b>				
Loan proceeds	-	-	30,810	30,810
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>30,810</u>	<u>30,810</u>
Fund balance appropriated	50,000	93,530	-	(93,530)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(11,801)	<u>\$ (11,801)</u>
Fund balance, beginning of year			1,284,711	
Fund balance, end of year			<u>\$ 1,272,910</u>	

**TOWN OF STANLEY, NORTH CAROLINA**  
**STATEMENT OF NET POSITION – PROPRIETARY FUND**

**EXHIBIT 6**

*JUNE 30, 2019*

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 1,085,826
Accounts receivable (net) - billed and unbilled	305,660
Due from other fund	90,542
Due from other governments	-
Restricted cash and cash equivalents	187,987
Total Current Assets	<u>1,670,015</u>
Noncurrent Assets:	
Capital assets:	
Land and other non-depreciable assets	624,775
Other capital assets, net of depreciation	12,289,034
Capital assets (net)	<u>12,913,809</u>
Total Noncurrent Assets	<u>12,913,809</u>
Total Assets	<u>14,583,824</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension and OPEB deferrals	89,233
Charge on refunding	11,054
Total Deferred Outflows of Resources	<u>100,287</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable and accrued liabilities	257,042
General obligation bonds payable - current	90,000
Current installments of other long-term debt	335,349
Liabilities payable from restricted assets:	
Accounts payable	-
Customer deposits	187,987
Total Current Liabilities	<u>870,378</u>
Noncurrent Liabilities:	
Other postemployment benefits (OPEB)	41,551
Compensated absences	25,057
Net pension liability (LGERS)	103,269
General obligation bonds payable - noncurrent	270,000
Noncurrent installments of other long-term debt	4,836,683
Total Noncurrent Liabilities	<u>5,276,560</u>
Total Liabilities	<u>6,146,938</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension and OPEB deferrals	<u>8,557</u>
<b>NET POSITION</b>	
Net investment in capital assets	7,401,796
Unrestricted	1,126,820
Net position of business-type activities	<u>\$ 8,528,616</u>

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

**TOWN OF STANLEY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET**  
**POSITION – PROPRIETARY FUND**

**EXHIBIT 7**

*YEAR ENDED JUNE 30, 2019*

	<b>Water and Sewer Fund</b>
Operating Revenues:	
Charges for services	\$ 2,349,016
Water and sewer taps and connection fees	120,701
Other operating revenues	90,745
Total Operating Revenues	<u>2,560,462</u>
Operating Expenses:	
Water department	1,326,962
Sewer department	1,121,268
Depreciation and amortization	467,592
Total Operating Expenses	<u>2,915,822</u>
Operating loss	<u>(355,360)</u>
Nonoperating Revenues (Expenses):	
Investment earnings	6,389
Interest and other charges	(78,417)
Total Nonoperating Expenses	<u>(72,028)</u>
Change in net position	(427,388)
Total net position, beginning of year	<u>8,956,004</u>
Total net position, end of year	<u>\$ 8,528,616</u>

**TOWN OF STANLEY, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND**

**EXHIBIT 8**

YEAR ENDED JUNE 30, 2019

	<b>Water and Sewer Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 2,557,784
Cash paid for goods and services	(2,400,102)
Cash paid to or on behalf of employees for services	14,219
Customer deposits received	36,855
Net cash provided by operating activities	<u>208,756</u>
<b>Cash flows from noncapital financing activities:</b>	
Due from other governments	<u>381,487</u>
Net cash provided by noncapital financing activities	<u>381,487</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(114,465)
Payments on long-term borrowings	<u>(428,671)</u>
Net cash used by capital and related financing activities	<u>(543,136)</u>
<b>Cash flows from investing activities:</b>	
Interest income	6,389
Interest paid	<u>(78,417)</u>
Net cash used by investing activities	<u>(72,028)</u>
Net increase in cash and cash equivalents	(24,921)
Cash and cash equivalents, beginning of year	<u>1,298,734</u>
Cash and cash equivalents, end of year	<u>\$ 1,273,813</u>

(continued)

**TOWN OF STANLEY, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND (CONTINUED)**

**EXHIBIT 8**

*YEAR ENDED JUNE 30, 2019*

	<u>Water and Sewer Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (355,360)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	467,592
Changes in assets, deferred outflows and inflows of resources, and liabilities:	
Increase in accounts receivable	(2,678)
Increase in deferred outflows of resources for pension and OPEB	(39,384)
Increase in net pension liability (LGERS)	43,452
Decrease in deferred inflows of resources for pension and OPEB	(900)
Decrease in accounts payable and accrued liabilities	48,128
Increase in customer deposits	36,855
Increase in OPEB liability	4,844
Increase in accrued vacation pay	6,207
Total adjustments	<u>564,116</u>
Net cash provided by operating activities	<u>\$ 208,756</u>

# TOWN OF STANLEY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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### Note 1—Summary of significant accounting policies

The accounting policies of the Town of Stanley (the “Town”) conform to accounting principles generally accepted in the United States of America 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 five-member council.

#### B. Basis of Presentation

*Government-wide Statements* – The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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 or 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. The remaining governmental funds are reported as nonmajor funds.

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

The Town reports the following major governmental funds:

*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, sanitation services, and recreation services.

*CDBG Fund* – This fund is used to account for the Community Development Block Grant income and expenses.

# TOWN OF STANLEY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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### Note 1—Summary of significant accounting policies (continued)

The Town reports the following nonmajor governmental funds:

*Recreation Fund* – This fund is used to account for fundraising and other recreation activities.

*Merger Regionalization Grant*– This fund is used to account for grant income and expenses related to the project.

The Town reports the following major enterprise fund:

*Water and Sewer Fund* – This fund is used to account for the Town’s water and sewer operations. The fund is comprised of a subfund: *Water and Sewer Capital Projects Fund*. This subfund is used to account for the Town’s sewer interconnect project. This fund has been consolidated in the Water and Sewer Fund for financial reporting purposes.

#### 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. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

*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.

# TOWN OF STANLEY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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### Note 1—Summary of significant accounting policies (continued)

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 a 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 (the "State") 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 utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Gaston County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

#### D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Recreation Fund and the Water and Sewer Capital Projects Fund. The enterprise fund project is consolidated with its respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. 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. 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, Deferred Outflows/Inflows of Resources, and Fund Equity

##### 1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [General Statute ("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.

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

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**Note 1—Summary of significant accounting policies (continued)**

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, bonds and notes of any North Carolina local government or public authority, obligations of certain nonguaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust ("NCCMT"). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Government Portfolio, a Securities and Exchange Commission registered (2a-7) external investment pool, is measured at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

Non-participating interest earning contracts are measured at amortized cost.

Certificates of deposit with original maturities greater than three months that are not debt securities are included in "investments".

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits in the Water and Sewer Fund held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Capital project restricted cash in the Water and Sewer Fund represent customer deposits and amounts payable for Phase II of the Sewer Interconnect Project funded with federal grant proceeds.

Governmental Activities:

General Fund

Streets

\$ 349,373

Total Governmental Activities

\$ 349,373

Business-type Activities:

Water and Sewer Fund

Customer deposits

\$ 187,987

Total Business-type Activities

\$ 187,987

# TOWN OF STANLEY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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### Note 1—Summary of significant accounting policies (continued)

#### 4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018.

#### 5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years and analyzing accounts receivable aging reports.

#### 6. 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 are as follows: land, \$2,500; buildings, improvements, substations, lines, and other plant and distribution systems, \$2,500; infrastructure, \$2,500; furniture and equipment, \$2,500; vehicles, \$2,500; and computer software and computer equipment, \$2,500. 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 cost. 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>
Infrastructure	40
Buildings	40
Improvements	40
Vehicles	5
Furniture and equipment	10
Computer equipment	3
Computer software	5

#### 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 Outflows of Resources, represents a consumption of net position that applies to a future period and, therefore, it will not be recognized as an expense or expenditure until then. The Town has several items that meet the criterion: pension and OPEB related deferrals, and an unamortized loss on a bond defeasance for General Obligation Refunding bonds. In addition to liabilities, the statement of financial position can also 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 it will not be recognized as revenue until then. The Town has several items that meets the criterion for this category: prepaid taxes, property taxes receivable, license fees receivable, and pension and OPEB related deferrals.

# TOWN OF STANLEY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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### Note 1—Summary of significant accounting policies (continued)

#### 8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### 9. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 30 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 recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. 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 is 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.

# TOWN OF STANLEY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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### Note 1—Summary of significant accounting policies (continued)

*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 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 Parks and Recreation* – portion of fund balance that is restricted by revenue source for recreation expenditures.

*Assigned Fund Balance* – The portion of fund balance the Town intends to use for specific purposes.

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

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, and town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

#### 11. Pensions

The Town participates in a cost-sharing, multiple employer defined benefit pension plan that is administered by the State and the Local Governmental Employees' Retirement System ("LGERS").

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the defined benefit pension plan and additions to/deductions from the state-administered defined benefit pension plan fiduciary net position has been determined on the same basis as they are reported by the state-administered defined benefit pension plan. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and when the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and are payable in accordance with the terms of the state-administered defined benefit pension plan. Investments are reported at fair value.

#### 12. Stewardship, Compliance, and Accountability

##### Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the City's Water and Sewer Fund exceeded the authorized appropriations made by the governing board for the water department by \$140,762. This over-expenditure occurred because of a spike in the purchased water used and billed to the Town in June 2019. The amount billed was over the average amount billed each month during fiscal year 2019.

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

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**Note 2—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, Dedicated and Pooled. 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 of North Carolina ("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 or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$608,669 and a bank balance of \$689,806. Of the bank balance, \$300,204 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$600.

2. Investments

At June 30, 2019, the Town had \$1,313,959 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard & Poor's ("S&P"). The Town has no policy regarding credit risk. The Town had \$599,494 in certificates of deposit as of June 30, 2019.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the balance sheet and the statement of net position for the year ended June 30, 2019 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 16,474
Accounts receivable	6,500
Total	<u>22,974</u>
Enterprise Funds	<u>86,000</u>
Total allowance for doubtful accounts	<u><u>\$ 108,974</u></u>

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 2—Detail notes on all funds (continued)**

4. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 476,232	\$ -	\$ -	\$ 476,232
Total capital assets not being depreciated	<u>476,232</u>	<u>-</u>	<u>-</u>	<u>476,232</u>
<b>Capital assets being depreciated:</b>				
Buildings	3,030,870	-	-	3,030,870
Other improvements	864,606	-	-	864,606
Equipment	1,010,871	180,428	-	1,191,299
Vehicles and motor equipment	1,619,438	30,810	-	1,650,248
Infrastructure	1,311,165	-	-	1,311,165
Total capital assets being depreciated	<u>7,836,950</u>	<u>211,238</u>	<u>-</u>	<u>8,048,188</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	581,414	74,726	-	656,140
Other improvements	235,878	35,763	-	271,641
Equipment	810,669	61,961	-	872,630
Vehicles and motor equipment	1,148,850	116,043	-	1,264,893
Infrastructure	317,707	32,779	-	350,486
Total accumulated depreciation	<u>3,094,518</u>	<u>\$ 321,272</u>	<u>\$ -</u>	<u>3,415,790</u>
Total capital assets being depreciated, net	<u>4,742,432</u>			<u>4,632,398</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 5,218,664</u>			<u>\$ 5,108,630</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 74,629
Public safety	128,130
Public works	45,720
Parks and recreation	72,793
	<u>\$ 321,272</u>

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 2—Detail notes on all funds (continued)**

<b>Business-type Activities:</b>	<b>Balance</b>			<b>Balance</b>
<b>Water and Sewer Fund</b>	<b>July 1, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2019</b>
Capital assets not being depreciated				
Land	\$ 624,775	\$ -	\$ -	\$ 624,775
Total capital assets not being depreciated	<u>624,775</u>	<u>-</u>	<u>-</u>	<u>624,775</u>
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	19,100,324	51,291	-	19,151,615
Buildings	38,288	12,588	-	50,876
Equipment, including vehicles	408,110	50,586	-	458,696
Total capital assets being depreciated	<u>19,546,722</u>	<u>114,465</u>	<u>-</u>	<u>19,661,187</u>
<b>Less Accumulated Depreciation:</b>				
Plant and distribution systems	6,591,181	429,055	-	7,020,236
Buildings	27,141	952	-	28,093
Equipment, including vehicles	286,239	37,585	-	323,824
Total accumulated depreciation	<u>6,904,561</u>	<u>\$ 467,592</u>	<u>\$ -</u>	<u>7,372,153</u>
Total capital assets being depreciated, net	<u>12,642,161</u>			<u>12,289,034</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 13,266,936</u>			<u>\$ 12,913,809</u>

Construction commitments

The Town has entered into a contract with another municipality for the purchase of water for resale, for a term of 30 years, which began February 1, 2005. Effective, July 1, 2012, the Town agrees to pay a rate of \$3.35 per 1,000 gallons of water purchased. In addition, the Town has an agreement with the municipality to treat wastewater at \$3.07 per 1,000 gallons. This agreement is for a period of five years with an option to renew and extend the term for an additional five-year period contingent upon the Town retaining a certain large industrial customer.

The Town entered into an agreement on March 4, 2015 with a private waste collection contractor. The agreement calls for the contractor to provide the Town with solid waste collection services for a five-year period ending March 4, 2020. The agreement is for once per week residential collection of solid waste and every other week residential collection of recyclables at a rate of \$8.63 and \$3.19, respectively, per cart. The financial commitment on the part of the Town as of June 30, 2019 is approximately \$250,000 per year.

# TOWN OF STANLEY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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### Note 2—Detail notes on all funds (continued)

The Town signed an agreement with the City of Gastonia on August 6, 2013 to participate with them in construction of the sewer interconnect, and the City of Gastonia agreed to share the cost of construction with a grant of \$1,000,000 to be paid in five installments of \$150,000 beginning annually on the first anniversary of the date that wastewater is first treated for the Town by the City of Gastonia. The balance will be paid in five annual installments of \$50,000 beginning on the sixth anniversary of the date that wastewater is first treated for the Town. These payments shall be paid only from revenues generated by operation of the City of Gastonia's water and sewer utility (Two Rivers Utilities). If revenues generated are insufficient to make payments under this agreement, failure to make such payment shall not be deemed a breach of the agreement. The Town agrees to use a minimum of 117,000,000 gallons per year of capacity or the City of Gastonia will bill the Town for the difference between the usage and the minimum. The billing rate will be the prevailing rate as set for municipal wholesale customers, and as revised from time to time which is currently \$3.80 per 1,000 gallons.

#### 5. Water Supply Rights

The Town, Gaston County, and the City of Mount Holly, on February 19, 1993, entered into an agreement to construct a water line, meter, and a storage tank to allow the Town to purchase water from Mount Holly. The Town paid \$250,000 as its share of the project over a ten-year period beginning with acceptance of the project, which was completed in November 1995. The Town also entered into an agreement with Mount Holly to purchase water and have the right to buy water (see further discussion at Note II.B.4).

The only fixed asset acquired by the Town was its portion of the master meter, valued at \$19,000. The remaining \$231,000 has been fully amortized.

#### B. Liabilities

##### 1. Pension Plan and Postemployment Obligations

###### a. Local Governmental Employees' Retirement System

*Plan Description* – The Town is a participating employer in the statewide LGERS, a cost-sharing multiple-employer defined benefit pension plan administered by the State. LGERS membership is comprised of general employees and local law enforcement officers (“LEOs”) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly (the “General Assembly”). Management of the plan is vested in the LGERS Board of Trustees, which consist of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The LGERS is included in the Comprehensive Annual Financial Report (“CAFR”) for the State. The State’s CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

# TOWN OF STANLEY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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### **Note 2—Detail notes on all funds (continued)**

*Benefits Provided* – LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions* – Contribution provisions are established by G.S. 128-30 and may be amended only by the General Assembly. The Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2019 was 8.50% of compensation for LEOs and 7.75% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$111,445 for year ended June 30, 2019.

*Refunds of Contributions* – The Town employees who have terminated service as a contributing member of LGERS may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2019, the Town reported a liability of \$435,087 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.01834% (measured as of June 30, 2018), which was an increase of .00080% from its proportion (measured as of June 30, 2017).

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 2—Detail notes on all funds (continued)**

For the year ended June 30, 2019, the Town recognized pension expense of \$117,573. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 67,124	\$ 2,252
Changes of assumptions	115,455	-
Net difference between projected and actual earnings on pension plan investments	59,724	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,138	6,076
Employer contributions subsequent to the measurement date	111,445	-
Total	<u>\$ 363,886</u>	<u>\$ 8,328</u>

The Town reported \$111,445 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Years Ending June 30,**

2020	\$ 115,709
2021	75,488
2022	16,469
2023	36,447
	<u>\$ 244,113</u>

*Actuarial Assumptions* – The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.50%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

The plan currently uses mortality rates based on the RP-2014 *Total Data Set for Health Annuitants Mortality Table*, that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 2—Detail notes on all funds (continued)**

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study as of December 31, 2014.

Future ad hoc cost-of-living adjustment amounts are not considered to be substantively automatic, and therefore are not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premiums and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Credit	7%	6.0%
Inflation Protection	6%	4.0%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

*Discount Rate* – The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 2—Detail notes on all funds (continued)**

*Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Town’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 1,045,118	\$ 435,087	\$ (74,663)

*Pension Plan Fiduciary Net Position* – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CAFR of the State.

**b. Law Enforcement Officers Special Separation Allowance**

*1. Plan Description.*

The Town administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn LEOs. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the General Assembly.

All full-time LEOs of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	12
Total	<u>12</u>

A separate report was not issued for the plan.

*2. Summary of Significant Accounting Policies.*

*Basis of Accounting* – The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

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**Note 2—Detail notes on all funds (continued)**

3. *Actuarial Assumptions* – The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.50 to 7.35%, including inflation and productivity factor
Discount rate	3.64%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017. The Municipal Bond Index Rate increased from 3.18% to 3.64%.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

*Deaths After Retirement (Healthy)*: RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

*Deaths Before Retirement*: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

*Deaths After Retirement (Beneficiary)*: RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

*Deaths After Retirement (Disabled)*: RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

**4. Contributions.**

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the General Assembly. There were no contributions made by employees. Administrative costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 as benefits came due for the reporting period.

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 2—Detail notes on all funds (continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2019, the Town reported a total pension liability of \$474,944. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$40,188.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 49,703	\$ 27,819
Changes of assumptions	19,756	20,901
	<u>\$ 69,459</u>	<u>\$ 48,720</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Years Ending June 30,**

2020	\$ 6,872
2021	6,872
2022	6,872
2023	6,928
2024	(6,805)
Thereafter	-
	<u>\$ 20,739</u>

*Sensitivity of the Towns Total Pension Liability to Changes in the Discount Rate* – The following presents the Town’s total pension liability calculated using the discount rate of 3.64%, as well as what the Town’s total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.64%) or one percentage point higher (4.64%) than the current rate:

	<b>1% Decrease (2.64%)</b>	<b>Current Discount Rate (3.64%)</b>	<b>1% Increase (4.64%)</b>
Total pension liability	\$ 514,319	\$ 474,944	\$ 438,821

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 2—Detail notes on all funds (continued)**

Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance:

Beginning balance	\$ 493,856
Service cost	17,371
Interest on total pension liability	15,606
Difference between expected and actual	(33,405)
Changes in assumptions or other inputs	(18,484)
Net Changes	<u>(18,912)</u>
Ending Balance of the Total Pension Liability	<u>\$ 474,944</u>

c. Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description* – The Town contributes to the Supplemental Retirement Income Plan (“Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the CAFR for the State. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy* – Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

d. Supplemental Retirement Income Plan for Employees Other than Law Enforcement Officers

*Plan Description* – All full-time employees of the Town other than law enforcement officers participate in the Supplemental Retirement Income Plan, a defined contribution plan. Participation begins after 90 days of employment.

*Funding Policy* – The Town voluntarily contributes each month an amount equal to 5% of each employee’s salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan.

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 2—Detail notes on all funds (continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources of Related to Pensions***

The net pension liability for LGERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability for Law Enforcement Officers' Special Separation Allowance ("LEOSSA") was measured as of June 30, 2018, with an actuarial valuation date of December 31, 2017. The Town's proportion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 435,087	\$ -	\$ 435,087
Proportion Share of Net Pension Liability (Asset)	0.01834%	n/a	
Total Pension Liability	-	474,944	474,944
Pension Expense	117,573	40,188	157,761

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows of Resources</u>	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Differences between expected and actual experience	\$ 67,124	\$ 49,703	\$ 116,827
Changes of assumptions	115,455	19,756	135,211
Net difference between projected and actual earnings on pension plan investments	59,724	-	59,724
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,138	-	10,138
Employer contributions subsequent to the measurement date	111,445	-	111,445
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 2,252	\$ 27,819	\$ 30,071
Changes of assumptions	-	20,901	20,901
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,076	-	6,076

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 2—Detail notes on all funds (continued)**

e. Other Postemployment Benefits (“OPEB”)

Healthcare Benefits

*Plan Description* – Under the terms of a Town resolution, the Town administers a single-employer defined benefit healthcare plan (the “Retiree Health Plan”). The plan provides postemployment healthcare benefits to retirees of the Town who retire in good standing at age 55 or older and have 25 years of service. The Town pays the full cost of individual coverage for these benefits through private insurers. The insurance coverage will cease when the retiree reaches age 65 or becomes eligible for Medicare, whichever occurs first. At retirement, all retirees with at least 10 years of service have the option to purchase basic medical insurance at the Town’s group rate until age 65 or until they obtain insurance coverage through another source. The entire cost of this insurance is borne by the retiree. The Town Council may amend the benefit provisions. A separate report was not issued for the plan. The Retiree Health Plan has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 75 There are no authoritative requirement to pay OPEB as benefits come due.

*Funding Policy* – The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by the Board or Trustees. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the general fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In fiscal year ended, June 30, 2019, the County’s total contributions were \$-0-.

Membership of the Retiree Health Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Inactive Employees or Beneficiaries Currently	
Receiving Benefits	2
Inactive Members Entitled to but not yet	
Receiving Benefits	-
Active Employees	32
Total	<u>34</u>

**Actuarial Assumptions**

The town’s total OPEB liability of \$176,124 was measured as of June 30, 2018 and was determined by an actuarial valuation using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless other specified:

Inflation	2.5%
Salary increases	
General Employees	3.5% - 7.75% average, including inflation
Law Enforcement Officers	3.5% - 7.35% average, including inflation
Discount rate	3.89%
Healthcare cost trend rates	
Pre-Medicare	7.5% for 2017 decreasing to an ultimate rate of 5.0% by 2023

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 2—Detail notes on all funds (continued)**

**Changes in the Total OPEB Liability**

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

	<b>2019</b>
Beginning balance	\$ 157,492
Service cost	20,944
Interest on the total pension liability	5,607
Changes of assumptions or other inputs	(7,204)
Difference between expected and actual experience	(715)
Ending balance of the total pension liability	<u>\$ 176,124</u>
<b>Covered payroll</b>	<b>\$ 1,120,797</b>
<b>Total OPEB liability as a percentage of covered payroll</b>	<b>15.71%</b>

Changes in assumptions and other inputs reflect the following change in the discount rate:

<b>Measurement</b>	
<u>Date</u>	<u>Rate</u>
2017	3.56%
2018	3.89%

The discount rate used to measure the total OPEB liability was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.89%) or 1 percentage point higher (4.89%) than the current discount rate:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>(2.89%)</b>	<b>Discount Rate</b>	<b>(4.89%)</b>
		<b>(3.89%)</b>	<b>(4.89%)</b>
Total OPEB Liability	<u>\$ 198,976</u>	<u>\$ 176,124</u>	<u>\$ 156,184</u>

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 2—Detail notes on all funds (continued)**

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 148,191	\$ 176,124	\$ 211,147

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the Town recognized OPEB expense of \$24,688. At June 30, 2019, the town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 15,108
Changes of assumptions or other inputs	-	644
Total	<u>\$ -</u>	<u>\$ 15,752</u>

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Years Ending June 30,**

2020	\$ (1,863)
2021	(1,863)
2022	(1,863)
2023	(1,863)
2024	(1,863)
Thereafter	(6,437)
	<u>\$ (15,752)</u>

**2. Other Employment Benefit**

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System ("Death Benefit Plan"), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2019*

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**Note 2—Detail notes on all funds (continued)**

**3. Deferred Outflows and Inflows of Resources**

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Contributions to pension plan in current fiscal year	\$ 111,445
Pension deferrals	321,900
Charge on refunding	11,054
	<u>\$ 444,399</u>

Deferred inflows of resources at year-end is comprised of the following:

Taxes receivable (General Fund)	\$ 15,173
Vehicle licenses receivable (General Fund)	1,011
OPEB deferrals (Governmental Activities)	15,752
Pension deferrals (Governmental Activities)	57,048
	<u>\$ 88,984</u>

**4. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the North Carolina League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not carry flood insurance because the Town and its major properties are not in a flood plain as mapped by the State.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more of the Town's funds at any given time are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2019*

**Note 2—Detail notes on all funds (continued)**

5. Long-Term Obligations

a. Capital Leases

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes, and therefore have been recorded at the present value of future minimum lease payments as of the date of their inception.

The agreement was executed on October 18, 2016 to lease certain office equipment and buy-out equipment from a previous lease agreement and requires 57 monthly payments of \$2,318.

The following is an analysis of the assets recorded under capital leases at June 30, 2019:

<b>Classes of Property</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Equipment - Governmental Activities	\$ 162,744	\$ 105,569	\$ 57,175

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 were as follows:

<b>Years Ending June 30,</b>	
2020	\$ 27,816
2021	27,816
2022	6,954
Total minimum lease payments	62,586
Less amount representing interest	(2,916)
Present value of minimum lease payments	\$ 59,670

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 2—Detail notes on all funds (continued)**

b. Installment Purchases

Direct borrowings - Notes payable at June 30, 2019 were comprised of the following individual issues:

Serviced by the General Fund:

\$315,000 payable to a bank, secured by the fire station building, payable in annual installments of \$16,578 plus interest at 4.5% through April 15, 2023.	\$ 66,330
\$440,000 payable to a bank, secured by a fire truck, payable in annual installments of \$49,885 including interest at 2.35% through September 23, 2024.	268,426
\$136,000 payable to a bank, secured by a vehicle, payable in semi-annual installments of \$23,454 including interest at 1.97% through December 2019.	23,226
\$400,000 payable to a bank, secured by the gymnasium building, payable in annual installments of \$49,003 plus interest at 2.44% through April 15, 2026.	328,510
\$31,737 payable to a bank, secured by the vehicles, payable in annual installments of \$11,084 including interest at 2.37% through November 1, 2020.	16,048
\$30,810 payable to a bank, secured by the vehicles, payable in annual installments of \$11,126 including interest at 4.11% through December 5, 2021.	30,810
	<u>\$ 733,350</u>

Serviced by the Water and Sewer Fund:

\$71,300 payable to a bank, secured by the vehicles, payable in annual installments of \$24,902 including interest at 2.37% through November 1, 2020.	<u>\$ 36,380</u>
\$3,000,000 payable to the State of North Carolina Division of Environmental Management, due in annual installments of \$150,000 through May 1, 2035 with no interest, secured by net revenue of the fund and designated non-tax revenues.	<u>\$ 2,400,000</u>
\$3,029,642 payable to the State of North Carolina Division of Environmental Management, due in annual installments of \$151,482 through May 1, 2035 plus interest at 1.92%, secured by net revenue of the fund and designated non-tax revenues.	<u>\$ 2,726,687</u>
\$1,560,000 Water and Sewer Refunding bonds due on December 1 and June 1 in installments of \$85,000 to \$90,000 through June 1, 2023. Interest ranges from 2.5% to 4.2%.	<u>\$ 360,000</u>

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 2—Detail notes on all funds (continued)**

Future annual debt service payments of installment purchases are as follows:

<u>Years Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 145,230	\$ 19,414	\$ 326,384	\$ 53,470
2021	118,322	15,739	312,960	50,009
2022	115,864	12,220	301,482	46,536
2023	107,326	8,903	301,482	42,536
2024-2028	246,608	11,149	1,507,410	159,984
2029-2033	-	-	1,507,410	87,254
2034-2038	-	-	905,939	17,450
Total	<u>\$ 733,350</u>	<u>\$ 67,425</u>	<u>\$ 5,163,067</u>	<u>\$ 457,239</u>

The bank loan are each secured by the equipment purchased with each financing agreement and contain a provision that in the event of default the outstanding amounts of the bank loans become immediately due and payable.

The notes with the State of North Carolina Division of Environmental Management is note secured by a pledge of the faith and credit of the State of North Carolina or the Town, but is payable solely from the revenues of the Water and Sewer fund. The Town agrees that any other monies due to the Town from the State may be withheld by the State and applied to the payment of this obligation whenever the Town fails to pay any payment of principal or interest on these notes when due.

c. General Obligation Indebtedness

The general obligation bonds, which were originally issued to finance the construction of facilities utilized in the operations of the water and sewer system and are being retired by its resources, are reported as long-term debt in the Water and Sewer Fund. These bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2019 are comprised of the following individual issue:

General Obligation Bond

Serviced by the Water and Sewer Fund:

\$1,560,000 Water and Sewer Refunding bonds due on December 1 and June 1 in installments of \$85,000 to \$90,000 through June 1, 2023. Interest ranges from 2.5% to 4.2%.

\$ 360,000

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 2—Detail notes on all funds (continued)**

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

<u>Years Ending June 30,</u>	<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2020	\$ 90,000	\$ 14,850
2021	90,000	11,250
2022	90,000	7,245
2023	90,000	4,095
Total	<u>\$ 360,000</u>	<u>\$ 37,440</u>

At June 30, 2019, the Town had no bonds authorized but unissued and had a legal debt margin of \$21,364,958.

d. Advance Refunding

On April 1, 2004, the Town defeased certain Water and Sewer bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. On June 30, 2019, \$770,000 of bonds outstanding is considered defeased.

e. Changes in Long-Term Liabilities

	<b>Restated Balance</b>			<b>Balance</b>	<b>Current</b>
	<b>June 30, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2019</b>	<b>Portion</b>
<b>Governmental activities:</b>					
Direct borrowing - Bank loan	\$ 857,925	\$ 30,810	\$ 155,385	\$ 733,350	\$ 145,230
Capitalized leases	84,465	-	24,795	59,670	24,795
Compensated absences	68,567	61,602	32,383	97,786	31,619
Total other postemployment liability	120,785	13,788	-	134,573	-
Net pension liability (LGERS)	208,145	123,673	-	331,818	-
Total pension liability (LEOSSA)	493,856	-	18,912	474,944	-
Governmental activity long-term liabilities	<u>\$ 1,833,743</u>	<u>\$ 229,873</u>	<u>\$ 231,475</u>	<u>\$ 1,832,141</u>	<u>\$ 201,644</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 450,000	\$ -	\$ 90,000	\$ 360,000	\$ 90,000
Direct borrowing - NC Revolving loans	5,441,941	-	315,254	5,126,687	302,410
Direct borrowing - Bank loan	59,797	-	23,417	36,380	23,974
Net pension liability (LGERS)	59,817	43,452	-	103,269	-
Total other postemployment liability	36,707	4,844	-	41,551	-
Compensated absences	27,815	13,202	6,995	34,022	8,965
Business-type activity long-term liabilities	<u>\$ 6,076,077</u>	<u>\$ 61,498</u>	<u>\$ 435,666</u>	<u>\$ 5,701,909</u>	<u>\$ 425,349</u>

For the governmental funds, the unfunded pension liabilities, unfunded total OPEB liability, and compensated absences are liquidated by the General Fund.

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

**Note 2—Detail notes on all funds (continued)**

C. Interfund Balances and Activity

The composition of inter-fund balances as of June 30, 2019 is as follows:

	<b>Interfund</b>	
	<b>Receivables</b>	<b>Payables</b>
Water Capital Projects	\$ 19,242	\$ -
General Fund	-	19,242
General Fund	-	71,300
Water Fund	71,300	-
	<u>\$ 90,542</u>	<u>\$ 90,542</u>

The Water Capital Project Fund was owed money for a construction project. This amount represents the amount that was due to the Water Capital Project Fund but had not been remitted as of June 30, 2019.

The General Fund received loan proceeds for two vehicles belonging to the Water fund. This amount represents the amount that was due to the Water Fund but had not been remitted as of June 30, 2019.

D. Net Investment in Capital Assets

	<b>Governmental</b>	<b>Business-type</b>
Capital assets	\$ 5,108,630	\$ 12,913,809
Less long-term debt	793,020	5,523,067
Add deferred loss on bond refunding	-	11,054
	<u>\$ 4,315,610</u>	<u>\$ 7,401,796</u>

E. 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	\$ 1,272,910
Less:	
Stabilization by State Statute	310,380
Streets-Powell Bill	349,373
Remaining fund balance	<u>\$ 613,157</u>

**Note 3—Jointly governed organization**

The Town, in conjunction with eight counties and 50 other municipalities, established the Centralina Council of Governments (the "Council"). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of approximately \$870 to the Council during the fiscal year ended June 30, 2019.

**TOWN OF STANLEY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2019*

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**Note 4—Summary disclosure of significant contingencies**

Federal and State Assisted Programs

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

**Note 5—Subsequent events**

Management has evaluated subsequent events through October 31, 2019, the date on which the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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This section contains additional information required by  
accounting principles generally accepted in the United States of America.

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- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in the Total OPEB Liability
- Schedule of the Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

**TOWN OF STANLEY, NORTH CAROLINA**  
**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL**  
**FOR THE LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

*LAST THREE YEARS*

**Schedule of Changes in Total Pension Liability**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 493,856	\$ 360,491	\$ 342,744
Service Cost	17,371	16,111	15,192
Interest on total pension liability	15,606	13,915	12,236
Difference between expected and actual experience	(33,405)	73,947	-
Changes in assumptions or other inputs	<u>(18,484)</u>	<u>29,392</u>	<u>(9,681)</u>
Net Changes	<u>(18,912)</u>	<u>133,365</u>	<u>17,747</u>
Ending Balance of the Total Pension Liability	<u>\$ 474,944</u>	<u>\$ 493,856</u>	<u>\$ 360,491</u>

**Schedule of Total Pension Liability as a Percentage of Covered Payroll**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 474,944	\$ 493,856	\$ 360,491
Covered payroll	609,957	620,390	508,624
Total pension liability as a percentage of covered payroll	77.87%	79.60%	70.88%

Notes to the schedules:

The Town has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following discount rates used in each period:

<b>Measurement</b>	
<u>Date</u>	<u>Rate</u>
2017	3.86%
2018	3.16%
2019	3.64%

**TOWN OF STANLEY, NORTH CAROLINA**

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**

*LAST TWO YEARS*

	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 157,492	\$ 141,345
Service cost	20,944	22,663
Interest on the total pension liability	5,607	4,254
Changes of assumptions or other inputs	(7,204)	(10,770)
Difference between expected and actual experience	(715)	-
Ending balance of the total pension liability	<u>\$ 176,124</u>	<u>\$ 157,492</u>
<b>Covered payroll</b>	<b>\$ 1,120,797</b>	<b>\$ 1,120,797</b>
<b>Total OPEB liability as a percentage of covered payroll</b>	<b>15.71%</b>	<b>14.05%</b>

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following discount rates used in each period:

<b>Measurement</b>	
<u>Date</u>	<u>Rate</u>
2017	3.56%
2018	3.89%

The Town has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

**TOWN OF STANLEY, NORTH CAROLINA**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**FOR LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

*LAST SIX YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.01834%	0.01754%	0.01720%	0.01873%	0.01792%	0.01840%
Town's proportion of the net pension liability (asset) (\$)	\$ 435,087	\$ 267,962	\$ 365,042	\$ 84,059	\$ (105,682)	\$ 221,791
Town's covered payroll	\$ 1,129,517	\$ 1,147,354	\$ 952,151	\$ 1,006,999	\$ 1,002,895	\$ 908,418
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	38.52%	23.35%	38.34%	8.35%	-10.54%	24.42%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* Information is not required to be presented retroactively. This schedule will not present 10 years of information until 2023.

**TOWN OF STANLEY, NORTH CAROLINA**  
**SCHEDULE OF CONTRIBUTIONS**  
**TO LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

*LAST SIX YEARS*

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 111,445	\$ 89,261	\$ 87,057	\$ 66,727	\$ 71,337	\$ 71,879
Contributions in relation to the contractually required contribution	111,445	89,261	87,057	66,727	71,337	71,879
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 1,391,257	\$ 1,129,517	\$ 1,147,354	\$ 952,151	\$ 1,006,999	\$ 1,002,895
Contributions as a percentage of covered payroll	8.01%	7.90%	7.59%	7.01%	7.08%	7.17%

\*\* Information is not required to be presented retroactively. This schedule will not present 10 years of information until 2023.

## **INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

**TOWN OF STANLEY, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**– BUDGET AND ACTUAL- GENERAL FUND**

YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes		\$ 1,542,064	
Penalties and interest		6,373	
Total	<u>\$ 1,608,300</u>	<u>1,548,437</u>	<u>\$ (59,863)</u>
Other taxes and licenses:			
Vehicle licenses		243	
Total	<u>-</u>	<u>243</u>	<u>243</u>
Unrestricted intergovernmental:			
Local option sales tax		579,209	
Utilities sales tax		214,185	
Beer and wine tax		16,238	
Gasoline tax refund		9,398	
Total	<u>804,500</u>	<u>819,030</u>	<u>14,530</u>
Restricted intergovernmental:			
Powell Bill allocation		105,197	
Solid waste disposal tax		2,792	
Public safety grant		179,330	
School resource officer grant		21,687	
Total	<u>309,809</u>	<u>309,006</u>	<u>(803)</u>
Permits and fees:			
Building permits and zoning fees		12,425	
Total	<u>15,000</u>	<u>12,425</u>	<u>(2,575)</u>
Sales and services:			
Sanitation fees		282,566	
Recreation department fees		32,690	
Total	<u>301,500</u>	<u>315,256</u>	<u>13,756</u>
Investment earnings	<u>7,500</u>	<u>26,903</u>	<u>19,403</u>
Miscellaneous:			
Other income	<u>260,863</u>	<u>25,383</u>	<u>(235,480)</u>
Total Revenues	<u>3,307,472</u>	<u>3,056,683</u>	<u>(250,789)</u>
<b>Expenditures:</b>			
General government:			
Salaries and employee benefits		128,206	
Professional services		147,936	
Other operating expenditures		151,576	
Capital outlay		40,991	
Total general government	<u>494,300</u>	<u>468,709</u>	<u>25,591</u>

**TOWN OF STANLEY, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**– BUDGET AND ACTUAL- GENERAL FUND (CONTINUED)**

YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Police:			
Salaries and employee benefits		969,432	
Vehicle maintenance		11,651	
Other operating expenditures		166,400	
Capital outlay		40,997	
Total police	<u>1,242,800</u>	<u>1,188,480</u>	<u>54,320</u>
Fire:			
Salaries and employee benefits		165,953	
Other operating expenditures		76,652	
Contracted services		11,376	
Capital outlay		176,482	
Total fire	<u>477,272</u>	<u>430,463</u>	<u>46,809</u>
Total public safety	<u>1,720,072</u>	<u>1,618,943</u>	<u>101,129</u>
Public works:			
Street repairs and maintenance		45,516	
Other operating expenditures		33,893	
Contracted sanitation services		266,309	
Utilities - street lights		73,590	
Total public works	<u>563,700</u>	<u>419,308</u>	<u>144,392</u>
Parks and recreation:			
Salaries and employee benefits		235,913	
Other operating expenditures		142,221	
Capital outlay		36,930	
Total culture and recreation	<u>433,530</u>	<u>415,064</u>	<u>18,466</u>
Debt service:			
Principal payments	165,900	155,385	
Interest and other fees	23,500	21,885	
Total debt service	<u>189,400</u>	<u>177,270</u>	<u>12,130</u>
Total Expenditures	<u>3,401,002</u>	<u>3,099,294</u>	<u>301,708</u>
Revenues over (under) expenditures	<u>(93,530)</u>	<u>(42,611)</u>	<u>50,919</u>
Other financing sources (uses):			
Loan proceeds	-	30,810	30,810
Total other financing sources (uses)	<u>-</u>	<u>30,810</u>	<u>30,810</u>
Fund balance appropriated	<u>93,530</u>	<u>-</u>	<u>(93,530)</u>
Net change in fund balance	<u>\$ -</u>	<u>(11,801)</u>	<u>\$ (11,801)</u>
Fund balance, beginning of year		<u>1,284,711</u>	
Fund balance, end of year		<u>\$ 1,272,910</u>	

**TOWN OF STANLEY, NORTH CAROLINA**  
**BALANCE SHEET FOR NONMAJOR SPECIAL REVENUE FUNDS**

*JUNE 30, 2019*

	<u>Recreation Fund</u>	<u>Merger Regionalization Grant</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 50,277	\$ -	\$ 50,277
Accounts receivable	-	41,802	41,802
Total Assets	<u>\$ 50,277</u>	<u>\$ 41,802</u>	<u>\$ 92,079</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Accounts payable	\$ 825	\$ -	\$ 825
Due to other funds	-	41,802	41,802
Total Liabilities	825	41,802	42,627
Fund Balance:			
Restricted	49,452	-	49,452
Total Liabilities and Fund Balance	<u>\$ 50,277</u>	<u>\$ 41,802</u>	<u>\$ 92,079</u>

**TOWN OF STANLEY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR NONMAJOR SPECIAL REVENUE FUNDS**

*YEAR ENDED JUNE 30, 2019*

	<b>Recreation Fund</b>	<b>Merger Regionalization Grant</b>	<b>Total</b>
Revenues:			
Investment earnings	\$ 293	\$ -	\$ 293
Merger regionalization grant	-	41,802	41,802
Miscellaneous	37,448	-	37,448
Total Revenues	<u>37,741</u>	<u>41,802</u>	<u>79,543</u>
Expenditures:			
Culture and recreation	8,431	41,802	50,233
Total Expenditures	<u>8,431</u>	<u>41,802</u>	<u>50,233</u>
Revenues over (under) expenditures	<u>29,310</u>	<u>-</u>	<u>29,310</u>
Net change in fund balance	29,310	-	29,310
Fund balance, beginning of year	20,142	-	20,142
Fund balance, end of year	<u>\$ 49,452</u>	<u>\$ -</u>	<u>\$ 49,452</u>

**TOWN OF STANLEY, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**BUDGET AND ACTUAL – SPECIAL REVENUE FUND – RECREATION**

*YEAR ENDED JUNE 30, 2019*

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Revenues:			
Miscellaneous	\$ 24,900	\$ 37,448	\$ 12,548
Investment earnings	100	293	193
Total Revenues	<u>25,000</u>	<u>37,741</u>	<u>12,741</u>
Expenditures:			
Parks and recreation:			
Fundraising expenses	-	6,744	(6,744)
Miscellaneous	24,000	250	23,750
Dixie youth tournament	1,000	1,437	(437)
Total Expenditures	<u>25,000</u>	<u>8,431</u>	<u>16,569</u>
Revenues over (under) expenditures	<u>-</u>	<u>29,310</u>	<u>29,310</u>
Net change in fund balance	<u>\$ -</u>	<u>29,310</u>	<u>\$ 29,310</u>
Fund balance, beginning of year		<u>20,142</u>	
Fund balance, end of year		<u>\$ 49,452</u>	

**TOWN OF STANLEY, NORTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**– BUDGET AND ACTUAL – SPECIAL REVENUE FUND – COMMUNITY DEVELOPMENT**  
**BLOCK GRANT**

*FROM INCEPTION TO YEAR ENDED JUNE 30, 2019*

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Grant revenue	\$ 2,089,600	\$ 91,192	\$ 475,311	\$ 566,503	\$ (1,614,289)
Total Revenues	<u>2,089,600</u>	<u>91,192</u>	<u>475,311</u>	<u>566,503</u>	<u>(1,614,289)</u>
Expenditures:					
Engineering	244,190	46,736	128,150	174,886	116,040
Administrative	196,730	44,456	23,516	67,972	173,214
Construction expense	1,559,080	-	323,645	323,645	1,235,435
Local funds	89,600	-	-	-	89,600
Total Expenditures	<u>2,089,600</u>	<u>91,192</u>	<u>475,311</u>	<u>566,503</u>	<u>1,614,289</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>		
Fund balance, end of year			<u>\$ -</u>		

**TOWN OF STANLEY, NORTH CAROLINA**

**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL – WATER AND SEWER FUND**

YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating Revenues:			
Water and sewer charges		\$ 2,352,219	
Reconnection and taps		120,701	
Late penalties		58,385	
Miscellaneous revenue		29,157	
Total Operating Revenues	<u>\$ 2,901,880</u>	<u>2,560,462</u>	<u>\$ (341,418)</u>
Nonoperating Revenues:			
Interest earnings		6,389	
Total Nonoperating Revenues	<u>-</u>	<u>6,389</u>	<u>6,389</u>
Total Revenues	<u>2,901,880</u>	<u>2,566,851</u>	<u>(335,029)</u>
Expenditures:			
Water Department:			
Purchase of water		916,990	
Salaries and employee benefits		325,882	
Maintenance and repairs		14,556	
Insurance and bonds		8,749	
Supplies		10,838	
Other operating expenditures		43,740	
Capital outlay		29,800	
Total Water Department	<u>1,209,793</u>	<u>1,350,555</u>	<u>(140,762)</u>
Sewer Department:			
Salaries and employee benefits		268,832	
Maintenance and repairs		63,216	
Insurance and bonds		4,412	
Supplies		11,054	
Other operating expenditures		765,744	
Capital outlay		63,174	
Total Sewer Department	<u>1,185,000</u>	<u>1,176,432</u>	<u>8,568</u>
Debt Service:			
Interest and fees	78,417	78,417	-
Debt principal payments	428,670	428,670	-
Total Debt Service	<u>507,087</u>	<u>507,087</u>	<u>-</u>
Total Expenditures	<u>2,901,880</u>	<u>3,034,074</u>	<u>(132,194)</u>
Revenues over (under) expenditures	<u>-</u>	<u>(467,223)</u>	<u>(467,223)</u>
Fund balance appropriated		-	-
Net change in fund balance	<u>\$ -</u>	<u>(467,223)</u>	<u>\$ (467,223)</u>

(continued)

**TOWN OF STANLEY, NORTH CAROLINA**  
**SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL – WATER**  
**AND SEWER FUND (CONTINUED)**

*YEAR ENDED JUNE 30, 2019*

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Reconciliation from budgetary basis (Non-GAAP) to full accrual basis:

Reconciling Items:

Depreciation and amortization	\$ (467,590)
Increase in accrued vacation pay	(6,207)
Increase in deferred outflows of resources for pensions	39,384
Increase in pension liability	(4,844)
Decrease in deferred inflows of resources for pensions	2,475
Increase in OPEB liability	(43,452)
Increase in deferred inflows of resources for OPEB	(1,575)
Capital outlay	92,974
Principal retirements	428,670
	<hr/>
Total Reconciling Items	39,835
	<hr/>
Change in net position	\$ (427,388)
	<hr/> <hr/>

## **OTHER SCHEDULES**

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This section contains additional information required on property taxes.

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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy – Town-Wide Levy

**TOWN OF STANLEY, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**

YEAR ENDED JUNE 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 1,501,974	\$ 1,491,004	\$ 10,970
2017-2018	10,630	-	7,978	2,652
2016-2017	4,285	-	1,642	2,643
2015-2016	3,461	-	1,811	1,650
2014-2015	2,539	-	605	1,934
2013-2014	3,069	-	288	2,781
2012-2013	2,816	-	138	2,678
2011-2012	2,340	-	197	2,143
2010-2011	2,114	-	69	2,045
2009-2010	2,580	-	429	2,151
2008-2009	2,582	-	2,582	-
	\$ 36,416	\$ 1,501,974	\$ 1,506,743	31,647
Less allowance for uncollectible accounts:				
General Fund				(16,474)
Ad valorem taxes receivable, net				\$ 15,173
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 1,548,437
Reconciling items:				
Motor vehicle decals				(38,268)
Interest collected				(6,373)
Taxes written off				2,582
Abatements and adjustments				365
Subtotal				(41,694)
Total collections and credits				\$ 1,506,743

**TOWN OF STANLEY, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY – TOWN-WIDE LEVY**

YEAR ENDED JUNE 30, 2019

	City - 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	\$ 277,429,481	0.540	\$ 1,498,119	\$ 1,334,419	\$ 163,700
Total	<u>277,429,481</u>		<u>1,498,119</u>	<u>1,334,419</u>	<u>163,700</u>
Discoveries:					
Current year taxes	1,199,611		6,479	6,479	-
Penalties	63,970		345	345	-
Total	<u>1,263,581</u>		<u>6,824</u>	<u>6,824</u>	<u>-</u>
Abatements:					
Current year taxes	542,965		2,932	2,932	-
Penalties	6,769		37	37	-
Total	<u>549,734</u>		<u>2,969</u>	<u>2,969</u>	<u>-</u>
Total property valuation	<u>\$ 278,143,328</u>				
Net levy			1,501,974	1,338,274	163,700
Uncollected taxes at June 30, 2019			10,970	10,970	-
Current year's taxes collected			<u>\$ 1,491,004</u>	<u>\$ 1,327,304</u>	<u>\$ 163,700</u>
Current levy collection percentage			<u>99.27%</u>	<u>99.18%</u>	<u>100.00%</u>

## **COMPLIANCE SECTION**

**Report of Independent Auditor on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stanley, North Carolina (the "Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 31, 2019.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as finding 2019-001.

**The Town of Stanley's Response to Finding**

The Town of Stanley's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chemy Bekaert LLP

Charlotte, North Carolina  
October 31, 2019



**TOWN OF STANLEY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**

*YEAR ENDED JUNE 30, 2019*

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**Section II. Financial Statement Findings**

**Non-material Noncompliance**

**Finding 2019 – 001: Budgetary Violation**

Criteria: Notwithstanding any other provision of law, no local government or public authority may expend any moneys, regardless of their source (including moneys derived from bond proceeds, federal state, or private grants or loans, special assessments), except in accordance with a budget ordinance or project ordinance adopted (North Carolina General Statute 159-8).

Condition: The Town's expenditures exceeded authorized amounts for the Water Department by \$140,792.

Effect: Budgeted expenditure amounts for one department violated North Carolina General Statute 159-8.

Cause: The Town had significantly higher purchased water for the month of May and June that was not known until after year-end.

Recommendation: The Town should monitor expenditures by department to ensure that they do not exceed budgeted amounts and obtain budget amendments approved by Town Council prior to incurring any expenditures that would be in excess of the approved budget.

Management Response: See the Town's Corrective Action Plan.

**MAYOR**  
Steven Denton  
**COUNCIL**  
Danny Sparrow  
Kerry Hart  
Bud Pate  
Cathy Kirkland  
Rob McMinn



**TOWN MANAGER**  
Heath Jenkins  
**POLICE CHIEF**  
Derek Summey  
**FIRE CHIEF**  
Eric Withers  
**DEPUTY CLERK**  
Tammy Calhoun

October 31, 2019

Section II. Financial Statement Findings

Non-material Noncompliance

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Management Response: See Correction Action Plan

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Rob McMinn



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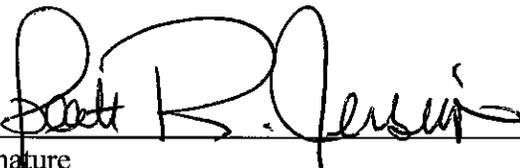
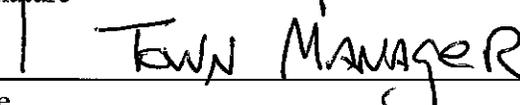
Corrective Action Plan- Finding 2019-001: Budgetary Violation

The Town of Stanley annually computes projected expenditures in the water and sewer departments based upon historical data, growth, and other factors. During the fiscal year of 2018-2019, a number of factors impacted the expenditures in both departments. The single largest impact being that of annual rainfall amounts.

According to the National Weather Service data, the Town of Stanley received as much as 50" of rain. This led to a large amount of I&I into our metered water system, of which 100 percent is metered to Two-Rivers Utilities. Although an ongoing negotiation with Two-Rivers will yield a credit to these overages, this credit will not take place prior to the deadline for this report. Being able to project this type of overage would have been impossible.

Year end budget amendments to foresee unexpected expenses are made in June of each budget year. Due to the billing cycle of meter readings, the invoices for May 2019 and June 2019 were not received until after July 1, 2019, fiscal year 2019-2020. The Town was unable at that time to go back and amend the water budget to allow for the significant increase of water.

For future budgets, the Town intends to monitor the water and sewer budgets closely as well as forecasting to ensure preparation for any conditions similar to the one we have incurred.

  
\_\_\_\_\_  
Signature  
  
\_\_\_\_\_  
Title  
TOWN MANAGER

  
\_\_\_\_\_  
Signature  
  
\_\_\_\_\_  
Title  
Finance Director

**TOWN OF STANLEY, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

*YEAR ENDED JUNE 30, 2019*

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None reported