

**Town of Stokesdale, North Carolina**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

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**TOWN COUNCIL**

John Flynt, Mayor

Theron Hooks, Jr. Mayor Pro-Tem

Frank Bruno

William Nolen Jones

Tim Jones

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Alisa Houk, Town Clerk/Finance Officer

Phillip Pulliam, Budget Officer

**Town of Stokesdale, North Carolina**  
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**June 30, 2019**

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# Rouse, Rouse, Rouse & Gardner, L.L.P.

Certified Public Accountants



R. Rex Rouse, Jr., CPA

Judy G. Rouse, CPA

Victor B. Rouse, CPA/PFS

Trevor C. Gardner, CPA

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## Independent Auditor's Report

To the Honorable Mayor  
and Members of the City Council  
Stokesdale, 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 Stokesdale, 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's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 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 respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Stokesdale, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***


#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Stokesdale, 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.

  
Rouse, Rouse, Rouse & Gardner, LLP  
Eden, North Carolina  
November 30, 2019

**TOWN OF STOKESDALE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2019

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

**Financial Highlights**

- The assets of the Town of Stokesdale exceeded its liabilities at the close of the fiscal year by \$9,746,844 (*net position*).
- The government's total net position increased by \$ 36,348, primarily due to increase in the governmental type activities net position.
- As of the close of the current fiscal year, the Town of Stokesdale's governmental funds reported combined ending fund balances of \$3,103,367 with a net change of \$108,984 in fund balance. Approximately 3.10 percent of this total amount or \$96,319 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,944,548 or 694% of total general fund expenditures for the fiscal year.

**Overview of the Financial Statements**

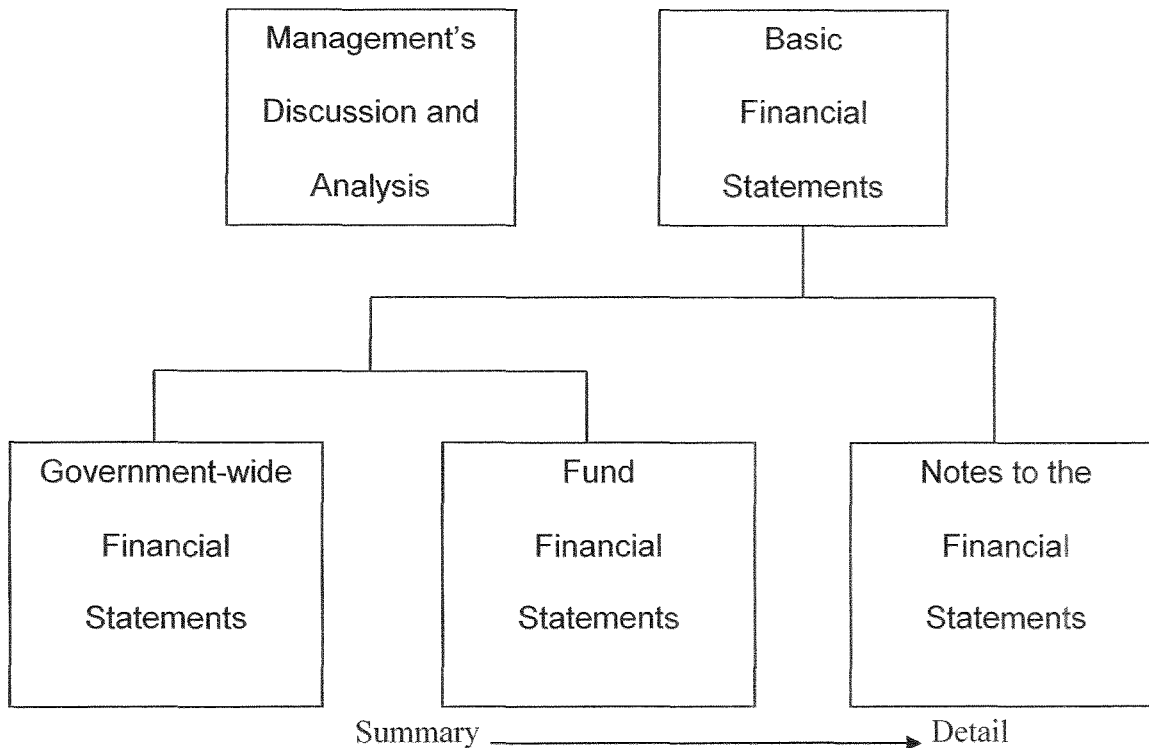
This discussion and analysis are intended to serve as an introduction to Town of Stokesdale's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (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 Stokesdale.

**TOWN OF STOKESDALE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2019

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Required Components of Annual Financial Report

**Figure 1**



**Basic Financial Statements**

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

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



**TOWN OF STOKESDALE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2019

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

### **Government-wide Financial Statements**

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

The two-governmental-wide statements report the Town's net position and how it 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 are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. The utility franchise tax distributions and investment earnings funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water service offered by the Town of Stokesdale to citizens and businesses that were covered in the first phase of the Town's water system.

### **Fund Financial Statements**

The fund financial statements (see Figure 2) 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 Stokesdale, 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 Town of Stokesdale 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* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported 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.

**TOWN OF STOKESDALE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2019

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The Town of Stokesdale 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 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 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.

**TOWN OF STOKESDALE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2019

**Government-Wide Financial Analysis**

**Town of Stokesdale**  
**Statement of Net Position**  
**June 30, 2019**

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>ASSETS</b>						
<b>Current Assets</b>	3,168,595	3,055,893	1,526,659	1,584,048	4,695,254	4,639,941
<b>Non-Current Assets</b>	<u>2,145,050</u>	<u>2,158,070</u>	<u>3,015,425</u>	<u>3,030,598</u>	<u>5,160,475</u>	<u>5,188,668</u>
Total Assets	<u>5,313,645</u>	<u>5,213,963</u>	<u>4,542,084</u>	<u>4,614,646</u>	<u>9,855,729</u>	<u>9,828,609</u>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts Payable and Accrued Expenses	40,359	14,624	17,782	28,526	58,141	43,150
Payable from restricted Assets	24,869	46,886	-	-	24,869	46,886
Customer Deposits	<u>-</u>	<u>-</u>	<u>25,875</u>	<u>28,077</u>	<u>25,875</u>	<u>28,077</u>
Total Liabilities	<u>65,228</u>	<u>61,510</u>	<u>43,657</u>	<u>56,603</u>	<u>108,885</u>	<u>118,113</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets	2,145,050	2,158,070	3,015,425	3,030,598	5,160,475	5,188,668
Restricted	96,319	95,467	-	-	96,319	95,467
Unrestricted	<u>3,007,048</u>	<u>2,898,916</u>	<u>1,483,002</u>	<u>1,527,445</u>	<u>4,490,050</u>	<u>4,426,361</u>
Total Net Position	<u>5,248,417</u>	<u>5,152,453</u>	<u>4,498,427</u>	<u>4,558,043</u>	<u>9,746,844</u>	<u>9,710,496</u>

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 Stokesdale exceeded liabilities by \$9,746,844 as of June 30, 2019. The Town's net position increased by \$36,348 for the fiscal year ended June 30, 2019. However, the largest portion (approximately 53%) reflects the Town's net investment in capital assets (e.g., land, and water system). The Town of Stokesdale uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The Town of Stokesdale has no outstanding debt at this time since all capital assets were acquired without any debt being issued. An additional portion of the Town of Stokesdale's net position, \$96,319 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,490,050 is unrestricted.

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

- Continued diligence in keeping expenditures to a minimum
- Continued diligence by staff in administration
- Being fiscally conservative over the life of the Town

**TOWN OF STOKESDALE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2019

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	61,978	33,753	475,607	475,615	537,585	509,368
Capital Grants & Contributions	3,200	2,455	75,000		78,200	2,455
General Revenues:						
Franchise Taxes	316,181	312,716			316,181	312,716
Grants & Contributions Not Restricted to Specific Programs	37,386	38,497			37,386	38,497
Unrestricted Investment Earnings	34,811	10,740	17,160	8,634	51,971	19,374
Miscellaneous	4,747	790			4,747	790
Total Revenue	<u>458,303</u>	<u>398,951</u>	<u>567,767</u>	<u>484,249</u>	<u>1,026,070</u>	<u>883,200</u>
Expenditures:						
General Government	220,416	179,699			220,416	179,699
Public Safety	19,019	15,404			19,019	15,404
Transportation	2,889	3,399			2,889	3,399
Economic and Physical Development	62,749	32,456			62,749	32,456
Cultural and Recreational	132,442	95,175			132,442	95,175
Water		-	552,207	509,033	552,207	509,033
Total Expenditures	<u>437,515</u>	<u>326,133</u>	<u>552,207</u>	<u>509,033</u>	<u>989,722</u>	<u>835,166</u>
Change in Net Position Before Transfers	20,788	72,818	15,560	(24,784)	36,348	48,034
Transfers	<u>75,176</u>	<u>-</u>	<u>(75,176)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position After Transfers	95,964	72,818	(59,616)	(24,784)	36,348	48,034
Net Position – Beginning of Year	<u>5,152,453</u>	<u>5,079,635</u>	<u>4,558,043</u>	<u>4,582,827</u>	<u>9,710,496</u>	<u>9,662,462</u>
Net Position – End of Year	<u>5,248,417</u>	<u>5,152,453</u>	<u>4,498,427</u>	<u>4,558,043</u>	<u>9,746,844</u>	<u>9,710,496</u>

**Governmental activities:** Governmental activities reflect the Town's change in net position as \$95,964. The increase in net position was the result of an ongoing effort to control costs and manage expenditures to minimize the impact of any unexpected expenditures. Town management reduced non-essential programs to minimum and implemented cost saving strategies across Town departments. Certain nonrecurring expenses were either postponed or renegotiated in an attempt to maintain a healthy net position.

**Business-type activities:** Business-type activities decreased the Town of Stokesdale's net position by \$59,616. Key elements of this decrease are as follows:

- Increased costs related to engineering and maintenance fees for various water line maintenance and repair projects.

**TOWN OF STOKESDALE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2019

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**Financial Analysis of the Town's Funds**

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

**Governmental Funds.** The focus of the Town of Stokesdale'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 Stokesdale's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Stokesdale. At the end of the current fiscal year, Town of Stokesdale's fund balance available in the General Fund was \$2,944,548. while total fund balance reached \$3,103,367. The Town currently has an available fund balance of 694% of General Fund expenditures.

At June 30, 2019, the governmental funds of Town of Stokesdale reported a combined fund balance of \$3,103,367, resulting in a 3.64% increase from last fiscal year.

**General Fund Budgetary Highlights:** During the fiscal year, the Town revised the budget on one occasion. 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.

Two budget amendments were made during the 2018-2019 fiscal year. One amendment was made in the general fund to increase appropriations for unexpected circumstances. The other was in the water fund to increase appropriations for unexpected circumstances.

**Proprietary Funds.** The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$ 1,483,002. The total decrease in net position for the funds was \$ 59,616.

Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

**TOWN OF STOKESDALE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2019

## Capital Asset and Debt Administration

**Capital assets.** The Town of Stokesdale's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$5,160,475 (net of accumulated depreciation). These assets include a Town Hall, Town Park and the Town's water system.

### Town of Stokesdale's Capital Assets (net of depreciation)

**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	375,000	375,000	8,500	8,500	383,500	375,000
Buildings and System	1,259,663	1,225,604			1,259,663	1,225,604
Improvements Other than Buildings	503,369	547,713			503,369	547,713
Equipment and Furniture	7,018	9,753			7,018	9,753
Distribution System		-	3,002,425	3,015,798	3,002,425	3,015,798
Computer Software & Equipment		-	4,500	6,300	4,500	6,300
<b>Total</b>	<b>2,145,050</b>	<b>2,158,070</b>	<b>3,015,425</b>	<b>3,030,598</b>	<b>5,160,475</b>	<b>5,188,668</b>

## Economic Factors and Next Year's Budgets and Rates

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

- Stokesdale is a small, formerly farm/agricultural community-oriented town in northwestern Guilford County. Guilford County's unemployment rate is 4.1%. As of the 2016 census, the population of Guilford County was 526,953. Stokesdale's most recent census (2016) reported by the Office of State Budget Management was 5735. According to City-Data.com Stokesdale's per capita income in 2000 was 22,548. Annually, in 2016 that per capita income increased to \$45,936.
- There are currently six major subdivisions under development in Stokesdale. There has been a significant increase in water customers and infrastructure extensions over the last fiscal year.
- Stokesdale offers a variety of office and warehouse space available for business entrepreneurs who wish to locate here.
- The preliminary study by the Timmons's Group, for the NW Guilford Proposed Regional Water System Feasibility Study has been completed and presented to the three towns. The study is shared among Stokesdale, Oak Ridge, and Summerfield. The Timmons's Group is awaiting further request from the towns for more geological details.

**TOWN OF STOKESDALE, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2019

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**Budget Highlights for the Fiscal Year Ending June 30, 2020**

**Governmental Activities:** Estimated revenues for the 2019 - 2020 fiscal year totals \$445,600. with the Franchise Tax continuing to provide 71.3 % of those funds. The Beer & Wine Excise Tax Revenues are estimated to be \$26,000 of the income of the revenue stream. Planning Fees are estimated to provide 7.2% of the income stream. An Ad Valorem tax will not be levied in the 2019-20 fiscal year. Expenses are estimated to be \$425,600 resulting in Undesignated Fund Balance in the amount of \$20,000.

**Business-Type Activities:** The Water Enterprise Fund reflects estimated income of \$731,700. Water rates were not increased for the 2019-2020 year, as Winston-Salem did not increase their rate to the Town. Expenses are estimated at \$731,700.

**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:

Town Clerk/Finance Officer  
P. O. Box 465  
Stokesdale, NC 27357  
Phone : 336-643-4011  
Fax : 336-643-4016  
E-mail : [stokesdale@stokesdale.org](mailto:stokesdale@stokesdale.org)  
Town website: [www.stokesdale.org](http://www.stokesdale.org)

**Town of Stokesdale**  
**Statement of Net Position**  
**June 30, 2019**

Exhibit 1

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	3,066,724	1,375,026	4,441,750
Accounts Receivables, net:	-	20,157	20,157
Due from Other Governments	89,972	75,000	164,972
Unbilled Water Receivable	-	17,631	17,631
Restricted Cash and Cash Equivalents	24,869	25,875	50,744
Internal Balances	(12,970)	12,970	-
Total current assets	<u>3,168,595</u>	<u>1,526,659</u>	<u>4,695,254</u>
<b>Non - Current Assets:</b>			
Capital assets:			
Land and non-depreciable capital assets	375,000	8,500	383,500
Other capital assets, net of depreciation	<u>1,770,050</u>	<u>3,006,925</u>	<u>4,776,975</u>
Total Capital Assets	<u>2,145,050</u>	<u>3,015,425</u>	<u>5,160,475</u>
Total assets	<u><u>5,313,645</u></u>	<u><u>4,542,084</u></u>	<u><u>9,855,729</u></u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable and Accrued Expenses	40,359	17,782	58,141
Payable from restricted Assets	24,869	-	24,869
Customer Deposits	<u>-</u>	<u>25,875</u>	<u>25,875</u>
Total liabilities	<u>65,228</u>	<u>43,657</u>	<u>108,885</u>
<b>NET POSITION</b>			
Net Investment in capital assets	2,145,050	3,015,425	5,160,475
Restricted for:			
Stabilization by state statute	96,319		96,319
Unrestricted	<u>3,007,048</u>	<u>1,483,002</u>	<u>4,490,050</u>
Total net position	<u><u>5,248,417</u></u>	<u><u>4,498,427</u></u>	<u><u>9,746,844</u></u>

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



**Town of Stokesdale  
Statement of Activities  
June 30, 2019**

Exhibit 2

				Net (Expense) Revenue and Changes in Net Position		
				Primary Government		
Due from other governments	Functions/Programs	Program Revenues		Governmental Activities	Business-type Activities	Total
		Charges for Services	Capital Grants Grants and Contributions			
	Expenses					
Primary Government:						
Governmental Activities:						
General Government	220,416	-	-	(220,416)	-	(220,416)
Public Safety	19,019	-	-	(19,019)	-	(19,019)
Transportation	2,889	-	-	(2,889)	-	(2,889)
Economic and Physical Development	62,749	60,038	-	(2,711)	-	(2,711)
Cultural and Recreational	132,442	1,940	3,200	(127,302)	-	(127,302)
Total Governmental Activities	<u>437,515</u>	<u>61,978</u>	<u>3,200</u>	<u>(372,337)</u>	<u>-</u>	<u>(372,337)</u>
Business-type Activities:						
Water	552,207	475,615	75,000	-	(1,600)	(1,600)
Total business-type activities	<u>552,207</u>	<u>475,615</u>	<u>75,000</u>	<u>-</u>	<u>(1,600)</u>	<u>(1,600)</u>
Total primary government	<u>989,722</u>	<u>537,593</u>	<u>78,200</u>	<u>(372,337)</u>	<u>(1,600)</u>	<u>(373,937)</u>
General Revenues:						
Taxes:						
Franchise Taxes				316,181	-	316,181
Grants and contributions not restricted to specific programs				37,386	-	37,386
Unrestricted investment earnings				34,811	17,160	51,971
				<u>4,747</u>		<u>4,747</u>
Total General Revenues before Transfers				393,125	17,160	410,285
Transfers				<u>75,176</u>	<u>(75,176)</u>	<u>-</u>
Total General Revenues and Transfers				<u>468,301</u>	<u>(58,016)</u>	<u>410,285</u>
Change in Net Position				95,964	(59,616)	36,348
Net Position - Beginning				<u>5,152,453</u>	<u>4,558,043</u>	<u>9,710,496</u>
Net Position - Ending				<u>\$ 5,248,417</u>	<u>\$ 4,498,427</u>	<u>\$ 9,746,844</u>

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

Town of Stokesdale, North Carolina  
Governmental Funds  
Balance Sheet  
June 30, 2019

Exhibit 3

	<u>Major</u>	
	<u>General</u>	<u>Total Governmental Funds</u>
Assets		
Cash and cash equivalents	3,066,724	3,066,724
Restricted cash	24,869	24,869
Due from other governmental units	<u>89,972</u>	<u>89,972</u>
Total Assets	<u>3,181,565</u>	<u>3,181,565</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts Payable	36,169	36,169
Accrued Salaries	4,190	4,190
Due to Other Funds	12,970	12,970
Payable from Restricted Assets	<u>24,869</u>	<u>24,869</u>
Total Liabilities	<u>78,198</u>	<u>78,198</u>
Fund Balances:		
Restricted:		
Reserved for Encumbrances		
Stabilization by State Statute	96,319	96,319
Committed:		
Conservation: Open Space/Conservation Rights	39,000	39,000
Public Safety	23,500	23,500
Unassigned	<u>2,944,548</u>	<u>2,944,548</u>
Total Fund Balances	<u>3,103,367</u>	<u>3,103,367</u>
Total Liabilities and Fund Balances	<u>3,181,565</u>	<u>3,181,565</u>
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position		
Total Fund Balances Governmental Funds		3,103,367
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Gross capital assets at historical cost	2,877,224	
Accumulated Depreciation	<u>732,174</u>	
		<u>2,145,050</u>
Net Position of Governmental Activities		<u>5,248,417</u>

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

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

Exhibit 4

	<u>Major</u>	Total
	<u>General</u>	<u>Governmental Funds</u>
Revenues:		
Unrestricted intergovernmental	353,567	353,567
Permits and Fees	22,705	22,705
Interest on Investments	34,811	34,811
Economic Development	37,333	37,333
Miscellaneous	9,887	9,887
	<u>458,303</u>	<u>458,303</u>
Total Revenue		
Expenditures:		
General Government	187,811	187,811
Public Safety	19,019	19,019
Transportation	2,889	2,889
Economic and Physical Development	62,749	62,749
Cultural and Recreational:	152,027	152,027
	<u>424,495</u>	<u>424,495</u>
Total Expenditures		
Revenue Over (Under)		
Expenditures	33,808	33,808
Other Financial Sources (Uses)	<u>75,176</u>	<u>75,176</u>
Net Change in Fund Balance	108,984	108,984
Fund Balance - Beginning of Year	<u>2,994,383</u>	<u>2,994,383</u>
Fund Balance - End of Year	<u><u>3,103,367</u></u>	<u><u>3,103,367</u></u>

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

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

Exhibit 4

Governmental  
Funds

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

Net changes in fund balances - total governmental funds	108,984
---	---------

Capital outlay expenditures which were capitalized	70,388
--	--------

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

	<u>(83,408)</u>
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Total changes in net position on Governmental Activities	<u><u>95,964</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Stokesdale North Carolina  
General Fund  
and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2019

Exhibit 5

	General Fund 2019			
	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Unrestricted intergovernmental	357,200	357,200	353,567	(3,633)
Permits and Fees	22,000	22,000	22,705	705
Economic Development	33,333	33,333	37,333	4,000
Interest on Investments	10,250	10,250	34,811	24,561
Miscellaneous	5,500	5,500	9,887	4,387
Total Revenue	<u>428,283</u>	<u>428,283</u>	<u>458,303</u>	<u>30,020</u>
Expenditures:				
General Government	167,272	167,272	187,811	(20,539)
Public Safety	17,000	17,000	19,019	(2,019)
Transportation	4,000	4,000	2,889	1,111
Economic and Physical Development	65,333	65,333	62,749	2,584
Cultural and Recreational:	93,600	118,279	152,027	(33,748)
Total Operating Expenditures:	<u>347,205</u>	<u>371,884</u>	<u>424,495</u>	<u>(52,611)</u>
Total Expenditures	<u>347,205</u>	<u>371,884</u>	<u>424,495</u>	<u>(52,611)</u>
Revenue Over (Under) Expenditures	81,078	56,399	33,808	(22,591)
Other Financial Services (Uses) Transfer from Water and Sewer Fund			75,176	75,176
Fund Balance Appropriated	<u>(81,078)</u>	<u>(56,399)</u>	<u>-</u>	<u>56,399</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>-</u>	<u>-</u>	108,984	<u>108,894</u>
Fund Balance - Beginning of Year			<u>2,994,383</u>	
Fund Balance - End of Year			<u>3,103,367</u>	

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

Town of Stokesdale, North Carolina  
Statement of Fund Net Position  
Proprietary Funds  
June 30, 2019

Exhibit 6

	<u>Enterprise Funds</u>	
	<u>Water Fund</u>	<u>Total</u>
Assets		
Current Assets:		
Cash and Cash Equivalents		
Unrestricted Cash and Cash Equivalents	1,375,026	1,450,026
Restricted Cash and Cash Equivalents	25,875	25,875
Total Cash and Cash Equivalents	1,400,901	1,475,901
Due From Other Governments	75,000	-
Accounts Receivable, Net	20,157	20,157
Unbilled Water Receivable	17,631	17,631
Due From Other Funds	12,970	12,970
Total Current Assets	1,526,659	1,526,659
Non-Current Assets		
Land and Other Nondepreciable Assets	8,500	8,500
Other Capital Assets, Net of Depreciation	3,006,925	3,006,925
Total Non-Current Assets	3,015,425	3,015,425
Total Assets	4,542,084	4,542,084
Liabilities and Fund Balances:		
Liabilities:		
Accounts Payable and Accrued Liabilities	17,782	17,782
Customer Deposits	25,875	25,875
Total Liabilities	43,657	43,657
Net Positions:		
Net Investment in Capital Assets	3,015,425	3,015,425
Unrestricted	1,483,002	1,483,002
Total Net Position	4,498,427	4,498,427

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

Town of Stokesdale  
Statement of Revenues, Expenditures and Changes in  
Fund Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2019

Exhibit 7

	Enterprise Funds	
	Water Fund	Total
Revenues:		
Operating Revenues		
Water Sales	405,055	405,055
Water Taps	17,964	17,964
Capacity Fees	27,750	27,750
Other Fees	24,838	24,838
Total Operating Revenue	<u>475,607</u>	<u>475,607</u>
Expenditures		
Operating Expenditures		
Administrative	150,785	150,785
Maintenance	100,600	100,600
Purchase of Water for Resale	187,049	187,049
Depreciation	113,773	113,773
Total Expenditures	<u>552,207</u>	<u>552,207</u>
Net Operating Income (Loss)	<u>(76,600)</u>	<u>(76,600)</u>
Nonoperating Revenues		
FEMA Reimbursement	75,000	75,000
Investment Earnings	17,160	17,160
	<u>92,160</u>	<u>92,160</u>
Revenues Over (Under) Expenditures	15,560	15,560
Other Financing Sources (Uses)		
Transfer to General Fund	<u>(75,176)</u>	<u>(75,176)</u>
Net Change in Financial Position	(59,616)	(59,616)
Net Position - Beginning of Year	<u>4,558,043</u>	<u>4,558,043</u>
Net Position - End of Year	<u><u>4,498,427</u></u>	<u><u>4,498,427</u></u>

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

Town of Stokesdale  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2019

Exhibit 8

Business Type  
Activities  
Water Fund

Year Ended  
June 30, 2018

Cash flows from operating activities:	
Cash received from customers	467,004
Cash paid for goods and services	(411,751)
Cash paid to employees	(37,427)
Customer deposits collected	<u>(2,202)</u>
Net cash provided by (used for) operating activities	<u>15,624</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(98,600)</u>
Cash flows from noncapital and related financing activities:	
Decrease in due to other funds	(21,044)
Transfer to General Fund	<u>(75,176)</u>
Total cash flows from noncapital financing activities	<u>(96,220)</u>
Cash flows from investing activities	
Earnings on Investments	<u>18,443</u>
Total cash flows from investing activities	<u>18,443</u>
Net increase (Decrease) in cash and cash equivalents	(160,753)
Cash and cash equivalents, July 1, 2017	<u>1,561,654</u>
Cash and cash equivalents, June 30, 2018	<u><u>1,400,901</u></u>



Town of Stokesdale  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2019

Exhibit 8

	Business Type Activities
	<u>Water Fund</u>
	<u>Year Ended June 30, 2018</u>
Reconciliation of operating income (Loss) to net cash provided by operating activities:	
Operating income (Loss)	<u>(76,600)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	113,773
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(10,300)
(Increase) decrease in unbilled receivable	1,697
Increase (decrease) in accounts payable	(10,744)
Increase (decrease) in water deposits	<u>(2,202)</u>
Total adjustments	<u>92,224</u>
Net cash provided by (used for) operating activities	<u><u>15,624</u></u>

**Town of Stokesdale, 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 Stokesdale 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 Stokesdale is a municipal corporation which is governed by an elected mayor and four-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.

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 and investment earnings, result from non-exchange transactions or ancillary activities.

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 state-shared revenues. The primary expenditures are for general government.

The Town reports the following major enterprise fund:

**Water Fund** – This fund is used to account for the Town’s water operations which include the Utility Capital Reserve Fund.

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 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.

The Town considers all revenues available if they are collected within 90 days after year-end.

Sales taxes and certain intergovernmental revenues such as the utilities franchise tax collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Stokesdale because the tax is levied by Guilford 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.

#### D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations for all annually budgeted funds. The budget is amended by the governing body on a periodic basis as required by changing conditions. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget presented reflects the amended budget at June 30, 2019. 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. In accordance with G.S. 159-13(a), the Town makes appropriations by department.

#### 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 Super NOW 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Nonparticipating interest earning contracts are accounted for at cost. The NCCMT-Cash 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.

##### 2. Cash and Cash Equivalents

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

##### 3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

### Town of Stokesdale Restricted Cash

#### Governmental Activities

##### General Fund

Payable from restricted assets	<u>\$ 24,869</u>
Total Governmental Activities	<u>\$ 24,869</u>

#### Business-type Activities

##### Water Fund

Customer Deposits	<u>\$ 16,475</u>
Total Business-type Activities	<u>\$ 16,475</u>

Total Restricted Cash	<u>\$ 41,344</u>
-----------------------	------------------

#### 4. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is an estimate of accounts that will not be collected.

#### 5. 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. Purchased or constructed capital assets are reported at cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition costs. 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.

Minimum capitalization costs are as follows:

	<u>Cost</u>
Infrastructure	\$ 100,000
Buildings	20,000
Vehicles, Furniture and Equipment	2,000

As part of the implementation of GASB Statement 34, the Town was permitted to forego the retroactive reporting of governmental infrastructure networks. The Town has chosen to do so.

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

	<u>Useful Life</u>
Infrastructure/Distribution System	20 to 50 years
Furniture, fixtures, equipment, heavy equipment, and vehicles	5 to 10 years
Computer equipment and software	5 years

6. 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. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial 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 currently has no items that meet this criterion.

7. Net position/Fund Balances

Net position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of three 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:

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

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

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Stokesdale’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.

Committed for Conservation/Conservation rights – portion of fund balance assigned by the Board for the purpose of open space.

Committed for Public Safety – portion of fund balance assigned by the Board for the purchase of a public safety vehicle.

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

## II. Stewardship, Compliances and Accountability

### A. Significant Violation of Finance Related Legal and Contractual Provisions

#### 1. Excess of Expenditures over Appropriations

For the fiscal year end June 30, 2019, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board in the following department:

General Government	20,539
Public Safety	2,019
Cultural and Recreation	<u>33,748</u>
	<u>56,306</u>

The expenditures made in the water enterprise fund exceeded the authorized appropriations made by the governing board primarily as the result of a \$75,000 expenditure for a 10 inch water main which was reimbursed by FEMA in the amount of \$75,000 but was not properly budgeted. These over expenditures occurred because of the lack of understanding of G.S. 159-28 budgetary accounting for appropriations. Management and the board will more closely review the budget reports to ensure compliance in future years.

## III. Detail Notes on All Funds

### A. Assets

#### 1. Deposits

All the deposits for 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 this units' 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 in the name of the Town. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer 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 \$3,976,723 and a bank balance of \$3,975,123. Of the bank balance, \$3,713,614 was covered by federal depository insurance at various banks and the remainder was covered by collateral held under the Pooling Method. At June 30, 2019, The Town's petty cash fund totaled \$150.

## 2. Investments

At June 30, 2019 the Town had \$515,622 (Amortized Cost) invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town does not have a formal investment policy or credit risk policy.

## 3. Receivables -- Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net position for the year ended June 30, 2019 is net of the following allowances for doubtful accounts:

Enterprise Fund:

Water Fund – Accounts Receivable      \$72,514

## 4. Capital Assets

Capital asset activity for the Governmental Activities 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	375,000	-	-	375,000
Total capital assets not being depreciated	375,000			375,000
Capital assets being depreciated:				
Buildings	1,494,740	70,388		1,565,128
Land Improvements	863,684			863,684
Equipment	73,412			73,412
Total capital assets being depreciated	2,431,836	70,388		2,502,224
Less accumulated depreciation for:				
Buildings	269,136	36,329		305,465
Land Improvements	315,971	44,344		360,315
Equipment	63,659	2,735		66,394
Total accumulated depreciation	648,766	83,408		732,174
Total capital assets being depreciated, net	1,783,070			1,770,050
Governmental activity capital assets, net	2,158,070			2,145,050



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

General Government:	\$ 32,605
Cultural and Recreation:	\$ 50,803
	<u>\$ 83,408</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	8,500	-	-	8,500
Total capital assets not being depreciated	8,500			8,500
Capital assets being depreciated:				
Distribution System	4,463,260	98,600		4,561,860
Computer Equipment and Software	9,000			9,000
Total capital assets being depreciated	4,472,260	98,600		4,570,860
Less accumulated depreciation for:				
Distribution System	1,447,462	111,973		1,559,435
Computer Equipment and Software	2,700	1,800		4,500
Total accumulated depreciation	1,450,162	113,773		1,563,935
Total capital assets being depreciated, net	3,022,098			3,006,925
Business-type activities capital assets, net	3,030,598			3,015,425

## 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 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 insurance values of the property policy and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property liability in excess of \$500,000 and \$1,000,000 statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. Claims incurred have not exceeded coverage any of the three fiscal years.

The Town currently carries no flood insurance since no property is within a flood plane.

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 bonded for \$50,000.

#### **IV. Interfund Balances and Activity**

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

Due to the Water and Sewer Fund from:

General Fund	<u>\$12,970</u>
--------------	-----------------

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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

From the Water and Sewer Fund to the General Fund to return to the General Fund a Transfer made in prior years.

\$76,176

#### **V. 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	\$3,103,367
Less:	
Stabilization by Statute	96,319
Conservation	39,000
Public Safety	<u>23,500</u>
Remaining Fund Balance	<u>2,944,548</u>

#### **VI. Significant Effects of Subsequent Events**

Subsequent events have been evaluated through November 30, 2019, which is the date the financial statements were available to be issued. Through that date, management has determined that there were not any material recognizable or non-recognizable subsequent events.

Town of Stokesdale, North Carolina  
General Fund  
Comparative Fund Net Position  
June 30, 2019 and June 30, 2018

Statement A-1

	June 30, 2019	June 30, 2018
	<u>                    </u>	<u>                    </u>
Assets		
Cash and cash equivalents	3,066,724	2,913,540
Restricted cash	24,869	46,886
Due from other funds	0	8,074
Due from other governmental units	89,972	82,788
Accrued interest	<u>0</u>	<u>4,605</u>
Total Assets	<u>3,181,565</u>	<u>3,055,893</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts Payable	36,169	14,624
Accrued Salaries	4,190	0
Due to Other Funds	12,970	
Payable from Restricted Assets	<u>24,869</u>	<u>46,886</u>
Total Liabilities	<u>78,198</u>	<u>61,510</u>
Fund Balances:		
Restricted:		
Stabilization by State Statute	96,319	95,467
Committed:		
Conservation: Open Space/Conservation Rights	39,000	39,000
Public Safety	23,500	23,500
Unassigned	<u>2,944,548</u>	<u>2,836,416</u>
Total Fund Balances	<u>3,103,367</u>	<u>2,994,383</u>
Total Liabilities and Fund Balances	<u>3,181,565</u>	<u>3,055,893</u>

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

Town of Stokesdale  
General Fund  
Statement of Revenues, Expenditures and Changes in  
Fund Balances- Budget and Actual  
For the Fiscal Year Ended June 30, 2019  
With Comparative Actual Amounts for the Year Ended June 30, 2018

Statement A-2

	2019			2018
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Unrestricted Intergovernmental				
Beer and Wine Excise Tax	26,000	24,888	(1,112)	24,272
Local ABC Revenues	13,500	12,498	(1,002)	14,225
Utilities Franchise Tax	308,000	308,282	282	303,763
Telecommunications Tax	9,700	7,899	(1,801)	8,953
Total Revenue	357,200	353,567	(3,633)	351,213
Permits and Fees:				
Planning Fees	22,000	22,705	705	32,183
Interest on Investments	10,250	34,811	24,561	10,740
Economic Development:				
Downtown Grant				
Improvement Projects	33,333	37,333	4,000	-
Miscellaneous				
Town Hall Facilities Rental	1,500	1,058	(442)	-
Donations for Parade	3,100	3,200	100	2,455
Park Fees Collected	900	1,940	1,040	1,570
Other	-	3,689	3,689	790
Total Miscellaneous	5,500	9,887	4,387	4,815
Total Revenues	428,283	458,303	30,020	398,951

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

Town of Stokesdale  
General Fund  
Statement of Revenues, Expenditures and Changes in  
Fund Balances- Budget and Actual  
For the Fiscal Year Ended June 30, 2019  
With Comparative Actual Amounts for the Year Ended June 30, 2018

Statement A-2

	2019			2018
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Expenditures:</b>				
General Government:				
Salaries	63,965	57,892	6,073	48,194
Unemployment Insurance	200	-	200	168
Council Stipend	12,600	11,647	953	7,588
F.I.C.A	5,857	5,619	238	4,267
Audit	8,000	8,070	(70)	7,800
Legal Fees	20,000	18,943	1,057	15,972
Postage	600	1,858	(1,258)	440
Telephone	3,900	4,807	(907)	3,902
Printing and Office Supplies	4,500	9,731	(5,231)	4,709
Accounting	-	10,886	(10,886)	-
Vehicle Expense	1,200	345	855	784
Housekeeping Supplies	500	360	140	563
Membership Dues	8,700	10,221	(1,521)	8,566
Insurance and Bonding	7,500	7,636	(136)	6,984
Worker's Compensation Insurance	650	1,307	(657)	644
Payroll Processing Fees	-	1,558	(1,558)	-
Utilities	7,800	9,913	(2,113)	7,763
Utilities-Water	600	250	350	620
Travel and Conference	1,500	-	1,500	675
Admin. Expense, Service and Fees	8,000	6,160	1,840	5,963
Building Maintenance	-	10,178	(10,178)	4,022
Advertising	7,000	2,376	4,624	1,535
Equipment - Purchase and Rental	200	385	(185)	7,871
Equipment Maintenance	1,200	1,381	(181)	1,001
Town Hall Property and Grounds	300	290	10	140
Website Design	2,500	3,109	(609)	2,870
Elections	-	-	-	2,963
Security/Alarm		1,901	(1,901)	
Payroll Expenses - AFLAC		300	(300)	
Bank Charges and Fees		131	(131)	
Taxes and Licenses		557	(557)	
Total General Government	167,272	187,811	(20,539)	146,004
Public Safety				
Animal Shelter/Animal Control	12,500	11,863	637	12,380
Fire Inspections	3,000	7,156	(4,156)	3,024
Emergency Generator Expenses	1,500	-	1,500	-
Total Public Safety	17,000	19,019	(2,019)	15,404

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

**Town of Stokesdale  
General Fund  
Statement of Revenues, Expenditures and Changes in  
Fund Balances- Budget and Actual  
For the Fiscal Year Ended June 30, 2019  
With Comparative Actual Amounts for the Year Ended June 30, 2018**

Statement A-2

	2019			2018
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Transportation				
Streets and Highways	4,000	2,889	1,111	3,399
Economic and Physical Development				
Downtown Improvement Project	33,333	35,213	(1,880)	-
Advertising - Rezoning Activity	2,000	1,839	161	2,207
Legal Fees - Rezoning	5,000	286	4,714	5,249
Planning Services	25,000	25,411	(411)	25,000
Total Economic and Physical Development	65,333	62,749	2,584	32,456
Cultural and Recreational:				
Parade	2,500	1,310	1,190	1,031
Veterans Monument	600	146	454	492
Community Day	500	-	500	294
Park Security Lights	2,600	845	1,755	2,327
Property and Grounds	40,000	37,338	2,662	29,373
Building Maintenance	-	-	-	436
Utilities	1,000	601	399	1,188
Cleaning	5,800	1,930	3,870	5,791
Water Expense Parks	4,500	2,126	2,374	3,316
Repairs	10,451	7,509	2,942	1,392
Parks and Recreation	-	23,177	(23,177)	-
Capital Outlay	50,228	70,388	(20,160)	6,453
Library and Education	100	6,540	(6,440)	-
Town Park Miscellaneous	-	117	(117)	145
Total Cultural and Recreational	118,279	152,027	(33,748)	52,238
Total Expenditures	371,884	424,495	(52,611)	249,501
Revenues Over (Under) Expenditures	56,399	33,808	(22,591)	149,450
Other Financing Sources (Uses)				
Transfer from Water and Sewer Fund		75,176	75,176	-
Fund Balance Appropriated	(56,399)	-	56,399	-
Net Change in Fund Balance	-	108,984	108,984	149,450
Fund Balance - Beginning of Year		2,994,383		2,844,933
Fund Balance - End of Year		3,103,367		2,994,383

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

Town of Stokesdale, North Carolina  
Enterprise Fund - Water Fund  
Comparative Fund Net Position  
June 30, 2019 and June 30, 2018

Statement B-1

	June 30, 2019	June 30, 2018
Assets		
Current Assets:		
Cash and Cash Equivalents	1,375,026	1,533,577
Due From Other Governments	75,000	-
Accounts Receivable, net	20,157	9,857
Unbilled Water Receivable	17,631	19,328
Due from other Funds	12,970	-
Accrued Interest	-	1,283
Restricted Cash and Cash Equivalents	25,875	28,077
Total Current Assets	<u>1,526,659</u>	<u>1,592,122</u>
Non-Current Assets		
Land and Other Nondepreciable Assets	8,500	8,500
Other Capital Assets, Net of Depreciation	3,006,925	3,022,098
Total Non-Current Assets	<u>3,015,425</u>	<u>3,030,598</u>
Total Assets	<u>4,542,084</u>	<u>4,622,720</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts Payable and Accrued Liabilities	17,782	28,526
Due to Other Funds	-	8,074
Customer Deposits	25,875	28,077
Total Liabilities	<u>43,657</u>	<u>64,677</u>
Net Positions:		
Net Investment in Capital Assets	3,015,425	3,030,598
Unrestricted	1,483,002	1,527,445
Total Net Position	<u><u>4,498,427</u></u>	<u><u>4,558,043</u></u>

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

Town of Stokesdale  
Water Fund  
Statement of Revenues, Expenditures and Changes in  
Fund Balances  
For the Fiscal Year Ended June 30, 2019  
With Comparative Actual Amounts for the Year Ended June 30, 2018

	Statement B-2	
	<u>2019</u>	<u>2018</u>
	<u>Actual</u>	<u>Actual</u>
Revenues:		
Operating Revenues		
Water Sales	405,055	416,200
Water Taps	17,964	35,029
Capacity Fees	27,750	23,250
Other Fees	24,838	1,136
Total Operating Revenue	<u>475,607</u>	<u>475,615</u>
Expenditures		
Operating Expenditures		
Administrative	150,785	162,318
Maintenance	100,600	8,034
Purchase of Water for Resale	187,049	226,526
Depreciation	113,773	112,155
Total Expenditures	<u>552,207</u>	<u>509,033</u>
Net Operating Income (Loss)	<u>(76,600)</u>	<u>(33,418)</u>
Non Operating Revenues:		
Investment Earnings	17,160	8,634
FEMA Reimbursement Fee	75,000	-
	<u>92,160</u>	<u>8,634</u>
Revenues Over (Under) Expenditures	15,560	(24,784)
Other Financing Sources / Uses		
Transfer to General Fund	<u>(75,176)</u>	<u>-</u>
Net Change in Fund Balances	(59,616)	(24,784)
Net Position - Beginning of Year	<u>4,558,043</u>	<u>4,582,827</u>
Net Position - End of Year	<u><u>4,498,427</u></u>	<u><u>4,558,043</u></u>

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



Town of Stokesdale, North Carolina  
Enterprise Fund - Water Fund  
(Excludes Utility Capital Reserve Fund)  
Comparative Fund Net Position  
June 30, 2019 and June 30, 2018

Statement C-1

	June 30, 2019	June 30, 2018
Assets		
Current Assets:		
Cash and Cash Equivalents	617,278	714,514
Due From Other Governments	75,000	-
Accounts Receivable, Net	20,157	9,857
Unbilled Water Receivable	17,631	19,328
Due from General Fund	12,970	
Accrued Interest	-	82
Restricted Cash and Cash Equivalents	25,875	28,077
Total Current Assets	<u>768,911</u>	<u>771,858</u>
Non-Current Assets		
Land and Other Nondepreciable Assets	8,500	8,500
Other Capital Assets, Net of Depreciation	3,006,925	3,022,098
Total Non-Current Assets	<u>3,015,425</u>	<u>3,030,598</u>
Total Assets	<u>3,784,336</u>	<u>3,802,456</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts Payable and Accrued Liabilities	17,782	28,526
Due to Other Funds	-	8,074
Customer Deposits	25,875	28,077
Total Liabilities	<u>43,657</u>	<u>64,677</u>
Net Positions:		
Net Investment in Capital Assets	3,015,425	3,030,598
Unrestricted	725,254	707,181
Total Net Position	<u><u>3,740,679</u></u>	<u><u>3,737,779</u></u>

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

Town of Stokesdale  
Water Fund  
Statement of Revenues, Expenditures and Changes in  
Fund Balances- Budget and Actual  
For the Fiscal Year Ended June 30, 2019  
With Comparative Actual Amounts for the Year Ended June 30, 2018

Statement C-2

	2019			2018
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Revenues:</b>				
Operating Revenues				
Water Sales	423,000	405,055	(17,945)	393,647
Water Taps	45,000	17,964	(27,036)	35,029
Capacity Fees	30,000	27,750	(2,250)	23,250
Late Fees	24,500	21,538	(2,962)	22,553
Other Fees	3,200	3,300	100	1,136
Total Operating Revenues	525,700	475,607	(50,093)	475,615
Nonoperating Revenues				
FEMA Reimbursement Fee	-	75,000	75,000	-
Investment Earnings	6,000	4,500	(1,500)	911
Total Revenues	531,700	555,107	23,407	476,526
<b>Expenditures</b>				
Operating Expenditures				
Administrative				
Salaries	53,000	34,723	18,277	59,142
FICA Tax	4,055	2,704	1,351	4,527
Professional Fees	45,000	46,104	(1,104)	41,554
Audit	5,100	5,055	45	5,000
Office Expense	1,000	2,714	(1,714)	2,906
Postage	3,000	1,012	1,988	501
Water Meter Readings	27,000	39,765	(12,765)	30,231
Utility Service	450	132	318	407
Mileage Reimbursement	1,000	778	222	-
Dues and Fees	1,800	1,120	680	1,405
Taxes and Licenses	1,000	-	1,000	-
Bonds and Insurance	1,000	-	1,000	-
Miscellaneous	500	885	(385)	-
Purchase & Installation Meters	15,000	15,793	(793)	4,880
Total Administrative	158,905	150,785	8,120	150,553
Maintenance				
Supplies	5,000	1,882	3,118	125
Chemicals	700	348	352	125
Chlorinator Maintenance	2,000	1,721	279	717
Electrical Utilities	550	417	133	584
Water Hydrant Maintenance	5,000	1,626	3,374	-
General Repairs	106,486	83,792	22,694	3,863
Water Tank Maintenance	10,000	4,459	5,541	2,275
Water Tank Painting	200,000	4,700	195,300	-
Testing - Miscellaneous	3,000	1,655	1,345	470
Total Maintenance	332,736	100,600	232,136	8,159
Purchase of Water for Resale	235,000	187,049	47,951	226,526
Capital Outlay:				
Electronic Water Meters	30,000	-	30,000	32,261
Marking Water Lines	21,000	23,600	(2,600)	32,425
Water Meter - New Construction	20,000	-	20,000	-
Capital Outlay - 10 Inch Water Main	-	75,000	(75,000)	-
Total Capital Outlay	71,000	98,600	(27,600)	64,686
Total Expenditures	797,641	537,034	260,607	449,924
Revenues Over (Under) Expenditures	(265,941)	18,073	284,014	26,602
Other Financing Sources (Uses)				
Transfer from Utility Capital Reserve Fund	200,000	-	(200,000)	-
Fund Balance Appropriated	65,941	-	(65,941)	-
Total	265,941	-	(265,941)	-
Net Change in Fund Balance	-	18,073	18,073	26,602

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

Town of Stokesdale,  
Water Fund  
Schedule of Revenues and Expenditures Budget and Actual (Non GAAP)  
For the Fiscal Year Ended June 30, 2019

Statement C-2

	<u>2019 Actual</u>	<u>2018 Actual</u>
Reconciliation of modified accrual basis to full accrual basis:		
Total revenues on Exhibit B - Water and Sewer Fund	555,107	476,526
Total expenditures on Exhibit B- Water and Sewer Fund	<u>537,034</u>	<u>449,924</u>
Excess of revenues over (under) expenditures	18,073	26,602
Investment Earnings from Utility Capital Reserve Fund	12,660	7,723
Capital Outlay	98,600	64,686
Bad Debt Expense	-	(11,421)
Depreciation	(113,773)	(112,155)
Transfer to General Fund	<u>(75,176)</u>	<u>-</u>
Net Increase (Decrease) in Net Position	<u><u>(59,616)</u></u>	<u><u>(24,565)</u></u>

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

Town of Stokesdale  
Enterprise Fund - Utility Capital Reserve Fund  
Statement of Fund Net Positions (NON-GAAP)  
For the Fiscal Year Ended June 30, 2019  
With Comparative Actual Amounts for the Year Ended June 30, 2018

Statement C-3

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Assets		
Cash and cash equivalents	757,748	819,063
Accrued interest	<u>-</u>	<u>1,201</u>
Total Assets	<u>757,748</u>	<u>820,264</u>
 Total Liabilities	 <u>-</u>	 <u>-</u>
Fund Equities	<u>757,748</u>	<u>820,264</u>
Total Fund Balances	<u>757,748</u>	<u>820,264</u>
 Total Liabilities and Fund Balances	 <u>757,748</u>	 <u>820,264</u>

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

Town of Stokesdale  
Enterprise Fund - Utility Capital Reserve Fund  
Statement of Revenues, Expenditures - Budget and Actual (NON-GAAP)  
For the Fiscal Year Ended June 30, 2019  
With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Investment Earnings	\$ 6,000	\$ 12,660	\$ 6,660	\$ 7,723
Expenditures:				
Nonoperating Expenditures	-	-	-	-
Revenues Over (Under) Expenditures	6,000	12,660	6,660	7,723
Other Financing Sources (Uses)				
Transfer to General Fund	(177,668)	(75,176)	102,492	
Appropriated Fund Balance	171,668	-	(171,668)	-
	(6,000)	(75,176)	(69,176)	
Net Change in Fund Balance	-	(62,516)	(62,516)	7,723
Net Position - Beginning of Year		820,264		812,541
Net Position - End of Year		757,748		820,264

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