

**TOWN OF STEM
NORTH CAROLINA**

ANNUAL FINANCIAL REPORT

Town Commissioners

Paul C. Dover, Mayor
Susan Cope, Mayor Pro Tem
Kenneth McLamb
David Pavlus
Kevin Easter

Administrative and Financial Staff

Vicki Garret, Town Clerk
Robert Hornik, Town Attorney

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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June 30, 2019**

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FINANCIAL SECTION

May & Place, PA
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 900
Louisburg, NC 27549
Bus: 919-496-3041
Fax: 919-496-6342

Scott H. May, CPA
Dale R. Place, CPA, CFE

Independent Auditor's Report

Honorable Mayor and Commissioners
Town of Stem
Stem, North Carolina 27581

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund for the Town, 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, North Carolina basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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 financial statement 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and each major fund for the Town, North Carolina as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity 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 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 the 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 the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates 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 by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

May & Place, PA

May & Place, PA
Louisburg, North Carolina
October 22, 2019

Management's Discussion and Analysis

As management of the Town of Stem, North Carolina, we offer readers of the Town of Stem, North Carolina's financial statements this narrative overview and analysis of the financial activities of the Town of Stem, North Carolina 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 of Stem's financial statements, which follow this narrative.

Financial Highlights

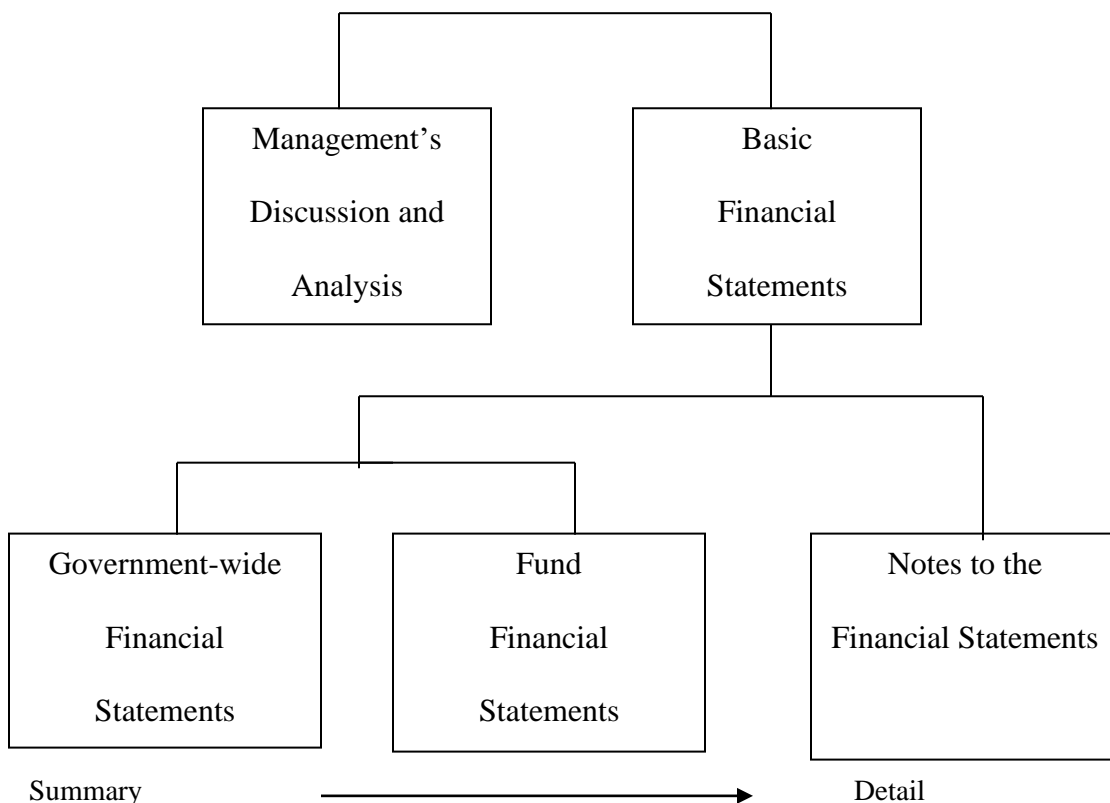
- The assets of the Town of Stem exceeded its liabilities at the close of the fiscal year by \$843,960 (*net position*).
- The government's total net position increased by \$59,712.
- As of the close of the current fiscal year, the Town of Stem's governmental fund reported an ending fund balance of \$460,486, a net decrease of \$16,485 in fund balance. Approximately 16.78 percent of this total amount or \$77,282 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$383,204 or 83.22 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 Stem's basic financial statements. The Town of Stem'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 of Stem 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 Stem.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 5) 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 two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

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

Government-Wide Financial Statements

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

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

The government-wide statements present the governmental activities, which include most of the Town's basic services such as public safety, transportation and utilities, parks and recreation, and general administration. Property taxes, intergovernmental revenues, and state and federal grant funds finance most of these activities.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Stem, 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 Stem are governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All 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 Stem 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 management of the Town of Stem, and the decisions of the Commissioners about which services to provide and how to pay for them. It also authorizes the Town of Stem 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 of Stem complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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 start on page 22 of the report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Stem exceeded liabilities by \$843,960 as of June 30, 2019. The Town's net position increased by \$59,712 for the fiscal year ended June 30, 2019. One portion of the Town's net

position, \$381,201, reflects the Town's net investment in capital assets (e.g. machinery and equipment). The Town of Stem uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of any outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot liquidate these liabilities. An additional portion of the Town of Stem's net position, \$77,282 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$385,477 is unrestricted.

**Town's Net Position
Figure 2**

| | Governmental Activities | | Total | |
|--|------------------------------------|-------------------|-------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Current and other assets | \$ 471 985 | \$ 487 864 | \$ 471 985 | \$ 487 864 |
| Capital assets | <u>381 201</u> | <u>306 416</u> | <u>381 201</u> | <u>306 416</u> |
| Total assets | <u>853 186</u> | <u>794 280</u> | <u>853 186</u> | <u>794 280</u> |
| Other liabilities | <u>9 226</u> | <u>10 032</u> | <u>9 226</u> | <u>10 032</u> |
| Total liabilities | <u>9 226</u> | <u>10 032</u> | <u>9 226</u> | <u>10 032</u> |
| Net assets: | | | | |
| Net investment in capital assets, net of related debt | 381 201 | 306 416 | 381 201 | 306 416 |
| Restricted | 77 282 | 59 932 | 77 282 | 59 932 |
| Unrestricted | <u>385 477</u> | <u>417 900</u> | <u>385 477</u> | <u>417 900</u> |
| Total net position | <u>\$ 843 960</u> | <u>\$ 784 248</u> | <u>\$ 843 960</u> | <u>\$ 784 248</u> |

Several aspects of the Town's financial operations influenced the total unrestricted governmental net assets:

- Revenues for the General Fund were over budgeted amount by \$24,025 while expenditures were over budgeted amounts by \$67,637.
- Continuing effort by the county to collect 99.50% of property taxes.

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

| | Governmental Activities | | Total | |
|---|------------------------------------|-------------------|-------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenues: | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 33 935 | \$ 31 322 | \$ 33 935 | \$ 31 322 |
| Operating grants and contributions | 47 477 | 20 480 | 47 477 | 20 480 |
| General revenues: | | | | |
| Property taxes | 323 681 | 283 516 | 323 681 | 283 516 |
| Grants and contributions not restricted to specific programs | 180 259 | 160 017 | 180 259 | 160 017 |
| Other income | 485 | 3 121 | 485 | 3 121 |
| Total revenues | <u>585 837</u> | <u>498 456</u> | <u>585 837</u> | <u>498 456</u> |
| Expenses: | | | | |
| General government | 208 884 | 210 416 | 208 884 | 210 416 |
| Public safety | 224 476 | 200 768 | 224 476 | 200 768 |
| Transportation and utilities | 61 863 | 28 421 | 61 863 | 28 421 |
| Storm water Management | 30 902 | 7 854 | 30 902 | 7 854 |
| Total expenses | <u>526 125</u> | <u>447 459</u> | <u>526 125</u> | <u>447 459</u> |
| Increase(decrease) in net position | 59 712 | 50 997 | 59 712 | 50 997 |
| Net position, July 1 | 784 248 | 733 251 | 784 248 | 733 251 |
| Net position, June 30 | <u>\$ 843 960</u> | <u>\$ 784 248</u> | <u>\$ 843 960</u> | <u>\$ 784 248</u> |

Governmental activities. Governmental activities increased the Town's net position by \$59,712.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Stem. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$383,204, while total fund balance reached \$460,486. 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 63.77 percent of total General Fund expenditures, while total fund balance represents 76.63 percent of that same amount.

At June 30, 2019, the governmental funds of the Town of Stem reported a combined fund balance of \$460,486, a 3.46 percent decrease from the prior year.

General Fund Budgetary Highlights. For the fiscal year, the Town adopted a budget. If any budget amendments were required, they would have fallen 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.

Revenues were higher than budgeted amounts primarily because revenues from taxes were higher than expected. Expenditures were over budgeted amount as the Town did not make the appropriate budget amendments to comply with its budgetary requirements.

Capital Asset and Debt Administration

Capital assets: The Town of Stem’s capital assets for its governmental activities as of June 30, 2019, total \$381,201(net of accumulated depreciation). The assets include buildings, machinery and equipment, land, park facilities, and vehicles.

**Town of Stem’s Capital Assets
(net of depreciation)
Figure 4**

| | Governmental Activities | |
|----------------------------------|------------------------------------|-------------------|
| | <u>2019</u> | <u>2018</u> |
| Land | \$ 191 647 | \$ 191 647 |
| Building and improvements | 74 096 | 24 210 |
| Equipment | 32 620 | 9 408 |
| Vehicles and motorized equipment | 52 823 | 50 360 |
| Storm water system | <u>30 015</u> | <u>30 791</u> |
| | <u>\$ 381 201</u> | <u>\$ 306 416</u> |

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

Long-term Debt: As of June 30, 2019, the Town of Stem had no long-term debt outstanding.

Economic Factors and Next Year’s Budgets and Rates

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

- At the end of June 2019, the Town of Stem had an unemployment rate of 3.9% compared to a state rate of 4.4% and national rate of 3.7%.
- With the Town concerned about its revenues in light of current economic conditions, the Town still expects the tax collection rate to remain the same.
- Per the 2010 census, the Town of Stem had 463 people living in 194 households.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities:

- Total budget for the fiscal year ending June 30, 2020 is \$549,005, a 2.76 percent increase over the prior 2019-year budget.
- The tax rate for the coming fiscal year of 2020 is to remain the same as the prior year of .45cent/\$100.00.

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 Mayor, Town of Stem, and P. O. Box 88, Stem, NC 27581, telephone number (919) 528-4144.

BASIC FINANCIAL STATEMENTS

Town of Stem, North Carolina
Statement of Net Position
June 30, 2019

| | Governmental Activities | Total |
|---|------------------------------------|--------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and investments | \$ 395 299 | \$ 395 299 |
| Taxes receivable (net) | 1 967 | 1 967 |
| Accrued interest receivable taxes | 306 | 306 |
| Due from other governments | 42 883 | 42 883 |
| Restricted cash and cash equivalents | 31 530 | 31 530 |
| Total Current Assets | 471 985 | 471 985 |
| Land and construction in progress | 191 647 | 191 647 |
| Other capital assets, net of depreciation | 189 554 | 189 554 |
| Total capital assets, net of depreciation | 381 201 | 381 201 |
| Total Assets | 853 186 | 853 186 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | 9 226 | 9 226 |
| Total Current Liabilities | 9 226 | 9 226 |
| Total Liabilities | 9 226 | 9 226 |
| NET POSITION | | |
| Net investment in capital assets | 381 201 | 381 201 |
| Restricted for: | | |
| Streets | 31 530 | 31 530 |
| Stabilization by State Statute | 42 883 | 42 883 |
| Perpetual maintenance | 2 869 | 2 869 |
| Unrestricted | 385 477 | 385 477 |
| Total Net Position | \$ 843 960 | \$ 843 960 |

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

Exhibit 2

**Town of Stem, North Carolina
Statement of Activities
For the Year Ended June 30, 2019
Program Revenues**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Total</u> |
|--|-------------------|---------------------------------|---|---|------------------------------------|-------------------|
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General government | \$ 208 884 | \$ - | \$ - | \$ - | \$ (208 884) | \$ (208 884) |
| Public safety | 224 476 | 937 | - | - | (223 539) | (223 539) |
| Transportation and utilities | 61 863 | - | 20 898 | - | (40 965) | (40 965) |
| Cultural and recreation | - | - | 26 579 | - | 26 579 | 26 579 |
| Storm water management | 30 902 | 32 998 | - | - | 2 096 | 2 096 |
| Total Governmental Activities | <u>526 125</u> | <u>33 935</u> | <u>47 477</u> | <u>-</u> | <u>(444 713)</u> | <u>(444 713)</u> |
| Total Primary Government | <u>\$ 526 125</u> | <u>\$ 33 935</u> | <u>\$ 47 477</u> | <u>\$ -</u> | <u>(444 713)</u> | <u>(444 713)</u> |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes levied for general purposes | | | | | 323 681 | 323 681 |
| Unrestricted intergovernmental | | | | | 180 259 | 180 259 |
| Unrestricted miscellaneous | | | | | 20 | 20 |
| Unrestricted investment earnings | | | | | 465 | 465 |
| Total general revenues not including transfers | | | | | <u>504 425</u> | <u>504 425</u> |
| Change in Net Position | | | | | 59 712 | 59 712 |
| Net Position – beginning | | | | | 784 248 | 784 248 |
| Net Position – ending | | | | | <u>\$ 843 960</u> | <u>\$ 843 960</u> |

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

Exhibit 3

**Town of Stem, North Carolina
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2019**

| | General Fund | Total Governmental Funds |
|---|-------------------------|---|
| ASSETS | | |
| Cash and investments | \$ 395 299 | \$ 395 299 |
| Restricted cash and investments | 31 530 | 31 530 |
| Taxes receivable | 1 967 | 1 967 |
| Accounts receivable | 42 883 | 42 883 |
| Total assets | 471 679 | 471 679 |
| LIABILITIES | | |
| Accounts payable | 5 021 | 5 021 |
| Accrued payroll liabilities | 4 205 | 4 205 |
| Total liabilities | 9 226 | 9 226 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property taxes receivable | 1 967 | 1 967 |
| Total deferred inflows of resources | 1 967 | 1 967 |
| FUND BALANCES | | |
| Non-spendable | | |
| Perpetual maintenance | 2 869 | 2 869 |
| Restricted | | |
| Stabilization by State Statute | 42 883 | 42 883 |
| Streets | 31 530 | 31 530 |
| Unassigned | 383 204 | 383 204 |
| Total fund balances | 460 486 | 460 486 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 471 679 | \$ 471 679 |

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

Exhibit 3
(continued)

Town of Stem, North Carolina
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2019

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

| | | |
|---|----|-----------------------|
| Total fund balance, Governmental Fund | \$ | 460 486 |
| Capital assets used in governmental activities are not financial resources and therefore not reported in the funds | | 381 201 |
| Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore, are deferred. | | 306 |
| Liabilities for earned but deferred revenues in fund statements. Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds. | | <u>1 967</u> |
| Net position of governmental activities, Exhibit 1 | \$ | <u><u>843 960</u></u> |

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

Town of Stem, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

| | General Fund | Total Governmental Funds |
|---|-------------------------|---|
| Revenues | | |
| Ad valorem taxes | \$ 322 269 | \$ 322 269 |
| Unrestricted intergovernmental revenues | 180 259 | 180 259 |
| Restricted intergovernmental revenues | 47 410 | 47 410 |
| Permits and fees | 937 | 937 |
| Sales and services | 32 998 | 32 998 |
| Investment earning | 532 | 532 |
| Miscellaneous | 20 | 20 |
| Total revenues | 584 425 | 584 425 |
| Expenditures | | |
| General government | 283 665 | 283 665 |
| Public safety | 225 256 | 225 256 |
| Transportation and utilities | 61 863 | 61 863 |
| Storm water management | 30 126 | 30 126 |
| Total expenditures | 600 910 | 600 910 |
| Excess (deficiency) of revenues over expenditures | (16 485) | (16 485) |
| Fund Balance – beginning | 476 971 | 476 971 |
| Fund Balance – ending | \$ 460 486 | \$ 460 486 |

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

Town of Stem, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

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

| | | |
|---|----|----------|
| Net changes in fund balances – total government funds | \$ | (16 485) |
| <p>Government funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p> | | |
| Capital outlays | | 102 830 |
| Depreciation | | (28 045) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p> | | |
| Change in accrued interest receivable on taxes | | (23) |
| Change in deferred revenue for tax revenue | | 1 435 |
| Total changes in net position of governmental activities | \$ | 59 712 |

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

Exhibit 5

Town of Stem, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund
For the Year Ended June 30, 2019

| | Original | Final | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|---|-----------------|--------------|---------------------------|--|
| Revenues: | | | | |
| Ad valorem taxes | \$ 321 500 | \$ 321 500 | \$ 322 269 | \$ 769 |
| Unrestricted intergovernmental | 156 650 | 156 650 | 180 259 | 23 609 |
| Restricted intergovernmental | 46 500 | 46 500 | 47 410 | 910 |
| Permits and fees | 1 160 | 1 160 | 937 | (223) |
| Sales and services | 34 000 | 34 000 | 32 998 | (1 002) |
| Investment earnings | 90 | 90 | 532 | 442 |
| Miscellaneous revenues | 500 | 500 | 20 | (480) |
| Total revenues | 560 400 | 560 400 | 584 425 | 24 025 |
| Expenditures: | | | | |
| General government | 226 692 | 237 692 | 283 665 | (45 973) |
| Public safety | 238 581 | 245 881 | 225 256 | 20 625 |
| Transportation and utilities | 34 000 | 34 000 | 61 863 | (27 863) |
| Storm water management | 34 000 | 44 000 | 30 126 | 13 874 |
| Total expenditures | 533 273 | 561 573 | 600 910 | (39 337) |
| Revenues over (under) expenditures | 27 127 | (1 173) | (16 485) | (15 312) |
| Other financing sources (uses): | | | | |
| Fund balance appropriated | (27 127) | 1 173 | - | (1 173) |
| Total other financing sources (uses) | (27 127) | 1 173 | - | (1 173) |
| Revenues over expenditures and other financing Sources (uses) | \$ - | \$ - | (16 485) | \$ (16 485) |
| Fund Balance - beginning | | | 476 971 | |
| Fund Balance – ending | | | \$ 460 486 | |

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

NOTES TO THE FINANCIAL STATEMENTS

Town of Stem, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Stem 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 Stem is a municipal corporation that is governed by an elected mayor and five-member council. As required by generally accepted accounting principles, these financial statements present the Town of Stem, a legally separate entity for which the Town is financially accountable. These financial statements present only the financial operations of the Town, as there are no component units required to be included.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the Town) net position. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The Town has only governmental activities.

The statement of activities presents a comparison between direct expenses and program revenues 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, fines, 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 where applicable. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The Town of Stem had no non-major governmental funds and no major or non-major enterprise funds. The Town has only a general fund.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town of Stem. 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 shared revenues, State grants, other taxes and licenses, and investment earnings. The primary expenditures are for streets and highways, public safety, and general governmental services.

C. Measurement Focus and Basis of Accounting

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

Government-wide Fund Financial Statements. The government-wide fund financial statements are reported using the economic resources measurement focus. The government-wide 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, including 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 (a) charges to customers or applications for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Revenues that are not classified as program revenues are presented as general revenues. Likewise, general revenues include all taxes.

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

The Town of Stem 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 of Stem are recognized as revenue. Sales taxes are considered shared revenue for the Town of Stem because the tax is levied by Granville 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 of Stem 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 of Stem'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 of Stem's budget was adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund by more than \$2,500. All amendments must be approved by the governing board. The

budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity

1. Deposits and Investments

All deposits of the Town of Stem are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town of Stem may designate, as an official depository, any bank or savings association whose principle office is located in North Carolina. Also, the Town of Stem 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 amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

In accordance with State law, the Town may invest in securities which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are 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. Funds for the perpetual maintenance of the Town's cemetery are classified as restricted as they are expended for the care and maintenance of the cemetery. The Town of Stem has restricted cash of \$31,530 and \$2,869 for Powell Bill and perpetual maintenance of the cemetery respectively, for fiscal year June 30, 2019.

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. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowance for Doubtful Accounts

All receivables that historically experience uncollectable 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. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, improvements, equipment, vehicles, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$50,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 is recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Town are depreciated on a straight-line basis over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-------------------------|-------------------------------|
| Buildings | 40 |
| Improvements | 15 |
| Vehicles | 5 |
| Computers | 3 |
| Furniture and equipment | 7-10 |

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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 does not have any of these items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has one item that meets this criterion, which consists of property taxes receivable that result from the implementation of GASB Statement 68.

8. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Perpetual maintenance-Cemetery resources that are required to be retained perpetually for maintenance of the Town of Stem.

Restricted fund balance – This classification includes amounts that are restricted to specific purposes externally imposed or imposed by law.

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

Restricted for 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.

Committed fund balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Stem'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 intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriations.

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

The Town of Stem has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Town Clerk/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, follow in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Town Clerk/Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

None

2. Contractual Violations

The Town did not have any contractual violations.

B. Deficit in Fund Balance or Net Position of Individual Funds

The Town did not have a net deficit in fund balance or net position.

C. Excess of Expenditures over Appropriation

For the fiscal year ended June 30, 2019, the expenditures made in the general fund exceeded the authorized appropriations made by the governing board for general government expenditures by \$45,973; and transportation and utilities by \$27,863. These over-expenditures resulted from under budgeting of capital outlay for park buildings and improvements, professional fees, and contracted services.

The Town has elected to set up a Budget Committee for annual budget preparation and review of budgeted appropriations to its actual expenditures on a regular basis. This will allow management and the Board of Commissioners to review its estimates for distributions and capital outlay during budget preparation and closely monitor its budget reports to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no 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 \$426,829 and a bank balance of \$433,769. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder of \$183,769 was covered by collateral held under the pooling method. The Town of Stem does not maintain a petty cash fund.

2. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are without any allowances for doubtful accounts:

| | | |
|--------------------------------------|----|---------------|
| Accrued interest receivable on taxes | \$ | 306 |
| Storm water receivable | | 202 |
| Due from other governments: | | |
| Accounts receivable property tax | | 1 967 |
| ABC distribution receivable | | 1 359 |
| Franchise tax receivable | | 5 702 |
| Sales tax receivable | | 26 680 |
| Due from Granville County | | 8 940 |
| Total General Fund | \$ | <u>45 156</u> |

3. Capital Assets

Primary Government

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

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 191 647 | \$ - | \$ - | \$ 191 647 |
| Total capital assets not being depreciated | <u>191 647</u> | <u>-</u> | <u>-</u> | <u>191 647</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 56 352 | 54 620 | - | 110 972 |
| Equipment | 86 432 | 25 195 | - | 111 627 |
| Improvements | 2 340 | - | - | 2 340 |
| Storm water system | 31 050 | - | - | 31 050 |
| Vehicles and motorized equipment | 173 133 | 23 015 | - | 196 148 |
| Total capital assets being depreciated | <u>349 307</u> | <u>102 830</u> | <u>-</u> | <u>452 137</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 32 142 | 4 734 | - | 36 876 |
| Equipment | 77 024 | 1 983 | - | 79 007 |
| Improvements | 2 340 | - | - | 2 340 |
| Storm water system | 259 | 776 | - | 1 035 |
| Vehicles and motorized equipment | 122 773 | 20 552 | - | 143 325 |
| Total accumulated depreciation | <u>234 538</u> | <u>\$ 28 045</u> | <u>\$ -</u> | <u>262 583</u> |
| Total capital assets being depreciated, net | <u>114 769</u> | | | <u>189 554</u> |
| Governmental activity capital assets, net | <u>\$ 306 416</u> | | | <u>\$ 381 201</u> |

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

| <u>Function</u> | <u>Amount</u> |
|----------------------------|------------------|
| General government | \$ 5 034 |
| Public safety | 22 235 |
| Storm water management | <u>776</u> |
| Total depreciation expense | <u>\$ 28 045</u> |

B. Liabilities

1. Pension Plan Obligations

a) Employees' Retirement System

The Town of Stem does not participate in the Local Governmental Employees' Retirement System.

b) Law Enforcement Officers Special Separation Allowance

The Town of Stem does not have any full-time law enforcement officers that can participate in the LEOSSA.

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. The law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$0.

2. Deferred Outflows and Inflows of Resources

Deferred inflows of resources at year end are composed of ad valorem taxes receivable.

| | <u>General Fund Balance Sheet</u> |
|------------------------------|---------------------------------------|
| Ad valorem taxes receivable: | <u>\$1,967</u> |
| Total deferred revenue: | <u>\$1,967</u> |

3. Risk Management

The Town is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. 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 in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town of Stem does not carry flood insurance. There have been no losses due to flooding in previous years and the Town does not believe that flood insurance is necessary.

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 Town Clerk, who serves as the Finance Officer, is individually bonded by a surety in the amount of \$50,000. The Mayor and Town Commissioners are bonded for \$10,000 each.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2019, the Town of Stem was not a defendant to any lawsuits, judgments and contingent liabilities.

C. Fund Balance

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

| | |
|--|------------|
| <i>Total fund balance-General Fund</i> | \$ 460 486 |
| <hr/> | |
| Less: | |
| Perpetual Maintenance - Cemetery | 2 869 |
| Streets – Powell Bill | 31 530 |
| Stabilization by State Statute | 42 883 |
| Remaining Fund Balance | 383 204 |

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town can receive several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys 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 moneys.

V. Significant Effects of Subsequent Events

Management has evaluated subsequent events through October 22, 2019, the date on which the financial statements were available to be issued.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Stem, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------------|-------------------|-------------------|---|
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Current year | \$ | \$ 321 262 | \$ |
| Prior years | | 243 | |
| Penalties and interest | | 764 | |
| Total | <u>321 500</u> | <u>322 269</u> | <u>769</u> |
| Unrestricted intergovernmental: | | | |
| Local option sales taxes | | 148 464 | |
| Franchise taxes | | 28 191 | |
| County ABC Board | | 847 | |
| Beer and wine tax | | 2 757 | |
| Total | <u>156 650</u> | <u>180 259</u> | <u>23 609</u> |
| Restricted intergovernmental: | | | |
| State Street Aid grant | | 20 831 | |
| Granville County Recreational Funding | | 25 000 | |
| Granville County Recreational Funding | | 1 579 | |
| Total | <u>46 500</u> | <u>47 410</u> | <u>910</u> |
| Permits and fees: | | | |
| Court fees | | 27 | |
| Zoning permits | | 880 | |
| Watershed Permit Income | | 30 | |
| Total | <u>1 160</u> | <u>937</u> | <u>(223)</u> |
| Sales and Services | | | |
| Storm water fees | | 32 998 | |
| Total | <u>34 000</u> | <u>32 998</u> | <u>(1 002)</u> |
| Investment earnings | <u>90</u> | <u>532</u> | <u>442</u> |
| Miscellaneous revenue | <u>500</u> | <u>20</u> | <u>(480)</u> |
| Total Revenues | <u>\$ 560 400</u> | <u>\$ 584 425</u> | <u>\$ 24 025</u> |

(continued)

Town of Stem, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------|----------------|----------------|---|
| Expenditures: | | | |
| General Government: | | | |
| Governing Body | | | |
| Mayor | \$ | \$ 10 500 | \$ |
| Board of Commissioners | | 18 333 | |
| Zoning administrator | | 9 000 | |
| Payroll taxes | | 3 055 | |
| Dues and subscriptions | | 11 167 | |
| Legal fees | | 29 355 | |
| Mowing | | 7 735 | |
| Telephone | | 2 363 | |
| Parade expenditures | | 2 499 | |
| Contributions | | 45 272 | |
| Meeting expenditures | | 1 688 | |
| Zoning expenditures | | 1 024 | |
| Kiddie Park expenditures | | 10 826 | |
| Miscellaneous expenditures | | 1 683 | |
| Capital outlay | | 79 815 | |
| Total general government | <u>196 662</u> | <u>234 315</u> | <u>(37 653)</u> |
| Finance | | | |
| Town clerk | | 10 200 | |
| Payroll taxes | | 780 | |
| Advertising | | 2 497 | |
| Office supplies and postage | | 2 567 | |
| Professional fees | | 12 737 | |
| Repairs and maintenance | | 8 055 | |
| Miscellaneous expenditures | | 371 | |
| Utilities | | 3 706 | |
| Website | | 5 840 | |
| Movie Night expenditures | | 1 101 | |
| Supplies | | 1 496 | |
| Total finance | <u>41 030</u> | <u>49 350</u> | <u>(8 320)</u> |
| Total General Government: | <u>237 692</u> | <u>283 665</u> | <u>(45 973)</u> |
| Public safety: | | | |
| Salaries and wages | | 151 850 | |
| Payroll taxes | | 11 617 | |
| Equipment and supplies | | 9 579 | |

(continued)

Town of Stem, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|----------------|-------------------|---|
| Telephone | | 1 959 | |
| Uniforms and laundry | | 394 | |
| Gas and oil | | 4 358 | |
| Licenses | | 790 | |
| Liability insurance | | 7 119 | |
| Continuing education | | 485 | |
| Insurance – workers' compensation | | 6 904 | |
| Repairs and maintenance | | 2 406 | |
| Parade expenditures | | 4 780 | |
| Capital outlay | | 23 015 | |
| Total public safety: | <u>245 881</u> | <u>225 256</u> | <u>20 625</u> |
| Transportation and utilities: | | | |
| Streetlights | | 12 212 | |
| Street signs | | 5 046 | |
| Mowing | | 15 455 | |
| Snow removal | | 2 250 | |
| Street repairs | | 6 900 | |
| Contracted services | | 20 000 | |
| Total transportation and utilities | <u>34 000</u> | <u>61 863</u> | <u>(27 863)</u> |
| Storm water Management | | | |
| Storm water management fees | | 4 000 | |
| Storm water expenditures | | 25 600 | |
| Storm water other expenditures | | 526 | |
| Total storm water Management | <u>44 000</u> | <u>30 126</u> | <u>13 874</u> |
| Total expenditures | <u>561 573</u> | <u>600 910</u> | <u>(39 337)</u> |
| Revenues over (under) expenditures | <u>(1 173)</u> | <u>(16 485)</u> | <u>(15 312)</u> |
| Other financing sources (uses): | | | |
| Fund balance appropriated | <u>1 173</u> | <u>-</u> | <u>(1 173)</u> |
| Total Other Financing Sources (Uses) | <u>1 173</u> | <u>-</u> | <u>(1 173)</u> |
| Revenues over (under) expenditures and other financing sources (uses) | <u>\$ -</u> | <u>(16 485)</u> | <u>\$ (16 485)</u> |
| Fund balances – beginning | | <u>476 971</u> | |
| Fund balances – ending | | <u>\$ 460 486</u> | |

Other Schedules

This section contains additional information required on property taxes

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

Town of Stem, North Carolina
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 And Credits</u> | <u>Uncollected Balance June 30, 2019</u> |
|--------------------|--|-------------------|------------------------------------|--|
| 2018-2019 | \$ - | \$ 332 447 | \$ 330 769 | \$ 1 678 |
| 2017-2018 | 47 | - | 47 | - |
| 2016-2017 | - | - | - | - |
| 2015-2016 | - | - | - | - |
| 2014-2015 | - | - | - | - |
| 2013-2014 | 24 | - | 10 | 14 |
| 2012-2013 | 65 | - | 11 | 54 |
| 2011-2012 | 121 | - | 30 | 91 |
| 2010-2011 | 97 | - | 40 | 57 |
| 2009-2010 | 113 | - | 40 | 73 |
| 2008-2009 | 64 | - | 64 | - |
| | <u>\$ 531</u> | <u>\$ 332 447</u> | <u>\$ 331 011</u> | <u>\$ 1 967</u> |

Reconciliation with revenues:

| | |
|---------------------------------|--------------------------|
| Ad valorem taxes – General Fund | \$ <u>322 269</u> |
| Reconciling items: | |
| Interest collected | (764) |
| Discounts and releases allowed | 9 442 |
| Taxes written off | <u>64</u> |
| Subtotal | <u>8 742</u> |
| Total collections and credits | \$ <u><u>331 011</u></u> |

**Town of Stem, 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 rate | \$ 69 201 929 | 0.45 | \$ 311 408 | \$ 271 027 | \$ 40 381 |
| Penalties | - | | - | - | - |
| Total | <u>69 201 929</u> | | <u>311 408</u> | <u>271 027</u> | <u>40 381</u> |
| Discoveries: | | | | | |
| Current year taxes | 4 680 398 | 0.45 | 21 062 | 21 062 | - |
| Prior year taxes | - | | - | - | - |
| Penalties | - | | - | - | - |
| | <u>4 680 398</u> | | <u>21 062</u> | <u>21 062</u> | <u>-</u> |
| Releases | (5 218) | 0.45 | (23) | (23) | - |
| Total property valuation | <u>\$ 73 877 109</u> | | | | |
| Net levy | | | 332 447 | 292 066 | 40 381 |
| Uncollected taxes at June 30, 2019 | | | <u>(1 678)</u> | <u>(1 535)</u> | <u>(143)</u> |
| Current year's taxes collected | | | <u>\$ 330 769</u> | <u>\$ 290 531</u> | <u>\$ 40 238</u> |
| Current levy collection percentage | | | <u>99.50%</u> | <u>99.47%</u> | <u>99.65%</u> |