

**Town of Stantonsburg
North Carolina
Financial Report**

FOR THE FISCAL YEAR ENDED JUNE 30, 2019



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Stantonsburg, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Stantonsburg, North Carolina's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4.1 through 4.12, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 19 and 20, respectively, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 21 and 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Stantonsburg, North Carolina's basic financial statements. The combining and individual fund financial schedules, budgetary schedules, and other schedules as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2020, on our consideration of the Town of Stantonsburg, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Stantonsburg, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Stantonsburg, North Carolina's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Wilson, North Carolina
February 13, 2020

Management's Discussion and Analysis

Town of Stantonsburg, North Carolina Management's Discussion and Analysis June 30, 2019

As management of the Town of Stantonsburg (the "Town"), we offer readers of the Town of Stantonsburg's financial statements this narrative overview and analysis of the financial activities of the Town of Stantonsburg 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.

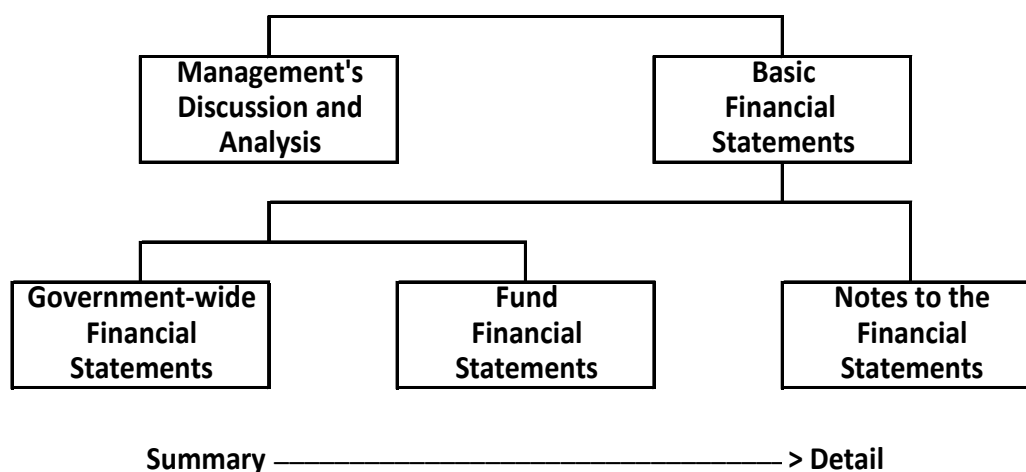
Financial Highlights

- The assets and deferred outflows of resources of the Town of Stantonsburg exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,957,942 (*net position*).
- The government's total net position increased by \$1,051,550, primarily due to increases in net position in the Town's enterprise funds.
- As of the close of the current fiscal year, the Town of Stantonsburg's governmental fund reported ending fund balance of \$598,867, with a net change of (\$51,744) in fund balance. Approximately 37.14 percent of this total amount, or \$222,403 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$376,464, or 43.83 percent of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Figure 1
Required Components of Annual Financial Report



Basic Financial Statements

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

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information and other information** is provided to show information about the Town's progress in funding its obligations to provide Local Government Employees' Retirement System and Law Enforcement Officers' Special Separation Allowance benefits and details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements. The other information presents data and analysis relating to the Town's Ad Valorem taxes and the tax levy.

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and 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, environmental protection, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the electric and water and sewer services offered by the Town of Stantonsburg.

Fund Financial Statements

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

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

The Town of Stantonsburg adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Stantonsburg uses enterprise funds to account for its water and sewer activity and for its electric operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. The Town of Stantonsburg adopts an annual budget for its Enterprise Funds, as required by the General Statutes.

Town of Stantonsburg, 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 18.1 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 of Stantonsburg's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 19 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. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 728,250	\$ 704,335	\$ 5,565,044	\$ 5,114,513	\$ 6,293,294	\$ 5,818,848
Non-current assets	14,835	14,835	14,450	26,350	29,285	41,185
Capital assets	1,385,765	1,090,956	8,334,266	8,117,560	9,720,031	9,208,516
Deferred outflows of resources	85,583	57,690	110,187	77,940	195,770	135,630
Total assets and deferred outflows of resources	<u>2,214,433</u>	<u>1,867,816</u>	<u>14,023,947</u>	<u>13,336,363</u>	<u>16,238,380</u>	<u>15,204,179</u>
Current liabilities	103,640	20,458	300,902	374,939	404,542	395,397
Long-term liabilities	120,324	86,525	2,646,689	2,687,742	2,767,013	2,774,267
Deferred inflows of resources	108,093	125,507	790	2,616	108,883	128,123
Total liabilities and deferred inflows of resources	<u>332,057</u>	<u>232,490</u>	<u>2,948,381</u>	<u>3,065,297</u>	<u>3,280,438</u>	<u>3,297,787</u>
Net position:						
Net investment in capital assets	1,385,765	1,090,956	5,741,248	5,441,255	7,127,013	6,532,211
Restricted	222,403	323,278	-	-	222,403	323,278
Unrestricted	274,208	221,092	5,334,318	4,829,811	5,608,526	5,050,903
Total net position	<u>\$ 1,882,376</u>	<u>\$ 1,635,326</u>	<u>\$ 11,075,566</u>	<u>\$ 10,271,066</u>	<u>\$ 12,957,942</u>	<u>\$ 11,906,392</u>

Town of Stantonsburg, North Carolina Management's Discussion and Analysis June 30, 2019

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 resources of the Town of Stantonsburg exceeded liabilities and deferred inflows of resources by \$12,957,942 as of June 30, 2019. The Town's net position increased by \$1,051,550 for the fiscal year ended June 30, 2019. However, the largest portion (55.00%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Stantonsburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Stantonsburg'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 of Stantonsburg's net position, \$222,403, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,608,526 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.78%. The statewide average in fiscal year 2019 was 98.78%.
- Public safety capital grants and contributions of \$224,356.
- The General Fund received a transfer from the Electric Fund in the amount of \$280,000 which contributed to the overall increase.

Town of Stantonsburg, North Carolina
Management's Discussion and Analysis
June 30, 2019

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES:						
Program revenues:						
Charges for services	\$ 106,042	\$ 108,506	\$ 3,193,374	\$ 3,256,645	\$ 3,299,416	\$ 3,365,151
Operating grants and contributions	27,276	27,919	-	34,978	27,276	62,897
Capital grants and contributions	224,356	-	516,681	135,941	741,037	135,941
General revenues:						
Property taxes	187,318	183,365	-	-	187,318	183,365
Other taxes	74,044	71,264	-	-	74,044	71,264
Grants and contributions not restricted to specific programs	85,424	86,366	-	-	85,424	86,366
Unrestricted investment earnings	9,393	5,054	87,227	49,477	96,620	54,531
Miscellaneous	9,719	53,791	-	-	9,719	53,791
Total revenues	723,572	536,265	3,797,282	3,477,041	4,520,854	4,013,306
EXPENSES:						
Governmental activities:						
General government	180,382	170,315	-	-	180,382	170,315
Public safety	374,097	334,058	-	-	374,097	334,058
Transportation	76,380	90,565	-	-	76,380	90,565
Economic and physical development	6,295	31,257	-	-	6,295	31,257
Human services	4,954	5,717	-	-	4,954	5,717
Environmental protection	91,005	103,949	-	-	91,005	103,949
Cultural and recreational	23,409	28,156	-	-	23,409	28,156
Business-type activities:						
Electric	-	-	1,856,886	2,079,254	1,856,886	2,079,254
Water and sewer	-	-	855,896	823,309	855,896	823,309
Total expenses	756,522	764,017	2,712,782	2,902,563	3,469,304	3,666,580
Increase (decrease) in net position before transfers	(32,950)	(227,752)	1,084,500	574,478	1,051,550	346,726
Transfers	280,000	270,000	(280,000)	(270,000)	-	-
Increase in net position	247,050	42,248	804,500	304,478	1,051,550	346,726
NET POSITION, BEGINNING	1,635,326	1,593,078	10,271,066	9,966,588	11,906,392	11,559,666
NET POSITION, ENDING	\$ 1,882,376	\$ 1,635,326	\$ 11,075,566	\$ 10,271,066	\$ 12,957,942	\$ 11,906,392

Town of Stantonsburg, North Carolina Management's Discussion and Analysis June 30, 2019

Governmental activities: Governmental activities increased the Town's net position by \$247,050, thereby accounting for 23.49% of the total growth in the net position of the Town of Stantonsburg. The increase in net position was the result of a concerted effort to control costs and manage expenditures. Town management continued to reduce non-essential programs to a minimum and implemented cost saving strategies across Town departments. Certain nonrecurring expenses were either postponed or renegotiated to maintain a healthy net position. Management believes healthy investment in the Town will result in additional revenues, adding to the Town's net position by investing in capital assets which were largely funded by public safety capital grants and contributions. Increased efforts to maximize tax collections also contributed to the favorable net position. Town management acknowledges that 2019 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Business-type activities: Business-type activities increased the Town of Stantonsburg's net position by \$804,500, accounting for 76.51% of the total growth in the government's net position.

Key elements of this increase are as follows:

- The Town's Electric Fund had an increase of \$300,311 in net position and the Town's Water and Sewer Fund had an increase of \$504,189 in net position. Income in the Electric Fund was \$580,311 before a \$280,000 transfer to the General Fund.
- The increase in the Electric Fund's net position was primarily because the Town obtained a new supplier of electricity with lower costs. As a result, electric purchases decreased from \$1,430,723 in the prior year to \$1,225,242 in the current year.
- The increase in the Water and Sewer Fund's net position was primarily because of \$516,681 in capital grants related to the Wastewater Asset Inventory and Assessment Project and the Sanitary Sewer Rehabilitation Project.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Stantonsburg'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 of Stantonsburg's financing requirements.

The General Fund is the chief operating fund of the Town of Stantonsburg. At the end of the current fiscal year, the Town of Stantonsburg's unassigned fund balance in the General Fund was \$376,464, while total fund balance decreased to \$598,867, which is a net decrease in fund balance of (\$51,744). As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 43.83 percent of total General Fund expenditures, while total fund balance represents 69.72 percent of that same amount.

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

There were several reasons the Town revised its budget throughout the year. The Town received restricted public safety intergovernmental funds and correspondingly increased General Fund public safety budgeted expenditures. The Town increased General Fund budgeted transportation expenditures because of Powell Bill street resurfacing activities and correspondingly increased the appropriated fund balance. Revenues were slightly less than the budgeted amounts primarily because ad valorem taxes and sales and services revenues received were less than the Town originally had expected to receive. Expenditures were held in check to allow the Town to comply with its budgetary requirements.

Proprietary Funds. The Town of Stantonsburg's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Electric Fund at the end of the fiscal year amounted to \$3,236,515, and those of the Water and Sewer Fund amounted to \$2,097,803. The total change in net position for both funds was \$300,311 and \$504,189, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Stantonsburg's business-type activities.

Town of Stantonsburg, North Carolina
Management's Discussion and Analysis
June 30, 2019

Capital Asset and Debt Administration

Capital assets. The Town of Stantonsburg's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$9,720,031 (net of accumulated depreciation). These assets include land, buildings, utilities delivery systems, machinery and equipment, and vehicles.

Major capital asset transactions during the year include the following:

- Acquisition value of assets donated to the police department by the Department of Defense in the amount of \$203,044.
- Resurfacing 7 streets for \$147,474.
- Police department capital assets purchased through the Edward Byrne Memorial Justice Assistance Grant Program in the amount of \$21,312.
- Electric system improvements of \$30,377.
- Construction in progress for water and sewer capital projects of \$541,539.

SUMMARY OF CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 57,107	\$ 57,107	\$ 110,776	\$ 110,776	\$ 167,883	\$ 167,883
Construction in progress	-	-	552,622	137,498	552,622	137,498
Buildings	47,247	50,905	117,324	120,672	164,571	171,577
Other improvements	3,030	3,952	-	-	3,030	3,952
Electrical system & substation	-	-	926,066	932,424	926,066	932,424
Water plant and distribution systems	-	-	3,122,360	3,235,351	3,122,360	3,235,351
Sewer plant and collection systems	-	-	3,142,139	3,174,480	3,142,139	3,174,480
Equipment and furniture	217,826	216,734	283,446	304,848	501,272	521,582
Vehicles	235,633	64,408	79,533	101,510	315,166	165,918
Infrastructure	824,922	697,850	-	-	824,922	697,850
TOTALS	\$ 1,385,765	\$ 1,090,956	\$ 8,334,266	\$ 8,117,559	\$ 9,720,031	\$ 9,208,515

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

Town of Stantonsburg, North Carolina
Management's Discussion and Analysis
June 30, 2019

Long-Term Debt. As of June 30, 2019, the Town of Stantonsburg had total bonded debt outstanding of \$1,819,000, all of which was secured solely by specified revenue sources (e.g. revenue bonds).

TOWN OF STANTONSBURG'S OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
NC Clean Water Revolving Loan	\$ -	\$ -	\$ 774,018	\$ 829,305	\$ 774,018	\$ 829,305
Water and Sewer System						
Revenue Bonds	-	-	1,819,000	1,847,000	1,819,000	1,847,000
Compensated absences	15,106	17,727	28,331	29,015	43,437	46,742
Net pension liability (LGERS)	95,209	58,175	125,182	81,001	220,391	139,176
Total pension liability (LEOSSA)	22,191	21,974	-	-	22,191	21,974
Total	\$132,506	\$ 97,876	\$ 2,746,531	\$ 2,786,321	\$ 2,879,037	\$ 2,884,197

Town of Stantonsburg's Outstanding Debt. The Town of Stantonsburg's total debt decreased by \$5,160 (0.18%) during the current fiscal year. The key factors in this decrease were the decrease in compensated absences of \$3,305; an increase of \$81,215 in the net pension liability for the Local Government Employees' Retirement System (LGERS); and an increase of \$217 in the total pension liability of the Law Enforcement Officers' Special Separation Allowance (LEOSSA). These changes were offset by planned debt service principal payments of \$83,287.

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 of Stantonsburg is \$3,051,344. The Town has no bonds authorized but unissued at June 30, 2019.

Additional information regarding the Town of Stantonsburg's long-term debt can be found in Note II.B.8 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- The Town of Stantonsburg is located in southeastern Wilson County in North Carolina. According to recent unemployment data, the June 2019 unemployment rate for Wilson County was 7.8% while the State's unemployment rate was at 4.4%. The national unemployment rate for June 2019 was 3.7%.
- The Town of Stantonsburg has experienced some modest growth in retail business over the past several years with the construction and opening of a larger Dollar General Store at the corner of Moyton Avenue and Saratoga Street. In addition, Plaza Supermarket renovated the old Piggly Wiggly building located at 102 E. Moyton Avenue and had its grand opening in 2019. In addition, a new family restaurant began operation in a commercial building located at 212 E. Moyton Avenue.
- North Carolina Tobacco Manufacturing, LLC, formerly known as Prime Time, expanded its operation with the construction and opening of a huge on-site warehouse facility several years ago.
- A 50-lot subdivision located on N. Saratoga Street opened and was annexed into the city limits several years ago. This subdivision is served by all of the Town's major utilities, including water, sewer and electrical services. Multiple zoning permits have been issued over the past fiscal year for the construction of new residential dwellings in this subdivision. Zoning permits have now been issued for 46 of the 50 lots in this subdivision.


Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: The Town's property tax rate will remain unchanged at 50 cents per hundred dollars of valuation.

Budgeted expenditures in the General Fund are expected to decrease from \$1,027,700 to \$860,700. The main reason for the decrease relates to Powell Bill street resurfacing activities in the current year that are not anticipated next year.

The Town has chosen not to appropriate fund balance in the fiscal year 2020 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. As the Town considers future revenue sources, it has determined that a \$0.01 increase in the property tax rate will result in additional revenues of approximately \$3,814 at current values and collection rate. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-type Activities: With the new budget year, the Town's water and electric rates will remain unchanged while the Town's solid waste and sewer rates will increase, to cover increased costs of operations.



**Town of Stantonsburg, North Carolina
Management's Discussion and Analysis
June 30, 2019**

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Stantonsburg, P.O. Box 10, Stantonsburg, NC 27883. One can also call (252)238-3608, visit our website www.townofstantonsburg.com or send an email to gdavis@townofstantonsburg.com for more information.

Town Council Members

Coley Rhodes, Mayor

Donnie Bass, Mayor Pro Tem

Ken D. Horne

Jackie Grice

Walter Bynum

Benjamin Harper

Administrative and Financial Staff

Gary W. Davis, Town Manager

Tabitha Bailey, Finance Officer

Patsy Godwin, Tax Collector

Basic Financial Statements

Town of Stantonsburg, North Carolina
Statement of Net Position
June 30, 2019
Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 159,206	\$ 2,849,649	\$ 3,008,855
Investments	233,225	2,166,909	2,400,134
Taxes receivable (net)	23,571	-	23,571
Accrued interest receivable on taxes	10,014	-	10,014
Accounts receivable (net)	22,539	234,072	256,611
Due from other governments	55,848	15,376	71,224
Inventories	-	99,523	99,523
Restricted assets:			
Cash and cash equivalents	104,083	173,658	277,741
Investments	119,764	-	119,764
Due from other governments	-	25,857	25,857
Total current assets	728,250	5,565,044	6,293,294
Non-current assets:			
Nuisance abatement receivable	14,835	-	14,835
Accounts receivable - Wainsfield underground service (net)	-	14,450	14,450
Total non-current assets	14,835	14,450	29,285
Capital assets:			
Land, non-depreciable improvements, and construction in progress	57,107	663,398	720,505
Other capital assets, net of depreciation	1,328,658	7,670,868	8,999,526
Total capital assets	1,385,765	8,334,266	9,720,031
Total assets	2,128,850	13,913,760	16,042,610
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	85,583	110,187	195,770
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	15,947	108,860	124,807
Current portion of long-term liabilities	12,182	99,842	112,024
Payable from restricted assets	75,511	92,200	167,711
Total current liabilities	103,640	300,902	404,542
Long-term liabilities:			
Net pension liability	95,209	125,182	220,391
Total pension liability	22,191	-	22,191
Due in more than one year	2,924	2,521,507	2,524,431
Total liabilities	223,964	2,947,591	3,171,555
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	20	-	20
Pension deferrals	108,073	790	108,863
Total deferred inflows of resources	108,093	790	108,883
NET POSITION			
Net investment in capital assets	1,385,765	5,741,248	7,127,013
Restricted for:			
Stabilization by State statute	74,067	-	74,067
Streets - Powell Bill	148,336	-	148,336
Unrestricted	274,208	5,334,318	5,608,526
Total net position	\$ 1,882,376	\$ 11,075,566	\$ 12,957,942

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

Town of Stantonsburg, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2019
Exhibit 2

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES:				
General government	\$ 180,382	\$ 950	\$ -	\$ -
Public safety	374,097	2,235	1,905	224,356
Transportation	76,380	-	23,359	-
Economic and physical development	6,295	-	1,470	-
Human services	4,954	-	-	-
Environmental protection	91,005	102,857	542	-
Cultural and recreational	23,409	-	-	-
Total governmental activities	756,522	106,042	27,276	224,356
BUSINESS-TYPE ACTIVITIES:				
Electric	1,856,886	2,383,302	-	-
Water and sewer	855,896	810,072	-	516,681
Total business-type activities	2,712,782	3,193,374	-	516,681
Total primary government	\$ 3,469,304	\$ 3,299,416	\$ 27,276	\$ 741,037

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

Town of Stantonsburg, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2019
Exhibit 2

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
FUNCTIONS/PROGRAMS	Governmental	Business-type	Total
PRIMARY GOVERNMENT	Activities	Activities	
GOVERNMENTAL ACTIVITIES:			
General government	\$ (179,432)	\$ -	\$ (179,432)
Public safety	(145,601)	-	(145,601)
Transportation	(53,021)	-	(53,021)
Economic and physical development	(4,825)	-	(4,825)
Human services	(4,954)	-	(4,954)
Environmental protection	12,394	-	12,394
Cultural and recreational	(23,409)	-	(23,409)
Total governmental activities	(398,848)	-	(398,848)
BUSINESS-TYPE ACTIVITIES:			
Electric	-	526,416	526,416
Water and sewer	-	470,857	470,857
Total business-type activities	-	997,273	997,273
Total primary government	(398,848)	997,273	598,425
GENERAL REVENUES:			
Taxes:			
Property taxes, levied for general purpose	187,318	-	187,318
Other taxes	74,044	-	74,044
Grants and contributions not restricted to specific programs	85,424	-	85,424
Unrestricted investment earnings	9,393	87,227	96,620
Miscellaneous	9,719	-	9,719
TRANSFERS	280,000	(280,000)	-
Total general revenues and transfers	645,898	(192,773)	453,125
Change in net position	247,050	804,500	1,051,550
NET POSITION, BEGINNING	1,635,326	10,271,066	11,906,392
NET POSITION, ENDING	\$ 1,882,376	\$ 11,075,566	\$ 12,957,942

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

Town of Stantonsburg, North Carolina
Governmental Funds
Balance Sheet
June 30, 2019
Exhibit 3

Major Fund
General

ASSETS

Cash and cash equivalents	\$	159,206
Investments		233,225
Restricted cash and cash equivalents		104,083
Restricted investments		119,764
Taxes receivable, net		23,571
Accounts receivable, net		37,374
Due from other governments		55,848
Total assets		\$ 733,071

LIABILITIES

Accounts payable and accrued liabilities	\$	15,947
Liabilities payable from restricted assets:		
Accounts payable		75,511
Total liabilities		91,458

DEFERRED INFLOWS OF RESOURCES

Property taxes receivable		23,571
Accounts receivable		19,155
Prepaid taxes		20
Total deferred inflows of resources		42,746

FUND BALANCES

Restricted		
Stabilization by State statute		74,067
Streets - Powell Bill		148,336
Unassigned		376,464
Total fund balances		598,867
Total liabilities, deferred inflows of resources and fund balances		\$ 733,071

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

Town of Stantonsburg, North Carolina
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2019
Exhibit 4

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

Total fund balances of governmental funds		\$ 598,867
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 2,471,337	
Less accumulated depreciation	<u>(1,085,572)</u>	
Net capital assets		1,385,765
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred		10,014
Deferred outflows of resources related to pensions are not reported in the funds		85,583
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		42,726
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and therefore are not reported in the fund statements:		
Compensated absences		(15,106)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:		
Net pension liability		(95,209)
Total pension liability		(22,191)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(108,073)</u>
Net position of governmental activities		<u><u>\$ 1,882,376</u></u>

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

Town of Stantonsburg, North Carolina
Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2019
Exhibit 5

	Major Fund
	General
REVENUES	
Ad valorem taxes	\$ 193,218
Unrestricted intergovernmental	159,395
Restricted intergovernmental	45,213
Permits and fees	573
Sales and services	103,662
Investment earnings	9,393
Miscellaneous income	7,679
Total revenues	519,133
EXPENDITURES	
Current:	
General government	176,959
Public safety	380,311
Transportation	201,830
Economic and physical development	6,295
Human services	4,954
Environmental protection	78,172
Cultural and recreational	10,457
Total expenditures	858,978
Revenues over (under) expenditures	(339,845)
OTHER FINANCING SOURCES	
Transfers from other funds	280,000
Insurance recovery	8,101
Total other financing sources	288,101
Revenues and other financing sources over (under) expenditures	(51,744)
FUND BALANCE, BEGINNING	650,611
FUND BALANCE, ENDING	\$ 598,867

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

Town of Stantonsburg, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019
Exhibit 6

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

Net changes in fund balances of governmental funds	\$ (51,744)
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	176,257
Loss on disposal of capital assets	(1,745)
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(82,749)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	23,630
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:	
Acquisition value of assets donated to the police department by the Department of Defense	203,044
Change in unavailable revenue for tax revenues	(4,387)
Decrease in accrued interest receivable on taxes	(1,513)
Change in unavailable sales and services revenues	(805)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund statements:	
Pension expense	(15,559)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	2,621
	2,621
Total changes in net position of governmental activities	\$ 247,050

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

Town of Stantonsburg, North Carolina
General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual
For the Fiscal Year Ended June 30, 2019
Exhibit 7

General Fund				
Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	
REVENUES				
Ad valorem taxes	\$ 233,000	\$ 233,000	\$ 193,218	\$ (39,782)
Unrestricted intergovernmental	157,200	157,200	159,395	2,195
Restricted intergovernmental	25,000	49,500	45,213	(4,287)
Permits and fees	1,800	1,800	573	(1,227)
Sales and services	111,100	111,100	103,662	(7,438)
Investment earnings	10,000	10,000	9,393	(607)
Miscellaneous income	24,800	29,100	7,679	(21,421)
Total revenues	<u>562,900</u>	<u>591,700</u>	<u>519,133</u>	<u>(72,567)</u>
EXPENDITURES				
Current:				
General government	231,750	226,450	176,959	49,491
Public safety	365,850	409,850	380,311	29,539
Transportation	104,400	253,900	201,830	52,070
Economic and physical development	4,500	10,600	6,295	4,305
Human services	7,000	7,000	4,954	2,046
Environmental protection	112,200	102,700	78,172	24,528
Cultural and recreational	17,200	17,200	10,457	6,743
Total expenditures	<u>842,900</u>	<u>1,027,700</u>	<u>858,978</u>	<u>168,722</u>
Revenues over (under) expenditures	<u>(280,000)</u>	<u>(436,000)</u>	<u>(339,845)</u>	<u>96,155</u>
OTHER FINANCING SOURCES				
Appropriated fund balance - Powell Bill	-	156,000	-	(156,000)
Transfer from Electric Fund	280,000	280,000	280,000	-
Insurance recovery	-	-	8,101	8,101
Total other financing sources	<u>280,000</u>	<u>436,000</u>	<u>288,101</u>	<u>(147,899)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(51,744)</u>	<u>\$ (51,744)</u>
FUND BALANCE, BEGINNING			<u>650,611</u>	
FUND BALANCE, ENDING			<u>\$ 598,867</u>	

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

Town of Stantonsburg, North Carolina
Proprietary Funds
Statement of Net Position
June 30, 2019
Exhibit 8

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,082,835	\$ 766,814	\$ 2,849,649
Investments	1,035,655	1,131,254	2,166,909
Accounts receivable (net)	127,033	107,039	234,072
Due from other governments	15,376	-	15,376
Inventories	95,578	3,945	99,523
Restricted assets:			
Cash and cash equivalents	92,200	81,458	173,658
Due from other governments	-	25,857	25,857
Total current assets	<u>3,448,677</u>	<u>2,116,367</u>	<u>5,565,044</u>
Non-current assets:			
Accounts receivable - Wainsfield underground service (net)	14,450	-	14,450
Total non-current assets	<u>14,450</u>	<u>-</u>	<u>14,450</u>
Capital assets:			
Land, non-depreciable improvements, and construction in progress	20,836	642,562	663,398
Other capital assets, net of depreciation	1,130,297	6,540,571	7,670,868
Capital assets (net)	<u>1,151,133</u>	<u>7,183,133</u>	<u>8,334,266</u>
Total assets	<u>4,614,260</u>	<u>9,299,500</u>	<u>13,913,760</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	67,703	42,484	110,187
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	108,860	-	108,860
Compensated absences payable - current	9,574	5,981	15,555
NC Clean Water Revolving Loan - current	-	55,287	55,287
Water and sewer system revenue bonds - current	-	29,000	29,000
Liabilities payable from restricted assets:			
Customer deposits	92,200	-	92,200
Total current liabilities	<u>210,634</u>	<u>90,268</u>	<u>300,902</u>
Non-current liabilities:			
Compensated absences payable	6,280	6,496	12,776
Net pension liability	76,916	48,266	125,182
NC Clean Water Revolving Loan	-	718,731	718,731
Water and sewer system revenue bonds	-	1,790,000	1,790,000
Total noncurrent liabilities	<u>83,196</u>	<u>2,563,493</u>	<u>2,646,689</u>
Total liabilities	<u>293,830</u>	<u>2,653,761</u>	<u>2,947,591</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	485	305	790
NET POSITION			
Net investment in capital assets	1,151,133	4,590,115	5,741,248
Unrestricted	3,236,515	2,097,803	5,334,318
Total net position	<u>\$ 4,387,648</u>	<u>\$ 6,687,918</u>	<u>\$ 11,075,566</u>

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

Town of Stantonsburg, North Carolina
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2019
Exhibit 9

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 2,343,317	\$ 810,072	\$ 3,153,389
Other operating revenues	39,985	-	39,985
Total operating revenues	<u>2,383,302</u>	<u>810,072</u>	<u>3,193,374</u>
OPERATING EXPENSES			
Electrical operations	1,786,959	-	1,786,959
Water treatment and distribution	-	225,306	225,306
Waste collection and treatment	-	251,644	251,644
Depreciation	69,927	305,251	375,178
Total operating expenses	<u>1,856,886</u>	<u>782,201</u>	<u>2,639,087</u>
Operating income	<u>526,416</u>	<u>27,871</u>	<u>554,287</u>
NONOPERATING REVENUES (EXPENSES)			
Interest earned on investments	53,895	33,332	87,227
Interest and other charges	-	(73,695)	(73,695)
Total nonoperating revenues (expenses)	<u>53,895</u>	<u>(40,363)</u>	<u>13,532</u>
Income (loss) before capital contributions and transfers	580,311	(12,492)	567,819
Capital contributions	-	516,681	516,681
Transfers to other funds	<u>(280,000)</u>	<u>-</u>	<u>(280,000)</u>
CHANGE IN NET POSITION	300,311	504,189	804,500
TOTAL NET POSITION, BEGINNING	<u>4,087,337</u>	<u>6,183,729</u>	<u>10,271,066</u>
TOTAL NET POSITION, ENDING	<u>\$ 4,387,648</u>	<u>\$ 6,687,918</u>	<u>\$ 11,075,566</u>

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

Town of Stantonsburg, North Carolina
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019
Exhibit 10

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,419,645	\$ 808,365	\$ 3,228,010
Cash paid for goods and services	(1,552,139)	(268,996)	(1,821,135)
Cash paid to or on behalf of employees for services	(332,662)	(206,434)	(539,096)
Customer deposits received (net)	16,150	-	16,150
Net cash provided by operating activities	<u>550,994</u>	<u>332,935</u>	<u>883,929</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	<u>(280,000)</u>	-	<u>(280,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	-	597,415	597,415
Acquisition and construction of capital assets	(32,489)	(559,396)	(591,885)
Principal paid on debt	-	(83,287)	(83,287)
Interest paid on debt	-	(73,695)	(73,695)
Net cash used by capital and related financing activities	<u>(32,489)</u>	<u>(118,963)</u>	<u>(151,452)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>53,895</u>	<u>33,332</u>	<u>87,227</u>
Net increase in cash and cash equivalents	292,400	247,304	539,704
CASH AND CASH EQUIVALENTS, BEGINNING	<u>2,918,290</u>	<u>1,732,222</u>	<u>4,650,512</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 3,210,690</u>	<u>\$ 1,979,526</u>	<u>\$ 5,190,216</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS, ENDING			
Cash and cash equivalents	\$ 2,082,835	\$ 766,814	\$ 2,849,649
Investments	1,035,655	1,131,254	2,166,909
Restricted cash and cash equivalents	92,200	81,458	173,658
Total cash and cash equivalents	<u>\$ 3,210,690</u>	<u>\$ 1,979,526</u>	<u>\$ 5,190,216</u>

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

Town of Stantonsburg, North Carolina
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019
Exhibit 10

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Operating income	\$ 526,416	\$ 27,871	\$ 554,287
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	69,927	305,251	375,178
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	36,343	(1,707)	34,636
(Increase) decrease in due from other governments	(965)	(3,387)	(4,352)
(Increase) decrease in inventories	(9,948)	2	(9,946)
Increase (decrease) in accounts payable and accrued liabilities	(91,449)	-	(91,449)
Increase (decrease) in compensated absences payable	(1,598)	915	(683)
(Increase) decrease in deferred outflows of resources - pensions	(18,555)	(13,692)	(32,247)
Increase (decrease) in net pension liability	25,838	18,343	44,181
Increase (decrease) in deferred inflows of resources - pensions	(1,165)	(661)	(1,826)
Increase (decrease) in customer deposits	16,150	-	16,150
Total adjustments	24,578	305,064	329,642
Net cash provided by operating activities	\$ 550,994	\$ 332,935	\$ 883,929

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

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Stantonsburg conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Stantonsburg 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 non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program 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. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental fund:

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

Town of Stantonsburg, North Carolina Notes to Financial Statements

The Town reports the following major enterprise funds:

Electric Fund. This fund is used to account for the Town's electric operations.

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

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds 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 non-operating revenues and expenses.

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

Town of Stantonsburg, North Carolina Notes to Financial Statements

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Stantonsburg because the tax is levied by Wilson 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 Funds. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The budget officer is authorized to reallocate appropriations within departments and may execute inter-departmental transfers, in the same fund, not to exceed 10 percent of the appropriated monies for the department whose allocation is reduced. Notation of all such transfers shall be made to the Town Council on the next succeeding financial report. No salary increases, beyond those set forth in the budget document, may be made without approval of the Town Council. The governing board must approve any budget revision that alters the total expenditures of any fund. During the year, several immaterial amendments to the original budget were necessary. 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 [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Investment earnings are allocated to all funds based on the cash balance outstanding at the end of each month. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of June 30, 2019, there were no redemption fees or maximum transaction amounts, or any requirements that serve to limit the Town's access to 100 percent of their account value in the external investment pool.

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. Rural Development procedure, by virtue of a Loan Resolution Security Agreement, requires an annual contribution of 1/10th of the annual installment payments actually described monthly in the agreement, until the account is fully funded in an amount equivalent to one annual installment accumulated after 10 years. Powell Bill funds are also classified as restricted cash because they can be expended only for purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Stantonsburg, North Carolina
Notes to Financial Statements

Restricted cash and investments as of June 30, 2019 was comprised of the following amounts:

Governmental Activities

General Fund:

Powell Bill funds	\$ 223,847
Total governmental activities	223,847

Business-type activities

Electric Fund:

Customer utility deposits	92,200
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Water and Sewer Fund:

Rural Development Loan Resolution Security Agreement	81,458
Total business-type activities	173,658

Total restricted cash and investments	\$ 397,505
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4. Ad Valorem Taxes Receivable

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

6. Inventory

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The Town has elected to record general infrastructure assets on a prospective basis beginning with the implementation of GASB 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Town of Stantonsburg, North Carolina
Notes to Financial Statements

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

Asset Class	Estimated Useful Lives
Buildings	40-50
Infrastructure	50
Other improvements	20-50
Substations, lines and related equipment	40-50
Water plant and distribution systems	20-50
Sewer plant and collection systems	20-40
Equipment and furniture	5-10
Vehicles and motorized equipment	6-25

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2019 fiscal year. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, accounts receivable and pension deferrals.

9. 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 withheld from the actual debt proceeds received or not, are reported as debt service expenditures.

10. Compensated Absences

The Town's vacation policy provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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.

11. Net Position/Fund Balances

Net Position:

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

For purposes of net position classification, expenses are to be spent from restricted net position first and then unrestricted net position.

Fund Balances:

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

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.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Town of Stantonsburg, North Carolina Notes to Financial Statements

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Stantonsburg's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – portion of fund balance that the Town of Stantonsburg intends to use for specific purposes.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified as restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Town Manager to reallocate appropriations within departments not to exceed 10 percent of the appropriated monies.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds, nor any amount in nonspendable form.

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

12. Defined Benefit Cost Sharing Plans

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 position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Stantonsburg's employer contributions are recognized when due and the Town of Stantonsburg has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

13. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

14. Adoption of New Financial Accounting Standards

The following is a GASB Statement recently issued and adopted by the Board:

GASB Statement No. 88, Certain Disclosures Related to Debt ("GASB 88"), seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. GASB 88 will be effective for the fiscal years beginning after June 15, 2018. Currently, this new standard has minimal effect on the Town's financial statements.

15. Future Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87 – *Leases* which seeks to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Town is currently assessing the impact of GASB 87 on the financial statements for the year ending June 30, 2021.

Town of Stantonsburg, North Carolina
Notes to Financial Statements

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2019, the Town's deposits had a carrying amount of \$3,286,596 and a bank balance of \$3,293,303. Of the bank balance, \$500,000 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 \$100.

2. Investments

As of June 30, 2019, the Town had the following investments and maturities:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2019	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	<u>\$ 2,519,898</u>	N/A	AAAm

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk.

Town of Stantonsburg, North Carolina
Notes to Financial Statements

Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2019.

3. Receivables and Allowances for Doubtful Accounts

Receivables at the government-wide level at June 30, 2019, were as follows:

	Accounts Receivable	Taxes and Related Accrued Interest	Due from Other Governments	Total
Governmental activities:				
General Fund	\$ 37,724	\$ 47,093	\$ 55,848	\$ 140,665
Allowance for doubtful accounts	(350)	(13,508)	-	(13,858)
Total governmental activities	<u>\$ 37,374</u>	<u>\$ 33,585</u>	<u>\$ 55,848</u>	<u>\$ 126,807</u>
Business-type activities				
Electric	296,516	\$ -	\$ 15,376	\$ 311,892
Water and sewer	111,389	-	25,857	137,246
Total receivables	407,905	-	41,233	449,138
Allowance for doubtful accounts	(159,383)	-	-	(159,383)
Total business-type activities	<u>\$ 248,522</u>	<u>\$ -</u>	<u>\$ 41,233</u>	<u>\$ 289,755</u>

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

Governmental activities:	
Local option sales tax	\$ 13,342
Utility franchise tax	18,243
Edward Byrne Memorial Justice Assistance Grant Program	21,312
Wilson County - property taxes	2,951
Total governmental activities	<u>\$ 55,848</u>
Business-type activities:	
Sales tax refund	\$ 18,763
NC Division of Water Infrastructure - Connect NC Bond "Tax Exempt" Program	22,470
Total business-type activities	<u>\$ 41,233</u>

The General Fund has reported \$14,835 in accounts receivable related to nuisance abatement assessments as non-current as of June 30, 2019. This amount relates to demolishing abandoned properties. The Town has executed property liens on the related properties but the collection of these amounts is historically longer than one year.

Town of Stantonsburg, North Carolina
Notes to Financial Statements

The Electric Fund has reported \$14,450 in accounts receivable as non-current as of June 30, 2019. This amount represents receivables related to installing underground electric service to a new subdivision. The Town has agreed with the contractor to collect \$850 per house as the houses are built and sold; therefore, the collection of this receivable could span a number of years.

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 57,107	\$ -	\$ -	\$ 57,107
Capital assets being depreciated:				
Buildings	241,319	-	2,779	238,540
Other improvements	44,512	-	-	44,512
Equipment and furniture	391,096	25,205	2,772	413,529
Vehicles and motorized equipment	450,438	206,622	2,118	654,942
Infrastructure	915,233	147,474	-	1,062,707
Total capital assets being depreciated	<u>2,042,598</u>	<u>379,301</u>	<u>7,669</u>	<u>2,414,230</u>
Less accumulated depreciation for:				
Buildings	190,414	3,658	2,779	191,293
Other improvements	40,560	922	-	41,482
Equipment and furniture	174,362	24,113	2,772	195,703
Vehicles and motorized equipment	386,030	33,654	375	419,309
Infrastructure	217,383	20,402	-	237,785
Total accumulated depreciation	<u>1,008,749</u>	<u>82,749</u>	<u>5,926</u>	<u>1,085,572</u>
Total capital assets being depreciated, net	<u>1,033,849</u>			<u>1,328,658</u>
Governmental activity capital assets, net	<u>\$ 1,090,956</u>			<u>\$ 1,385,765</u>

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

General government	\$ 1,709
Public safety	31,716
Transportation	21,241
Environmental protection	15,145
Cultural and recreational	12,938
Total depreciation expense	<u>\$ 82,749</u>

Town of Stantonsburg, North Carolina
Notes to Financial Statements

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Electric Fund				
Capital assets not being depreciated:				
Land	\$ 20,836	\$ -	\$ -	\$ 20,836
Capital assets being depreciated:				
Buildings	96,588	-	-	96,588
Electrical system and substation	1,911,912	30,377	-	1,942,289
Equipment and furniture	209,582	2,112	-	211,694
Vehicles and motorized equipment	456,189	-	2,205	453,984
Total capital assets being depreciated	<u>2,674,271</u>	<u>32,489</u>	<u>2,205</u>	<u>2,704,555</u>
Less accumulated depreciation for:				
Buildings	5,312	2,421	-	7,733
Electrical system and substation	979,488	36,735	-	1,016,223
Equipment and furniture	146,055	13,065	-	159,120
Vehicles and motorized equipment	375,681	17,706	2,205	391,182
Total accumulated depreciation	<u>1,506,536</u>	<u>69,927</u>	<u>2,205</u>	<u>1,574,258</u>
Total capital assets being depreciated, net	<u>1,167,735</u>			<u>1,130,297</u>
Electric Fund capital assets, net	<u>1,188,571</u>			<u>1,151,133</u>
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	89,940	-	-	89,940
Construction in progress	137,498	541,539	126,415	552,622
Total capital assets not being depreciated	<u>227,438</u>	<u>541,539</u>	<u>126,415</u>	<u>642,562</u>
Capital assets being depreciated:				
Buildings	36,853	-	-	36,853
Water plant and distribution systems	4,719,978	-	-	4,719,978
Sewer plant and collection systems	5,560,855	126,415	-	5,687,270
Equipment and furniture	445,758	17,857	-	463,615
Vehicles and motorized equipment	52,527	-	-	52,527
Total capital assets being depreciated	<u>10,815,971</u>	<u>144,272</u>	<u>-</u>	<u>10,960,243</u>
Less accumulated depreciation for:				
Buildings	7,457	927	-	8,384
Water plant and distribution systems	1,484,627	112,991	-	1,597,618
Sewer plant and collection systems	2,386,375	158,756	-	2,545,131
Equipment and furniture	204,437	28,306	-	232,743
Vehicles and motorized equipment	31,525	4,271	-	35,796
Total accumulated depreciation	<u>4,114,421</u>	<u>305,251</u>	<u>-</u>	<u>4,419,672</u>
Total capital assets being depreciated, net	<u>6,701,550</u>			<u>6,540,571</u>
Water and Sewer Fund capital assets, net	<u>6,928,988</u>			<u>7,183,133</u>
Business-type activities capital assets, net	<u>\$ 8,117,559</u>			<u>\$ 8,334,266</u>

Town of Stantonsburg, North Carolina
Notes to Financial Statements

5. Construction Commitments

The Town has active construction projects as of June 30, 2019. At year-end, the Town's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Sanitary Sewer Rehabilitation Project		
Grant administration	\$ 34,000	\$ 6,000
Construction	314,871	85,160
Total	<u>\$ 348,871</u>	<u>\$ 91,160</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2019, were as follows:

	Vendors	Benefits and Payroll Withholdings	Coal Ash Cleanup Assessment	Customer Deposits Payable	Total
Governmental Activities:					
General	\$ 89,821	\$ 1,637	\$ -	\$ -	\$ 91,458
Business-type Activities:					
Electric	\$ 105,204	\$ -	\$ 3,656	\$ 92,200	\$ 201,060
Water and sewer	-	-	-	-	-
Total business-type activities	<u>\$ 105,204</u>	<u>\$ -</u>	<u>\$ 3,656</u>	<u>\$ 92,200</u>	<u>\$ 201,060</u>

In July 2017, Duke Energy assessed the Town with a coal ash cleanup assessment of \$179,346 payable over a period of two years. The Town paid \$107,821 and \$67,869 during the years ended June 30, 2018 and 2019, respectively. The final payment of \$3,656 was made in July 2019.

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Stantonsburg is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. 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. Management of the plan is vested in the LGERS Board of Trustees, which consists 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 Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. 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.

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 (age 55 for firefighters). 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 (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) 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.

Town of Stantonsburg, North Carolina Notes to Financial Statements

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Stantonsburg 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 of Stantonsburg's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, 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 of Stantonsburg were \$54,664 for the year ended June 30, 2019.

Refunds of Contributions – 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 \$220,391 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, 2018 (measurement date), the Town's proportion was 0.00929%, which was an increase of 0.00018% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$72,701. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,001	\$ 1,141
Changes of assumptions	58,483	-
Net difference between projected and actual earnings on pension plan investments	30,253	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	16,591	250
Town contributions subsequent to the measurement date	54,664	-
Total	\$ 193,992	\$ 1,391

Town of Stantonsburg, North Carolina Notes to Financial Statements

\$54,664 reported 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 ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2020	\$ 64,175
2021	43,772
2022	11,091
2023	18,899
2024	-
Thereafter	-

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	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables 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.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore 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 premium 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 weighting 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:

Town of Stantonsburg, North Carolina
Notes to Financial Statements

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

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 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. 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.

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 7.00 percent, 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.0%)
------------------------	-----------------------------	-----------------------

Town's proportionate share of the net pension liability (asset) \$ 529,397 \$ 220,391 \$ (37,820)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Town of Stantonsburg, North Carolina
Notes to Financial Statements

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

The Town of Stantonsburg 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 law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent 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 North Carolina General Assembly.

All full-time Town law enforcement officers 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	<u>3</u>
Total	<u><u>3</u></u>

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 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 criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. 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	2.50 percent
Salary Increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

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.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

Town of Stantonsburg, North Carolina
Notes to Financial Statements

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. There were no contributions made by employees. The Town’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid no retirement benefits under this plan during the reporting period.

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 \$22,191. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of (\$15,999).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 105,269
Changes of assumptions	1,452	2,203
Town benefit payments and plan administrative expense made subsequent to the measurement date	326	-
Total	\$ 1,778	\$ 107,472

\$326 of administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2020	\$ (19,241)
2021	(19,241)
2022	(18,847)
2023	(18,742)
2024	(18,742)
Thereafter	(11,207)

Town of Stantonsburg, North Carolina
Notes to Financial Statements

Sensitivity of the Town's 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 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 24,911	\$ 22,191	\$ 19,720

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

	2019
Beginning balance	\$ 21,974
Service cost	2,874
Interest on the total pension liability	694
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(2,077)
Changes of assumptions or other inputs	(1,274)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 22,191

The plan currently uses mortality tables that vary by age, 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.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Town of Stantonsburg, North Carolina Notes to Financial Statements

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension expense	\$ 72,701	\$ (15,999)	\$ 56,702
Pension liability	220,391	22,191	242,582
Proportionate share of the net pension liability	0.00929%	N/A	
Deferred outflows of resources:			
Differences between expected and actual experience	34,001	-	34,001
Changes of assumptions	58,483	1,452	59,935
Net difference between projected and actual earnings on plan investments	30,253	-	30,253
Changes in proportion and differences between contributions and proportionate share of contributions	16,591	-	16,591
Benefit payments and administrative costs paid subsequent to the measurement date	54,664	326	54,990
Deferred inflows of resources:			
Differences between expected and actual experience	1,141	105,269	106,410
Changes of assumptions	-	2,203	2,203
Changes in proportion and differences between contributions and proportionate share of contributions	250	-	250

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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. 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 five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

Contributions for the year ended June 30, 2019 were \$8,742, which consisted of \$8,338 from the Town and \$404 from the law enforcement officers. No amounts were forfeited.

Town of Stantonsburg, North Carolina
Notes to Financial Statements

The Town also offers its general employees the option to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Town matches the employees' elective deferrals up to 2% of the employees' gross wages. For the fiscal year ended June 30, 2019, the cost to the Town was \$9,551.

3. Other Employment Benefits

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. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. 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.

4. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 54,664
Benefit payments and administrative expenses for LEOWSA made subsequent to measurement date	326
Differences between expected and actual experience	34,001
Changes of assumptions	59,935
Net difference between projected and actual earnings on plan investments	30,253
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,591
Total	<u>\$ 195,770</u>

Town of Stantonsburg, North Carolina
Notes to Financial Statements

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

Source	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 20	\$ 20
Property taxes receivable (General Fund)	-	23,571
Cemetery receivable (General Fund)	-	4,320
Nuisance abatement assessments (General Fund)	-	14,835
Differences between expected and actual experience	106,410	-
Changes of assumptions	2,203	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	250	-
Total	<u>\$ 108,883</u>	<u>\$ 42,746</u>

5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in one self-funded risk-financing pool administered by the North Carolina League of Municipalities. Through this pool, the Town obtains workers' compensation coverage up to statutory limits. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain 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 NC 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 from the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not carry flood insurance through the National Flood Insurance Plan (NFIP). The Town does not own property located in a flood plain and had no flood damage from the extensive damage caused in North Carolina by major hurricanes affecting North Carolina in recent years.

In accordance with G.S. 159-29, The Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$75,000 and the tax collector is individually bonded for \$10,000. The remaining employees that have access to funds are bonded under a blanket bond for \$75,000.

Town of Stantonsburg, North Carolina
Notes to Financial Statements

6. Claims, Judgments and Contingent Liabilities

According to the Town attorney, at June 30, 2019, there are no pending or threatened litigation, claims or assessments against the Town.

7. Non-Cancelable Operating Lease

The Town has a non-cancelable operating lease related to leasing 2.13 acres for use as the town park. The lease commenced February 1, 2010 for a period of 26 years and includes a 2 year lease renewal option. The lease payment for the first year was \$1,605. Thereafter, for each subsequent year, the rent is adjusted by the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) as published by the US Bureau of Labor Statistics. Rent expenditures were \$2,146 for the year ended June 30, 2019.

8. Long-Term Obligations

a. NC Clean Water Revolving Loan (Direct Borrowings)

The Town is financing wastewater treatment plant improvements by means of a NC Clean Water Revolving Loan in the original amount of \$1,105,740. The unpaid balance at June 30, 2019 was \$774,018. Annual debt service requirements on the 0% loan, including interest of \$0, are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2020	\$ 55,287	\$ -	\$ 55,287
2021	55,287	-	55,287
2022	55,287	-	55,287
2023	55,287	-	55,287
2024	55,287	-	55,287
2025-2029	276,435	-	276,435
2030-2033	221,148	-	221,148
Totals	<u>\$ 774,018</u>	<u>\$ -</u>	<u>\$ 774,018</u>

b. Water and Sewer System Revenue Bonds (Direct Borrowings)

\$1,470,000 USDA Water and Sewer System Revenue Bonds, Series 2011A, issued June 6, 2011 for water system improvements. Principal and interest installments are due annually each June 1, at an annual interest rate of 4.125%. \$ 1,330,000

\$548,000 USDA Water and Sewer System Revenue Bonds, Series 2011B, issued June 6, 2011 for water system improvements. Principal and interest installments are due annually each June 1, at an annual interest rate of 3.625%. 489,000

Total Water and Sewer System Revenue Bonds \$ 1,819,000

Town of Stantonsburg, North Carolina Notes to Financial Statements

The future payments of the Series 2011A Water and Sewer system Revenue Bonds as of June 30, 2019 are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2020	\$ 21,000	\$ 54,862	\$ 75,862
2021	22,000	53,996	75,996
2022	23,000	53,089	76,089
2023	23,000	52,140	75,140
2024	24,000	51,191	75,191
2025-2029	138,000	240,158	378,158
2030-2034	169,000	209,220	378,220
2035-2039	207,000	171,311	378,311
2040-2044	255,000	124,781	379,781
2045-2049	306,000	68,269	374,269
2050-2051	142,000	8,828	150,828
Totals	<u>\$ 1,330,000</u>	<u>\$ 1,087,845</u>	<u>\$ 2,417,845</u>

Related interest expense for the year ended June 30, 2019 in the amount of \$55,679 has been reported as a direct water and sewer functional expense on the Statement of Activities.

The future payments of the 2011B Water and Sewer System Revenue Bonds as of June 30, 2019 are as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2020	\$ 8,000	\$ 17,726	\$ 25,726
2021	9,000	17,436	26,436
2022	9,000	17,110	26,110
2023	9,000	16,784	25,784
2024	10,000	16,458	26,458
2025-2029	54,000	76,741	130,741
2030-2034	64,000	66,228	130,228
2035-2039	77,000	53,759	130,759
2040-2044	92,000	38,715	130,715
2045-2049	110,000	20,844	130,844
2050-2051	47,000	2,574	49,574
Totals	<u>\$ 489,000</u>	<u>\$ 344,375</u>	<u>\$ 833,375</u>

Related interest expense for the year ended June 30, 2019 in the amount of \$18,016 has been reported as a direct water and sewer functional expense on the Statement of Activities.

Town of Stantonsburg, North Carolina Notes to Financial Statements

The Town has been in compliance with the covenants as to rates, fees, rentals and charges in Section 5.02 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2011A and 2011B, since its adoption in 2011. Section 5.02(a) of the Bond Order requires the debt service coverage ratio to be no less than 110% of the debt service requirement for such fiscal year and 100% of the subordinated indebtedness debt service requirement for such fiscal year. The debt service coverage ratio calculation for the year ended June 30, 2019, is as follows:

Operating revenues	\$ 810,072
Operating expenses*	476,950
Operating income	<u>333,122</u>
Nonoperating revenues (expenses)**	<u>33,332</u>
Income available for debt service	366,454
Debt service, principal and interest paid (Revenue bonds only)	101,695
Subordinated debt service, principal and interest paid	55,287
Revenue bond debt service coverage ratio	360%
Subordinated debt service coverage ratio	479%

*Per rate covenants, this does not include the depreciation expense of \$305,251.

** Per rate covenants, this does not include revenue bond interest paid of \$73,695.

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$2,018,000 in USDA Water and Sewer System Revenue Bonds issued in June 2011. Proceeds from the bonds provided financing for water treatment plant improvements and improvements to the water distribution system. The bonds are payable solely from water and sewer customer net revenues and are payable through 2051. Annual principal and interest payments on the bonds are expected to require less than 50 percent of income available for debt service. The total principal and interest remaining to be paid on the bonds is \$3,251,220. Principal and interest paid for the current year and income available for debt service were \$101,695 and \$336,454, respectively.

Town of Stantonsburg, North Carolina
Notes to Financial Statements

c. Changes in Long-Term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund. For the NC Clean Water Revolving Loan and the Water and Sewer System Revenue Bonds outlined below, these are classified as direct borrowings.

	Balance July 1, 2018		Increases		Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental activities:							
Compensated absences	\$ 17,727	\$ -	\$ 2,621	\$ 15,106	\$ 12,182		
Net pension liability (LGERS)	58,175	37,034	-	95,209	-		
Total pension liability (LEOSSA)	21,974	217	-	22,191	-		
Governmental activities long-term liabilities	<u>\$ 97,876</u>	<u>\$ 37,251</u>	<u>\$ 2,621</u>	<u>\$ 132,506</u>	<u>\$ 12,182</u>		
Business-type activities:							
Electric Fund:							
Compensated absences	\$ 17,452	\$ -	\$ 1,598	\$ 15,854	\$ 9,574		
Net pension liability (LGERS)	51,078	25,838	-	76,916	-		
Electric Fund long-term liabilities	<u>68,530</u>	<u>25,838</u>	<u>1,598</u>	<u>92,770</u>	<u>9,574</u>		
Water and Sewer Fund:							
NC Clean Water Revolving Loan	829,305	-	55,287	774,018	55,287		
Water and Sewer System Revenue Bonds	1,847,000	-	28,000	1,819,000	29,000		
Compensated absences	11,563	914	-	12,477	5,981		
Net pension liability (LGERS)	29,923	18,343	-	48,266	-		
Water and Sewer Fund long-term liabilities	<u>2,717,791</u>	<u>19,257</u>	<u>83,287</u>	<u>2,653,761</u>	<u>90,268</u>		
Business-type activities long-term liabilities	<u>\$ 2,786,321</u>	<u>\$ 45,095</u>	<u>\$ 84,885</u>	<u>\$ 2,746,531</u>	<u>\$ 99,842</u>		

Per the debt agreement for the NC Clean Water Revolving Loan direct borrowings, in case of default 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 the obligation whenever the Town fails to pay any payment of principal or interest on the note when due.

Per the debt agreement for the Water and Sewer System Revenue Bond direct borrowings, in case of default the full principal and interest amount of all bonds then outstanding shall be due and payable immediately.

At June 30, 2019, the Town of Stantonsburg had a legal debt margin of \$3,051,344.

Town of Stantonsburg, North Carolina
Notes to Financial Statements

C. Interfund Balances and Activity

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2019, consist of the following:

From the Electric Fund to the General Fund	\$ 280,000
From the Water & Sewer Fund to the Wastewater Asset Inventory and Assessment Project	<u>24,915</u>
Total	<u><u>\$ 304,915</u></u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for various grant programs.

During the 2019 fiscal year, the Town made a transfer from the Electric Fund of \$280,000 to the General Fund to finance General Fund activities.

During the 2019 fiscal year, the Town made a one-time transfer from the Water and Sewer Fund of \$24,915 to the Water and Sewer Capital Projects Fund for a Wastewater Asset Inventory and Assessment Project.

D. Fund Balance

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

Total Fund Balance - General Fund	\$ 598,867
Less:	
Stabilization by State Statute	74,067
Streets - Powell Bill	<u>148,336</u>
Remaining Fund Balance	<u><u>\$ 376,464</u></u>

III. JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with other municipalities, established the Upper Coastal Plain Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town of Stantonsburg paid membership fees of \$602 to the Council during the fiscal year ended June 30, 2019.

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. Federal and State Assisted Programs

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

V. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

In July 2019, the Town's police department was awarded a 2018 Edward Byrne Memorial Justice Assistance Equipment Grant in the amount of \$24,500.

In July 2019, the Town approved a resolution accepting a State Reserve Loan (SRP) in the amount of \$310,000 and a State Reserve Grant (SRP) in the amount of \$310,000 related to the construction of a new water supply well. The \$310,000 loan portion will be a 20 year, 0% interest loan.

In September 2019, the Town approved a \$630,850 Capital Project Ordinance related to the construction of a new well. The project is to be funded by a \$310,000 State Reserve Loan (SRP), a \$310,000 State Reserve Grant (SRP), and the required closing fee of \$10,850 is to be funded by local Town funds.

In October 2019, the Town approved a new personnel policy. Effective January 1, 2020, the Town will provide continuing health insurance benefits to employees who retire from the Town if certain eligibility conditions are met. If a Town employee has been employed by the Town for at least 25 consecutive years and has reached the age of 60, the Town will pay 100% of the retiree's health insurance premium if the retiree elects such coverage and only if the employee actually retires from the NC Local Government Employees' Retirement System. However, the Town will discontinue payment of the retiree's health insurance premium once the retiree becomes eligible for Medicare benefits (currently age 65). The Town is reviewing GASB Statement No. 75, Other Post-Employment Benefits, to determine its effects on the Town's financial statements.

In January 2020, the Town awarded a contract to drill a test well for \$123,460. The test well is being funded by a State grant / loan project related to the construction of a new water supply well.

The Board has evaluated subsequent events through February 13, 2020, the date which the financial statements were available to be issued.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

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

Town of Stantonsburg, North Carolina
Schedule of the Proportionate Share of the Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years*

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Town of Stantonsburg's proportion of the net pension liability (asset) (%)	0.00929%	0.00911%	0.00829%	0.00842%	0.00956%	0.00770%
Town of Stantonsburg's proportion of the net pension liability (asset) (\$)	\$ 220,391	\$ 139,176	\$ 175,944	\$ 37,789	\$ (56,378)	\$ 92,815
Town of Stantonsburg's covered payroll	\$ 662,662	\$ 660,843	\$ 640,430	\$ 616,730	\$ 663,438	\$ 601,630
Town of Stantonsburg's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.26%	21.06%	27.47%	6.13%	(8.50%)	15.43%
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.

** This will be the same percentage for all participant employers in the LGERS plan.

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Stantonsburg, North Carolina
Schedule of Town Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 54,664	\$ 50,773	\$ 49,087	\$ 43,375	\$ 44,914	\$ 44,784
Contributions in relation to the contractually required contribution	54,664	50,773	49,087	43,375	44,914	44,784
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Stantonsburg's covered payroll	\$ 689,207	\$ 662,662	\$ 660,843	\$ 640,430	\$ 616,730	\$ 663,438
Contributions as a percentage of covered payroll	7.93%	7.66%	7.43%	6.77%	7.28%	6.75%

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Stantonsburg, North Carolina
Schedule of Changes in Total Pension Liability
Required Supplementary Information

Law Enforcement Officers' Special Separation Allowance

	2019	2018	2017
Beginning balance	\$ 21,974	\$ 152,636	\$ 145,517
Service cost	2,874	2,038	4,524
Interest on the total pension liability	694	5,892	5,195
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(2,077)	(140,564)	(2,600)
Changes of assumptions or other inputs	(1,274)	1,972	-
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 22,191</u>	<u>\$ 21,974</u>	<u>\$ 152,636</u>

The amounts presented for each year were determined as of the prior fiscal year ending December 31.

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Stantonsburg, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Required Supplementary Information

Law Enforcement Officers' Special Separation Allowance

	2019	2018	2017
Total pension liability	\$ 22,191	\$ 21,974	\$ 152,636
Covered payroll	126,139	134,813	154,978
Total pension liability as a percentage of covered payroll	17.59%	16.30%	98.49%

Notes to the schedules:

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

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Supplementary Schedules

This section contains Individual Fund Schedules.

**Town of Stantonsburg, North Carolina
General Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)**

	2019		2018
	Budget	Actual	Variance Positive (Negative) Actual
REVENUES			
Ad valorem taxes			
Current year	\$	\$ 184,568	\$ 177,433
Prior years		6,503	10,990
Penalties and interest		2,147	2,887
Total	233,000	193,218	(39,782) 191,310
Unrestricted intergovernmental			
Local option sales taxes		73,971	69,632
Telecommunications sales tax		7,514	8,191
Video franchise fee		10,062	10,932
Utilities sales tax		61,812	60,952
Piped natural gas sales tax		2,696	2,900
Beer and wine tax		3,340	3,391
Total	157,200	159,395	2,195 155,998
Restricted intergovernmental			
Edward Byrne Memorial Justice Assistance Grant Program		21,312	-
Solid waste disposal tax		542	534
Powell Bill allocation		23,359	23,890
Total	49,500	45,213	(4,287) 24,424
Permits and fees			
Permits		135	105
Business registration fee		73	32
Officer fees and traffic violations		365	221
Total	1,800	573	(1,227) 358
Sales and services			
Curbside recycling		93,177	91,620
Garbage collection fees		9,380	9,016
Cemetery revenues		1,105	750
Cablevision - pole rental		-	1,600
Total	111,100	103,662	(7,438) 102,986

(continued)

Town of Stantonsburg, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Investment earnings	10,000	9,393	(607)	5,054
Miscellaneous				
Rent income		950		650
Sale of timber		-		42,000
Miscellaneous		6,729		5,379
Total	29,100	7,679	(21,421)	48,029
Total revenues	591,700	519,133	(72,567)	528,159
EXPENDITURES	1,027,700	858,978	168,722	713,986
Revenues over (under) expenditures	(436,000)	(339,845)	96,155	(185,827)
OTHER FINANCING SOURCES				
Appropriated fund balance - Powell Bill	156,000	-	(156,000)	-
Transfer from Electric Fund	280,000	280,000	-	270,000
Insurance recovery	-	8,101	8,101	11,174
Total other financing sources	436,000	288,101	(147,899)	281,174
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>(51,744)</u>	<u>\$ (51,744)</u>	<u>95,347</u>
FUND BALANCE, BEGINNING		<u>650,611</u>		<u>555,264</u>
FUND BALANCE, ENDING		<u>\$ 598,867</u>		<u>\$ 650,611</u>

Town of Stantonsburg, North Carolina
General Fund
Schedule of Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

2019			2018
Budget	Actual	Variance Positive (Negative)	Actual

GENERAL GOVERNMENT

Governing body and administration:

Fees paid elected officials	\$	\$	9,835	\$	\$	9,657
Salaries			81,308			74,514
FICA tax			6,925			6,391
Health insurance			11,717			14,336
Retirement			6,048			5,445
401-k match			1,561			1,452
Professional services			8,497			9,270
Telephone			1,989			1,801
Travel			196			64
Maintenance and repairs			1,924			1,402
Bank charges			3,827			4,136
Advertising			216			915
Office supplies and postage			2,299			1,892
Heating			603			605
Uniforms			107			66
Special contract services			8,352			7,156
Utilities			6,164			6,687
Dues and subscriptions			2,230			2,270
Insurance and bonds			9,916			10,010
Unemployment claim			2,598			-
Miscellaneous			4,956			4,601
Christmas parade			950			787
Shop with a cop			1,903			1,117
Tax collection fees			2,838			2,681
Total general government			226,450			167,255

PUBLIC SAFETY

Police department:

Salaries			180,459			157,041
FICA tax			13,805			12,014
Health insurance			32,487			36,434
Retirement			14,174			11,797
401-k match			8,338			7,091
Telephone			6,065			4,589

(continued)

Town of Stantonsburg, North Carolina
General Fund
Schedule of Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019		2018
	Budget	Actual	Variance Positive (Negative) Actual
Police department, continued			
Maintenance and repairs		2,451	1,283
Auto supplies and repairs		22,844	17,195
Supplies and materials		3,007	3,282
Heating		330	732
Uniforms		822	625
Emergency communications		14,449	15,904
Utilities		4,645	3,881
Training		-	275
Insurance and bonds		9,000	9,000
Crime stoppers		500	-
Miscellaneous		2,152	1,973
Police challenge coins		-	500
Capital outlay		7,471	25,450
Capital outlay - Edward Byrne Memorial Justice Assistance Grant Program		21,312	-
Total	373,850	344,311	29,539 309,066
Fire department:			
Fire protection contract - Moyton Volunteer Fire Department	30,000	30,000	- 30,000
Rescue squad:			
Contribution to Stantonsburg Rescue Squad	6,000	6,000	- 6,000
Total public safety	409,850	380,311	29,539 345,066
TRANSPORTATION			
Street repair and construction:			
Salaries		24,753	25,797
FICA tax		1,894	1,973
Health insurance		7,848	10,693
Retirement		1,895	1,924
401-k match		296	513
Maintenance and repairs		1,170	940
Sidewalk repair		-	145
Auto supplies and repairs		6,134	5,613
Supplies and materials		831	1,397

(continued)

Town of Stantonsburg, North Carolina
General Fund
Schedule of Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019		2018
	Budget	Actual	Variance Positive (Negative) Actual
TRANSPORTATION, continued			
Uniforms		3,554	3,254
Insurance and bonds		3,700	4,200
Powell Bill expenditures		2,281	5,758
Powell Bill expenditures - capital outlay		147,474	-
Total transportation	253,900	201,830	52,070 62,207
ECONOMIC AND PHYSICAL DEVELOPMENT			
Appearance commission:			
Supplies		2,627	9,926
Town festival		3,668	13,493
Demolitions		-	7,839
Total economic and physical development	10,600	6,295	4,305 31,258
HUMAN SERVICES			
Health:			
Conservation of Health		4,879	5,642
Miscellaneous		75	75
Total human services	7,000	4,954	2,046 5,717
ENVIRONMENTAL PROTECTION			
Sanitation:			
Salaries		19,816	27,542
FICA tax		1,454	2,011
Health insurance		5,476	10,471
Retirement		1,513	2,043
401-k match		352	545
Maintenance and repairs		2,263	35
Landfill fee		18,833	17,636
Auto supplies and repairs		5,015	4,883
Supplies and materials		207	133
Uniforms		1,579	1,419
Curbside pick-up		15,308	15,651
Insurance and bonds		3,700	4,200

(continued)

Town of Stantonsburg, North Carolina
General Fund
Schedule of Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019		2018
	Budget	Actual	Variance Positive (Negative) Actual
Sanitation, continued			
Miscellaneous		368	-
Bad debts		50	-
Total	97,700	75,934	21,766 86,569
Cemetery:			
Maintenance and repairs		1,099	142
Auto supplies and repairs		639	524
Miscellaneous		500	32
Total	5,000	2,238	2,762 698
 Total environmental protection	102,700	78,172	24,528 87,267
CULTURAL AND RECREATIONAL			
Recreation:			
Rent on playground		2,146	2,083
Utilities		1,230	3,196
Maintenance and repairs		-	150
Miscellaneous		548	3,690
Total	7,150	3,924	3,226 9,119
Library:			
Salaries		552	572
FICA tax		42	44
Telephone and postage		917	824
Heating		1,165	1,206
Utilities		2,857	2,451
Insurance and bonds		1,000	1,000
Total	10,050	6,533	3,517 6,097
 Total cultural and recreational	17,200	10,457	6,743 15,216
 Total expenditures	\$ 1,027,700	\$ 858,978	\$ 168,722 \$ 713,986

Town of Stantonsburg, North Carolina

Electric Fund

Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Charges for services:				
Electricity service	\$ 2,653,000	\$ 2,343,317	\$ (309,683)	\$ 2,444,751
Sale of materials	1,000	5,348	4,348	-
Miscellaneous revenue	83,500	34,637	(48,863)	32,651
Total charges for services	<u>2,737,500</u>	<u>2,383,302</u>	<u>(354,198)</u>	<u>2,477,402</u>
Nonoperating revenues:				
Interest earned on investments	10,000	53,895	43,895	31,160
NCDOT - relocate town lines for bridge project	-	-	-	34,978
Total revenues	<u>2,747,500</u>	<u>2,437,197</u>	<u>(310,303)</u>	<u>2,543,540</u>
EXPENDITURES				
Electrical operations	2,422,500	1,782,439	640,061	2,013,116
Capital outlay	45,000	32,489	12,511	136,563
Total expenditures	<u>2,467,500</u>	<u>1,814,928</u>	<u>652,572</u>	<u>2,149,679</u>
Revenues over expenditures	280,000	622,269	342,269	393,861
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	(280,000)	(280,000)	-	(270,000)
Revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 342,269</u>	<u>\$ 342,269</u>	<u>\$ 123,861</u>

Town of Stantonsburg, North Carolina

Electric Fund

Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

2019			2018
Budget	Actual	Variance Positive (Negative)	Actual

**RECONCILIATION FROM BUDGETARY BASIS
(MODIFIED ACCRUAL) TO FULL ACCRUAL BASIS:**

Revenues and other financing sources over expenditures and other uses	<u>\$ 342,269</u>	<u>\$ 123,861</u>
Reconciling items:		
Capital outlay	32,489	136,563
Decrease in accrued vacation pay	1,598	117
Increase (decrease) in deferred outflows of resources - pensions	18,555	(18,017)
(Increase) decrease in net pension liability	(25,838)	14,725
Decrease in deferred inflows of resources - pensions	1,165	978
Depreciation	<u>(69,927)</u>	<u>(63,941)</u>
Total reconciling items	<u>(41,958)</u>	<u>70,425</u>
Change in net position	<u><u>\$ 300,311</u></u>	<u><u>\$ 194,286</u></u>

Town of Stantonsburg, North Carolina
Electric Fund
Schedule of Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
ELECTRICAL OPERATIONS:				
Salaries	\$	\$ 248,927	\$	\$ 250,848
FICA tax		18,816		18,960
Health insurance		41,622		51,968
Retirement		19,047		18,620
401-k match		4,250		4,275
Electric purchases		1,225,242		1,430,723
Professional services		7,845		18,558
Telephone		1,989		1,801
Travel		815		546
Maintenance and repairs		16,958		21,516
Auto supplies and repairs		15,473		17,404
Office supplies and postage		3,347		4,024
Supplies and materials		62,777		72,864
Heating		624		790
Uniforms		1,975		-
Special contract services		48,987		40,930
Utilities		5,744		5,566
Training		-		435
Dues and subscriptions		4,183		4,055
Insurance and bonds		27,358		31,377
Miscellaneous		18,342		13,920
Electric service bad debts		8,118		3,936
Total electrical operations	2,422,500	1,782,439	640,061	2,013,116
CAPITAL OUTLAY:				
Capital outlay	45,000	32,489	12,511	136,563
Total expenditures	\$ 2,467,500	\$ 1,814,928	\$ 652,572	\$ 2,149,679

Town of Stantonsburg, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Charges for services:				
Water service	\$ 428,200	\$ 477,794	\$ 49,594	\$ 455,029
Sewer service	319,000	331,403	12,403	324,214
Water and sewer tap fees	5,000	-	(5,000)	-
Sale of materials	500	-	(500)	-
Miscellaneous revenue	2,500	875	(1,625)	-
Total charges for services	755,200	810,072	54,872	779,243
Nonoperating revenues:				
Interest earned on investments	7,500	33,332	25,832	18,317
Total revenues	762,700	843,404	80,704	797,560
EXPENDITURES				
Water treatment and distribution	264,400	223,391	41,009	211,800
Waste collection and treatment	308,300	248,654	59,646	229,614
Debt service	159,000	156,982	2,018	157,055
Capital outlay	31,000	17,857	13,143	37,985
Total expenditures	762,700	646,884	115,816	636,454
Revenues over expenditures	-	196,520	196,520	161,106
OTHER FINANCING SOURCES (USES)				
Transfers from other funds:				
Water & Sewer Capital Projects Fund	500,000	-	(500,000)	-
Transfers to other funds:				
Water & Sewer Capital Projects Fund	(500,000)	(24,915)	475,085	(1,500)
Total other financing sources (uses)	-	(24,915)	(24,915)	(1,500)
Revenues and other financing sources over expenditures and other uses	\$ -	\$ 171,605	\$ 171,605	\$ 159,606

Town of Stantonsburg, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

2019			2018
Budget	Actual	Variance Positive (Negative)	Actual

**RECONCILIATION FROM BUDGETARY BASIS
(MODIFIED ACCRUAL) TO FULL ACCRUAL BASIS:**

Revenues and other financing sources over expenditures and other uses	<u>\$ 171,605</u>	<u>\$ 159,606</u>
Reconciling items:		
Principal retirement	83,287	82,287
Capital outlay	17,857	37,985
Increase (decrease) in deferred outflows of resources - pensions	13,692	(10,178)
(Increase) decrease in net pension liability	(18,343)	8,257
Decrease in deferred inflows of resources - pensions	661	558
Depreciation	(305,251)	(306,266)
Capital contributions	516,681	135,941
(Increase) decrease in accrued vacation pay	(915)	502
Transfer to other funds:		
Water & Sewer Capital Projects Fund	<u>24,915</u>	<u>1,500</u>
Total reconciling items	<u>332,584</u>	<u>(49,414)</u>
Change in net position	<u><u>\$ 504,189</u></u>	<u><u>\$ 110,192</u></u>

Town of Stantonsburg, North Carolina
Water and Sewer Fund
Schedule of Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019		2018		
	Budget	Actual	Variance Positive (Negative)	Actual	
WATER TREATMENT AND DISTRIBUTION					
Salaries	\$	\$ 79,146	\$	\$ 74,505	
FICA tax		5,886		5,516	
Health insurance		12,594		15,463	
Retirement		6,100		5,555	
401-k match		1,574		1,482	
Professional services		3,845		4,305	
Maintenance and repairs		22,841		12,592	
Auto supplies and repairs		5,538		4,260	
Office supplies and postage		1,193		865	
Supplies and materials		11,512		9,381	
Water analysis		2,913		4,231	
Heating fuel		903		1,094	
Special contract services		3,393		6,196	
Utilities		44,195		45,603	
Uniforms		1,501		1,478	
Training		360		360	
Insurance and bonds		15,500		14,741	
Miscellaneous		4,297		4,173	
Bad debts		100		-	
Total water treatment and distribution		264,400	223,391	41,009	211,800
WASTE COLLECTION AND TREATMENT					
Salaries		76,356		72,240	
FICA tax		5,764		5,463	
Health insurance		11,608		13,873	
Retirement		5,887		5,389	
401-k match		1,519		1,437	
Professional services		5,645		3,580	
Telephone		1,421		1,215	
Maintenance and repairs		20,335		14,212	
Auto supplies and repairs		5,588		4,200	
Office supplies and postage		1,174		851	
Supplies and materials		7,144		7,324	

(continued)

Town of Stantonsburg, North Carolina
Water and Sewer Fund
Schedule of Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019		2018
	Budget	Actual	Variance Positive (Negative)
WASTE COLLECTION AND TREATMENT, continued			Actual
Water analysis		15,521	16,744
Uniforms		2,366	2,399
Special contract services		27,868	25,576
Utilities		41,201	38,710
Insurance and bonds		14,000	13,850
Miscellaneous		4,682	2,471
Training		525	80
Bad debts		50	-
Total waste collection and treatment	308,300	248,654	59,646
DEBT SERVICE			
Principal retirement		83,287	82,287
Interest		73,695	74,768
Total debt service	159,000	156,982	2,018
CAPITAL OUTLAY			
Water capital outlay		15,184	11,884
Sewer capital outlay		2,673	26,101
Total capital outlay	31,000	17,857	13,143
 Total expenditures	 \$ 762,700	 \$ 646,884	 \$ 115,816
			 \$ 636,454

Town of Stantonsburg, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

WASTEWATER ASSET INVENTORY AND ASSESSMENT PROJECT

	Project Author - ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
NCDEQ - DWI Grant	\$ 100,000	\$ 32,737	\$ 67,263	\$ 100,000	\$ -
EXPENDITURES					
Engineering services		9,879	65,121	75,000	
Sewer video inspection		22,858	-	22,858	
Additional sewer video inspection		-	2,142	2,142	
Additional sewer video inspection (Town)		-	24,858	24,858	
Grant fee (Town)		1,500	-	1,500	
Grant administration		57	-	57	
Total expenditures	128,500	34,294	92,121	126,415	2,085
Revenues over (under) expenditures	(28,500)	(1,557)	(24,858)	(26,415)	2,085
OTHER FINANCING SOURCES					
Transfer from Water and Sewer Fund	28,500	1,500	24,915	26,415	(2,085)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (57)	\$ 57	\$ -	\$ -

Town of Stantonsburg, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

SANITARY SEWER REHABILITATION PROJECT

Project Author - ization	Actual			Variance Positive (Negative)
	Prior Years	Current Year	Total to Date	

REVENUES

Connect NC Bond "Tax Exempt"

Program	\$ 753,888	\$ 103,204	\$ 449,418	\$ 552,622	\$ (201,266)
Sales tax refund	-	-	3,387	3,387	3,387
Total revenues	753,888	103,204	452,805	556,009	(197,879)

EXPENDITURES

Construction	-	314,871	314,871		
Construction administration	-	34,000	34,000		
Legal and administrative	56	385	441		
Engineering design	60,648	3,192	63,840		
Inspection	-	61,716	61,716		
Preliminary engineering report	15,000	-	15,000		
Environmental assessment	15,000	-	15,000		
Grant administration	12,500	27,500	40,000		
Grant fee	-	11,141	11,141		
Total expenditures	753,888	103,204	452,805	556,009	197,879

Revenues and other financing sources over expenditures

\$	-	\$	-	\$	-	\$	-	\$	-
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Other Schedules

This section contains additional information on property taxes and USDA requested data.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy
- Water and Sewer Fund – Schedule of Net Position by Function
- Water and Sewer Fund – Schedule of Revenues, Expenses and Changes in Net Position by Function
- Water and Sewer Fund – Schedule of Cash Flows by Function

Town of Stantonsburg, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections</u>	<u>Releases</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 192,907 (a)	\$ 184,568 (b)	\$ 2,198 (a)	\$ 6,141 (c)
2017-2018	5,257	16	3,112	38	2,123
2016-2017	7,787	-	751	-	7,036
2015-2016	2,339	-	925	-	1,414
2014-2015	3,957	-	376	-	3,581
2013-2014	4,729	-	552	-	4,177
2012-2013	3,630	-	391	-	3,239
2011-2012	3,121	-	396	-	2,725
2010-2011	2,599	-	-	-	2,599
2009-2010	4,044	-	-	-	4,044
2008-2009	3,363	-	-	3,363	-
	<u>\$ 40,826</u>	<u>\$ 192,923</u>	<u>\$ 191,071 (d)</u>	<u>\$ 5,599</u>	<u>37,079</u>
Less: allowance for uncollectible ad valorem taxes receivable					<u>(13,508)</u>
Ad valorem taxes receivable - net					<u>\$ 23,571</u>
 RECONCILIATION TO REVENUES:					
Ad valorem taxes - General Fund					\$ 193,218
Reconciling items:					
Penalties and interest collected					<u>(2,147)</u>
Total collections					<u>\$ 191,071 (d)</u>

The lower case letters next to certain amounts on the Analysis of Current Tax Levy and in the above schedule show the relationship of taxes levied, taxes collected, and uncollected taxes on both schedules.

Town of Stantonsburg, North Carolina
Analysis of Current Tax Levy
Town-Wide Levy
For the Fiscal Year Ended June 30, 2019

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 35,362,600	0.50	\$ 176,813	\$ 149,234	\$ 27,579
Penalties on late listings	-		-	-	-
Total	<u>35,362,600</u>		<u>176,813</u>	<u>149,234</u>	<u>27,579</u>
Discoveries:					
Current year taxes	3,218,800		16,094	16,094	-
Abatements	<u>(439,600)</u>		<u>(2,198)</u>	<u>(2,198)</u>	<u>-</u>
Total property valuation	<u><u>\$ 38,141,800</u></u>				
Net levy			190,709 (a)	163,130	27,579
Uncollected taxes at June 30, 2019			<u>(6,141) (c)</u>	<u>(6,141)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 184,568 (b)</u>	<u>\$ 156,989</u>	<u>\$ 27,579</u>
Current levy collection percentage			<u>96.78%</u>	<u>96.24%</u>	<u>100.00%</u>

The lower case letters next to certain amounts on the Schedule of Ad Valorem Taxes Receivable and in the above schedule show the relationship of taxes levied, taxes collected, and uncollected taxes on both schedules.

Town of Stantonsburg, North Carolina
Schedule of Net Position
Water and Sewer Fund by Function
June 30, 2019

	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 669,850	\$ 96,964	\$ 766,814
Investments	1,131,254	-	1,131,254
Accounts receivable (net)	58,936	48,103	107,039
Inventories	1,973	1,972	3,945
Restricted assets:			
Cash and cash equivalents	81,458	-	81,458
Due from other governments	-	25,857	25,857
Total current assets	<u>1,943,471</u>	<u>172,896</u>	<u>2,116,367</u>
Capital assets:			
Land, non-depreciable improvements, and construction in progress	10,000	632,562	642,562
Other capital assets, net of depreciation	3,353,180	3,187,391	6,540,571
Capital assets (net)	<u>3,363,180</u>	<u>3,819,953</u>	<u>7,183,133</u>
Total assets	<u>5,306,651</u>	<u>3,992,849</u>	<u>9,299,500</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	21,624	20,860	42,484
LIABILITIES			
Current liabilities:			
Compensated absences payable - current	3,044	2,937	5,981
NC Clean Water Revolving Loan - current	-	55,287	55,287
Water and sewer system revenue bonds - current	29,000	-	29,000
Total current liabilities	<u>32,044</u>	<u>58,224</u>	<u>90,268</u>
Non-current liabilities:			
Compensated absences payable	3,196	3,300	6,496
Net pension liability	24,567	23,699	48,266
NC Clean Water Revolving Loan	-	718,731	718,731
Water and sewer system revenue bonds	1,790,000	-	1,790,000
Total noncurrent liabilities	<u>1,817,763</u>	<u>745,730</u>	<u>2,563,493</u>
Total liabilities	<u>1,849,807</u>	<u>803,954</u>	<u>2,653,761</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	155	150	305
NET POSITION			
Net investment in capital assets	1,544,180	3,045,935	4,590,115
Unrestricted	1,934,133	163,670	2,097,803
Total net position	<u>\$ 3,478,313</u>	<u>\$ 3,209,605</u>	<u>\$ 6,687,918</u>

Town of Stantonsburg, North Carolina
Schedule of Revenues, Expenses, and Changes in Net Position
Water and Sewer Fund by Function
For the Fiscal Year Ended June 30, 2019

	Water	Sewer	Total
OPERATING REVENUES			
Charges for services	\$ 478,232	\$ 331,840	\$ 810,072
OPERATING EXPENSES			
Water treatment and distribution	225,306	-	225,306
Waste collection and treatment	-	251,644	251,644
Depreciation	137,579	167,672	305,251
Total operating expenses	362,885	419,316	782,201
Operating income (loss)	115,347	(87,476)	27,871
NONOPERATING REVENUES (EXPENSES)			
Interest earned on investments	16,666	16,666	33,332
Interest and other charges	(73,695)	-	(73,695)
Total nonoperating revenues (expenses)	(57,029)	16,666	(40,363)
Income (loss) before capital contributions and transfers	58,318	(70,810)	(12,492)
Capital contributions	-	516,681	516,681
CHANGE IN NET POSITION	58,318	445,871	504,189
TOTAL NET POSITION, BEGINNING	3,419,995	2,763,734	6,183,729
TOTAL NET POSITION, ENDING	\$ 3,478,313	\$ 3,209,605	\$ 6,687,918

Town of Stantonsburg, North Carolina
Schedule of Cash Flows
Water and Sewer Fund by Function
For the Fiscal Year Ended June 30, 2019

	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 475,306	\$ 333,059	\$ 808,365
Cash paid for goods and services	(118,090)	(150,906)	(268,996)
Cash paid to or on behalf of employees for services	(105,300)	(101,134)	(206,434)
Net cash provided by operating activities	<u>251,916</u>	<u>81,019</u>	<u>332,935</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	-	597,415	597,415
Acquisition and construction of capital assets	(15,184)	(544,212)	(559,396)
Principal paid on debt	(28,000)	(55,287)	(83,287)
Interest paid on debt	(73,695)	-	(73,695)
Net cash used by capital and related financing activities	<u>(116,879)</u>	<u>(2,084)</u>	<u>(118,963)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>16,666</u>	<u>16,666</u>	<u>33,332</u>
Net increase in cash and cash equivalents	151,703	95,601	247,304
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,730,859</u>	<u>1,363</u>	<u>1,732,222</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,882,562</u>	<u>\$ 96,964</u>	<u>\$ 1,979,526</u>

Town of Stantonsburg, North Carolina
Schedule of Cash Flows
Water and Sewer Fund by Function
For the Fiscal Year Ended June 30, 2019

	Water	Sewer	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 115,347	\$ (87,476)	\$ 27,871
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	137,579	167,672	305,251
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	(2,926)	1,219	(1,707)
(Increase) decrease in due from other governments	-	(3,387)	(3,387)
(Increase) decrease in inventories	1	1	2
Increase (decrease) in compensated absences payable	(117)	1,032	915
(Increase) decrease in deferred outflows of resources for pensions	(6,998)	(6,694)	(13,692)
Increase (decrease) in net pension liability	9,366	8,977	18,343
Increase (decrease) in deferred inflows of resources - pensions	(336)	(325)	(661)
Total adjustments	136,569	168,495	305,064
Net cash provided by operating activities	<u>\$ 251,916</u>	<u>\$ 81,019</u>	<u>\$ 332,935</u>

Compliance Section

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Stantonsburg, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Stantonsburg, North Carolina's basic financial statements and have issued our report thereon dated February 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Stantonsburg, North Carolina'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Stantonsburg, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Stantonsburg, North Carolina's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. We consider the deficiency described in the accompanying schedule of findings and questioned costs as [2017-01 (Repeat)] to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Stantonsburg, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Stantonsburg, North Carolina's Response to Findings

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

Purpose of this Report

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

Cary Riggs & Ingram, L.L.C.

Wilson, North Carolina
February 13, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

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

Report on Compliance for Each Major State Program

We have audited the Town of Stantonsburg, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Stantonsburg, North Carolina's major state programs for the year ended June 30, 2019. The Town of Stantonsburg, North Carolina's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Stantonsburg, North Carolina's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Stantonsburg, North Carolina's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Stantonsburg, North Carolina's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Stantonsburg, North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Town of Stantonsburg, North Carolina is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Stantonsburg, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Stantonsburg, North Carolina's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

Wilson, North Carolina
February 13, 2020

**Town of Stantonsburg, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019**

Section I - Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified that are not considered to be material weaknesses?	None noted
Noncompliance material to financial statements noted?	No

State Awards

Internal control over major State programs:

Type of auditors' report issued on compliance for major State programs:	Unmodified
Material weakness(es) identified?	No
Significant deficiency(s) identified that are not considered to be material weaknesses?	None noted
Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?	No

Identification of major State program:

Name of State Program

Connect NC Bond "Tax Exempt" Program

Town of Stantonsburg, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

Section II - Financial Statement Findings

Finding 2017-01 (Repeat)

MATERIAL WEAKNESS

Segregation of Duties Related to Cash Receipts

Criteria: A good system of internal control provides for a proper segregation of the accounting functions. At times, the Town does not have the proper segregation of duties over cash receipts. Most of the time, the Town has two employees involved in the cash receipts function but during times of sickness or vacation, only one employee is available. During days when just one employee is available, the same person receives payments, enters them in the accounts receivable subsidiary ledgers, and prepares the bank deposit.

Condition: There is a lack of segregation of duties among Town personnel on days when only one employee is available for the cash receipts function.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. The governing board should remain active and engaged in the day to day operations of the Town, particularly on days when only one employee is available for the cash receipts function.

Views of Responsible Officials and Planned Corrective Actions: The Town agrees with the finding and will adhere to the corrective action plan on page 50 in this audit report.

Section III - State Award Findings and Questioned Costs

None reported

Town of Stantonburg

P.O. Box 10

108 E. Commercial Avenue

Stantonburg, NC 27883

Phone: 252-238-3608

Fax: 252-238-2696

**Corrective Action Plan
For the Fiscal Year Ended June 30, 2019**

Section II - Financial Statement Findings

Finding 2017-01 (Repeat)


MATERIAL WEAKNESS

Segregation of Duties Related to Cash Receipts

Name of contact person: Tabitha Bailey, Finance Officer

Corrective Action: The Town agrees but adding additional personnel at the present time is not practical from a cost-benefit perspective. The governing board will remain active and engaged on a day to day basis, particularly on days when only one employee is available for the cash receipts function.

Proposed Completion Date: The governing board will remain active and engaged on a day to day basis realizing that it is not practical from a cost-benefit perspective to add additional personnel at the present time.



**Town of Stantonsburg, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2019**

Finding 2017-01 (Repeat)

Status: (Uncorrected) The governing board is remaining active and engaged on a day to day basis, particularly on days when only one employee is available for the cash receipts function; realizing that it is not practical from a cost-benefit perspective to add additional personnel at the present time.

Town of Stantonsburg, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2019

<u>Grantor/Pass-through Grantor/Program Title</u>	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal - (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Grants:					
Cash Programs:					
U.S. Department of Justice					
Passed-through N.C. Department of Public Safety - Governor's Crime Commission					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	PROJ012621	\$ 21,312	\$ -	\$ -
Noncash Programs:					
U.S. Department of Defense - Defense Logistics Agency					
Passed-through N.C. Department of Public Safety					
Federal Excess Property Program:	12.U01				
1994 Military Humvee			104,626	-	-
1995 Military Humvee			60,000	-	-
Generator			38,418	-	-
Total U.S. Department of Defense			203,044	-	-
Total federal assistance			224,356	-	-
State Grants:					
Cash Programs:					
N.C. Department of Transportation					
Powell Bill			-	149,755	-
N.C. Department of Environmental Quality					
Division of Water Infrastructure					
Wastewater Asset Inventory and Assessment Grant		E-AIA-W-16-0028	-	67,263	24,858
Connect NC Bond "Tax Exempt" Program		E-SRP-W-17-0036	-	449,418	-
Total state assistance			-	666,436	24,858
Total federal and state assistance			\$ 224,356	\$ 666,436	\$ 24,858

For the fiscal year ended June 30, 2019, the Town did not provide any federal or state funding to a sub-recipient.

Town of Stantonsburg, North Carolina
Notes to the Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2019

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Stantonsburg, North Carolina under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Stantonsburg, North Carolina, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Stantonsburg, North Carolina.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Town of Stantonsburg, North Carolina has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Contingencies

Grant monies received and disbursed by the Town of Stantonsburg, North Carolina are for specific purposes and are subject to review by the grantor agencies. Such audits may result in required reimbursements due to disallowed expenditures. Based upon experience, the Town does not believe that such disallowance, if any, would have a material effect on the financial position of the Town.

Note 5: Loans

The Town of Stantonsburg, North Carolina did not expend federal or State awards related to loans or loan guarantees during the fiscal year ended June 30, 2019.

Note 6: Federally Funded Insurance

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