

TOWN OF STONEVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2019

TOWN OF STONEVILLE, NORTH CAROLINA
JUNE 30, 2019

MEMBERS OF TOWN COUNCIL

Johnny Farmer
Billy Farris
Chuck Hundley
Jerry Smith
Henry C. Thornton

TOWN OFFICIALS

Ricky Craddock, Mayor
Lori Armstrong, Town Manager
Joanna Dalton, Finance Officer
Sherri Darnell, Town Clerk

Town of Stoneville, North Carolina
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June 30, 2019

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Financial Section



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stoneville, 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based upon 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, each major fund, and the aggregate remaining fund information of Town of Stoneville, 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 Management's Discussion and Analysis on pages 4 through 14, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 55 and 56, and the Law Enforcement Officer's Special Separation Allowance on pages 57 and 58, respectively 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 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 auditing standards generally accepted in the United States of America, which consist 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 Stoneville, North Carolina. The individual fund statements, budgetary schedules, other schedules as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

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

A handwritten signature in black ink that reads "Gibson + Company, P.A." in a cursive, flowing script.

Winston-Salem, North Carolina
October 31, 2019

Management's Discussion and Analysis

Town of Stoneville Management's Discussion and Analysis

As management of the Town of Stoneville, we offer readers of the Town of Stoneville's financial statements this narrative overview and analysis of the financial activities of the Town of Stoneville for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

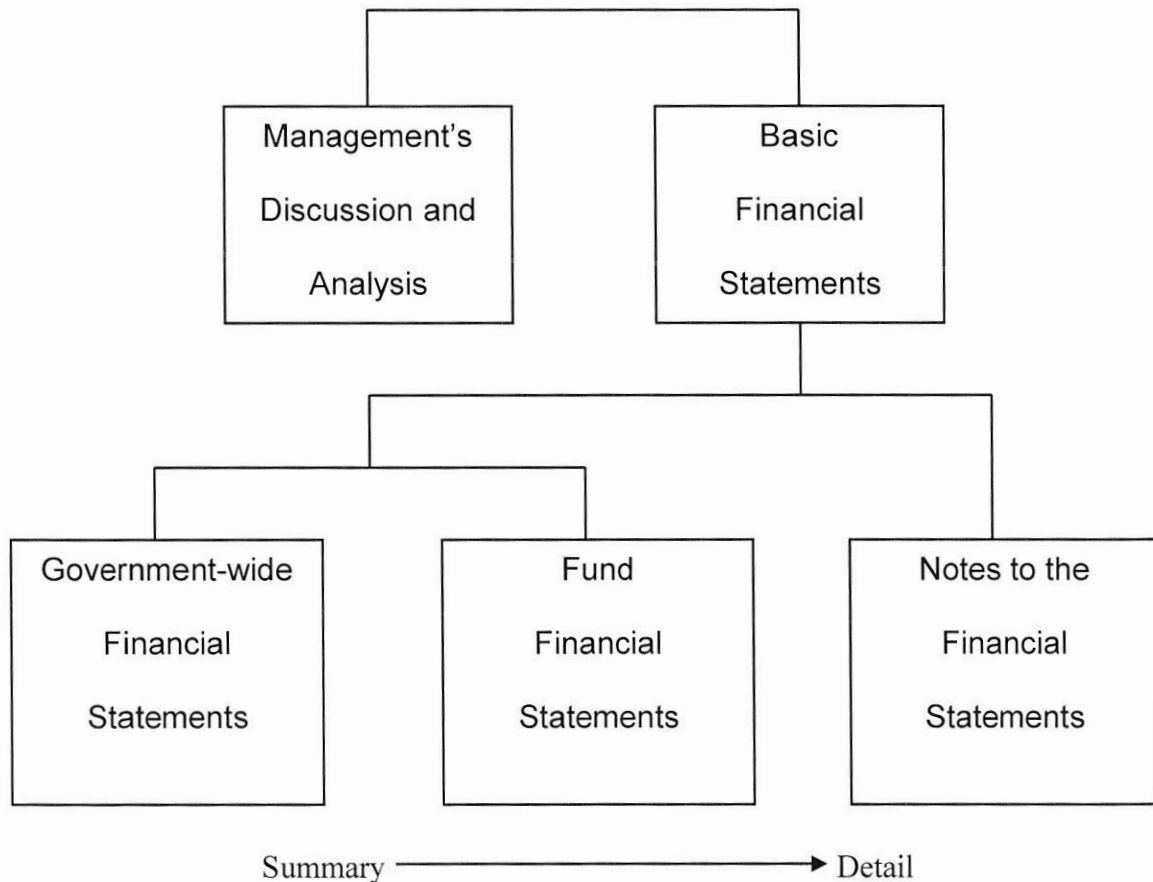
- The assets and deferred outflows of resources of the Town of Stoneville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,967,047 (*net position*).
- The government's total net position increased by \$1,928,700, primarily due to an increase in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Stoneville's governmental funds reported combined ending fund balances of \$891,874 with a net increase of \$79,416 in fund balance. Approximately 49.38 percent of this total amount, or \$440,420, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$451,454, or 33.92 percent of total general fund expenditures for the fiscal year.
- The Town of Stoneville's total debt decreased by \$196,901 (10.34%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Stoneville'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 Stoneville.

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.

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

Management Discussion and Analysis

Town of Stoneville

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, public works and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Stoneville.

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 Stoneville, 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 Stoneville can be divided into two categories: governmental funds and proprietary funds.

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

The Town of Stoneville 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 Town

Management Discussion and Analysis

Town of Stoneville

Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Fund – Town of Stoneville has a proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Stoneville uses the enterprise fund to account for its water and sewer activity. This fund is the same as those functions 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 25 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Stoneville's progress in funding its obligation to provide other postemployment benefits to its employees and the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 55 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Management Discussion and Analysis
Town of Stoneville

Government-Wide Financial Analysis

Town of Stoneville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 951,750	\$ 872,065	\$ 594,329	\$ 701,860	\$ 1,546,079	\$ 1,573,925
Capital assets	918,914	930,851	6,623,794	4,487,036	7,542,708	5,417,887
Deferred outflows of resources	132,052	105,949	23,876	17,684	155,928	123,633
Total assets and deferred outflows of resources	2,002,716	1,908,865	7,241,999	5,206,580	9,244,715	7,115,445
Long-term liabilities outstanding	533,632	646,636	1,049,986	326,674	1,583,618	973,310
Other liabilities	90,368	95,394	492,510	996,451	582,878	1,091,845
Deferred inflows of resources	110,484	11,065	688	1,878	111,172	12,943
Total liabilities and deferred inflows of resources	734,484	753,095	1,543,184	1,325,003	2,277,668	2,078,098
Net position:						
Net investment in capital assets	641,422	604,235	5,527,506	3,579,249	6,168,928	4,183,484
Restricted	409,339	377,303	-	-	409,339	377,303
Unrestricted	217,471	175,232	171,309	302,328	388,780	477,560
Total net position	\$ 1,268,232	\$ 1,156,770	\$ 5,698,815	\$ 3,881,577	\$ 6,967,047	\$ 5,038,347

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Town of Stoneville exceeded liabilities and deferred inflows by \$6,967,047 as of June 30, 2019. The Town's net position increased by \$1,928,700 for the fiscal year ended June 30, 2019. However, the largest portion (88.54%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Stoneville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Stoneville's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Stoneville's net position, \$409,339 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$388,780 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a high tax collection rate of 99.05%.

Management Discussion and Analysis
Town of Stoneville

Town of Stoneville'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	\$ 123,402	\$ 115,697	\$ 653,499	\$ 639,267	\$ 776,901	\$ 754,964
Operating grants and contributions	307,272	301,023	-	-	307,272	301,023
Capital grants and contributions	-	50,400	1,908,281	141,550	1,908,281	191,950
General revenues:						
Property taxes	544,511	550,546	-	-	544,511	550,546
Unrestricted intergovernmental	385,381	356,307	-	-	385,381	356,307
Restricted intergovernmental	-	-	-	-	-	-
Other	22,469	21,700	124	504	22,593	22,204
Total revenues	1,383,035	1,395,673	2,561,904	781,321	3,944,939	2,176,994
Expenses:						
General government	321,453	303,834	-	-	321,453	303,834
Public safety	540,839	552,458	-	-	540,839	552,458
Public works	269,183	240,479	-	-	269,183	240,479
Cultural and recreation	112,787	139,649	-	-	112,787	139,649
Economic development	41,802	38,662	-	-	41,802	38,662
Interest on long-term debt	9,509	10,740	-	-	9,509	10,740
Water and sewer	-	-	720,666	711,968	720,666	711,968
Total expenses	1,295,573	1,285,822	720,666	711,968	2,016,239	1,997,790
Increase (decrease) in net position before transfers	87,462	109,851	1,841,238	69,353	1,928,700	179,204
Capital contributions	-	-	-	-	-	-
Transfers	24,000	24,000	(24,000)	(24,000)	-	-
Increase (decrease) in net position	111,462	133,851	1,817,238	45,353	1,928,700	179,204
Net position, beginning	1,156,770	1,022,919	3,881,577	3,836,224	5,038,347	4,859,143
Net position, ending	\$ 1,268,232	\$ 1,156,770	\$ 5,698,815	\$ 3,881,577	\$ 6,967,047	\$ 5,038,347

Governmental activities. Governmental activities increased the Town's net position by \$111,462, thereby accounting for 5.78 percent of the total change in the net position of the Town of Stoneville. Key elements of this increase are as follows:

- The Town kept operating expenses as low as possible while maintaining services.
- The business-type activities transferred funds of \$24,000 to the governmental activity.

Management Discussion and Analysis
Town of Stoneville

Business-type activities: Business-type activities increased the Town of Stoneville's net position by \$1,817,238. The key elements of this increase are as follows:

- The collection rate for utility billing remained very high during the fiscal year.
- A capital contribution of \$1,908,281.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Stoneville. At the end of the current fiscal year, Town of Stoneville's fund balance available in the General Fund was \$451,454, while total fund balance reached \$891,874. The Town currently has an available fund balance of 33.92% of general fund expenditures, while total fund balance represents 67.01% of the same amount.

At June 30, 2019, the governmental funds of the Town of Stoneville reported a combined fund balance of \$891,874 with a net increase in fund balance of \$79,416.

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

Revenues were more than the budgeted amounts primarily because the Town did not expect to receive some of the funds that became available. State collected and disbursed revenues such as sales tax and franchise taxes came in higher than expected as consumer spending continues to improve. On an overall basis, expenditures were held in check to comply with its budgetary requirements.

Proprietary Funds. The Town of Stoneville'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 and Sewer Fund at the end of the fiscal year amounted to \$171,309. The total increase in net position for the fund was \$1,817,238. The change in net position in the Water and Sewer Fund is due to revenues exceeding expenses and due to a capital contribution.

Management Discussion and Analysis
Town of Stoneville

Capital Asset and Debt Administration

Capital assets. The Town of Stoneville's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$7,542,708 (net of accumulated depreciation). These assets include land, buildings, sewer lines, equipment, and vehicles.

Major capital asset transactions during the year include the following:

- The Town spent \$89,858 on vehicles and other improvements.
- The Town spent \$2,297,214 on construction projects.

Management Discussion and Analysis
Town of Stoneville

**Town of Stoneville's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 119,540	\$ 119,540	\$ 28,360	\$ 28,360	\$ 147,900	\$ 147,900
Construction in process	-	-	2,893,526	930,723	2,893,526	930,723
Buildings	148,001	156,509	-	-	148,001	156,509
Infrastructure	41,310	42,635	-	-	41,310	42,635
Other improvements	49,657	46,501	-	-	49,657	46,501
Furniture and fixtures and equipment	36,358	47,542	86,015	86,176	122,373	133,718
Water & sewer systems			3,615,893	3,441,778	3,615,893	3,441,778
Vehicles	524,048	518,124	-	-	524,048	518,124
Total	\$ 918,914	\$ 930,851	\$ 6,623,794	\$ 4,487,037	\$ 7,542,708	\$ 5,417,888

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

Management Discussion and Analysis

Town of Stoneville

Long-term Debt. As of June 30, 2019, the Town of Stoneville had total debt outstanding of \$1,707,225.

Town of Stoneville's Outstanding Liabilities

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Direct placement installment purchases	\$ 277,492	\$ 326,616	\$ 39,530	\$ 57,939	\$ 317,022	\$ 384,555
Compensated absences	27,027	31,254	7,999	10,205	35,026	41,459
Net pension obligation (LEO)	137,349	248,916	-	-	137,349	248,916
Town of Mayodan	-	-	257,458	308,950	257,458	308,950
General obligation bond	-	-	800,000	-	800,000	-
Bond anticipation note	-	-	-	813,000	-	813,000
Net pension liability	132,379	88,118	27,991	19,128	160,370	107,246
	<u>\$ 574,247</u>	<u>\$ 694,904</u>	<u>\$ 1,132,978</u>	<u>\$ 1,209,222</u>	<u>\$ 1,707,225</u>	<u>\$ 1,904,126</u>

Town of Stoneville's Outstanding Debt

The Town of Stoneville's total debt decreased by \$196,901 during the past fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Stoneville is \$5,863,287.

Additional information regarding the Town of Stoneville's long-term debt can be found in Note II.B.4 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- Town's share of sales tax revenues.
- Sales tax collections continue to increase, showing that consumer spending within the County is on the rise.
- The total assessed value of property within the Town continues to increase as new residential construction growth occurs and economic development through business expansion.

Management Discussion and Analysis
Town of Stoneville

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities:

- The Town anticipates that sales tax collections will continue to increase as consumer spending in Rockingham County increases.
- The Town anticipates that ad valorem tax collections will continue to climb due to new residential construction as well as a high collection rate and economic development through business expansion.

Business-type Activities:

- Construction activities for the USDA Sewer Replacement / Rehabilitation project should be completed in FY 2019-2020. The improvements should result in more efficient operation of the waste water collection system.
- A cellular read meter system was installed in the 2019 year and should result in more efficient operations in the water and sewer fund.
- In the FY 2019-2020, the Town has a CDBG grant for \$1,300,000 to rehab sewer infrastructure.
- The Town continues to modify utility rates to ensure revenues are adequate to cover operational expenses as well as capital improvements.

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 Lori Armstrong, Town Manager, by phone 336-573-9393, by mail at Town of Stoneville, P.O. Box 71, Stoneville, NC 27048, or by email at larmstrong@town.stoneville.nc.us. The Town of Stoneville's website is <http://www.town.stoneville.nc.us/>.

Basic Financial Statements

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 474,854	\$ 193,592	\$ 668,446
Taxes receivables (net)	10,124	-	10,124
Accounts receivable (net)	39,625	84,175	123,800
Due from other governments	82,640	312,914	395,554
Internal balances	8,314	(8,314)	-
Prepaid items	31,081	4,567	35,648
Restricted cash and cash equivalents	305,112	7,395	312,507
Total current assets	951,750	594,329	1,546,079
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	119,540	2,921,886	3,041,426
Other capital assets, net of depreciation	799,374	3,701,908	4,501,282
Total capital assets	918,914	6,623,794	7,542,708
Total assets	1,870,664	7,218,123	9,088,787
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	132,052	23,876	155,928
Total deferred outflows of resources	132,052	23,876	155,928
LIABILITIES			
Current liabilities:			
Accounts payable	49,753	402,823	452,576
Customer deposits	-	6,695	6,695
Current portion of long-term liabilities	40,615	82,992	123,607
Total current liabilities	90,368	492,510	582,878
Long-term liabilities:			
Net pension liability	132,379	27,991	160,370
Total pension liability	137,349	-	137,349
Due in more than one year	236,877	1,013,996	1,250,873
Compensated absences	27,027	7,999	35,026
Total liabilities	624,000	1,542,496	2,166,496
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	110,484	688	111,172
Total deferred inflows of resources	110,484	688	111,172
NET POSITION			
Net investment in capital assets	641,422	5,527,506	6,168,928
Restricted for:			
Stabilization by State Statute	130,579	-	130,579
Streets-Powell Bill	116,584	-	116,584
Public safety	36,276	-	36,276
Cemetery	117,718	-	117,718
Reserve account	8,182	-	8,182
Unrestricted	217,471	171,309	388,780
Total net position	\$ 1,268,232	\$ 5,698,815	\$ 6,967,047

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

Town of Stoneville, North Carolina
Statement of Activities
June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 321,453	\$ -	\$ -	\$ -	\$ (321,453)	\$ -	\$ (321,453)
Public safety	540,839	828	163,241	-	(376,770)	-	(376,770)
Public works	269,183	98,891	37,681	-	(132,611)	-	(132,611)
Economic development	112,787	-	106,350	-	(6,437)	-	(6,437)
Cultural and recreation	41,802	23,683	-	-	(18,119)	-	(18,119)
Interest on long-term debt	9,509	-	-	-	(9,509)	-	(9,509)
Total governmental activities	1,295,573	123,402	307,272	-	(864,899)	-	(864,899)
Business-type activities:							
Water and sewer	720,666	653,499	-	1,908,281	-	1,841,114	1,841,114
Total business-type activity	720,666	653,499	-	1,908,281	-	1,841,114	1,841,114
Total primary government	\$ 2,016,239	\$ 776,901	\$ 307,272	\$ 1,908,281	\$ (864,899)	\$ 1,841,114	\$ 976,215
General revenues:							
Taxes:							
Property taxes, levied for general purpose					544,511	-	544,511
Unrestricted intergovernmental revenues					385,381	-	385,381
Unrestricted investment earnings					1,336	124	1,460
Miscellaneous					21,133	-	21,133
Total general revenues not including transfers					952,361	124	952,485
Transfers					24,000	(24,000)	-
Total general revenues and transfers					976,361	(23,876)	952,485
Change in net position					111,462	1,817,238	1,928,700
Net position, beginning					1,156,770	3,881,577	5,038,347
Net position, ending					\$ 1,268,232	\$ 5,698,815	\$ 6,967,047

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

Exhibit 3

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

	Major Fund	
	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 474,854	\$ 474,854
Restricted cash	305,112	305,112
Receivables, net:		
Taxes	10,124	10,124
Other	39,625	39,625
Due from other governments	82,640	82,640
Due from other funds	8,314	8,314
Prepaid expenses	31,081	31,081
Total assets	<u>951,750</u>	<u>951,750</u>
LIABILITIES		
Accounts payable and accrued liabilities	<u>49,752</u>	<u>49,752</u>
Total liabilities	<u>49,752</u>	<u>49,752</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	<u>10,124</u>	<u>10,124</u>
Total deferred inflows of resources	<u>10,124</u>	<u>10,124</u>
FUND BALANCES		
Non Spendable		
Prepays	31,081	31,081
Restricted		
Stabilization by State Statute	130,579	130,579
Streets	116,584	116,584
Public safety	36,276	36,276
Cemetery	117,718	117,718
Reserve account	8,182	8,182
Unassigned	451,454	451,454
Total fund balances	<u>891,874</u>	<u>891,874</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 951,750</u>	

(cont)

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

Exhibit 3
(cont)

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

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

Total fund balance, governmental funds		\$ 891,874
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 2,413,243	
Accumulated depreciation	<u>(1,494,329)</u>	918,914
Deferred outflows of resources related to pensions are not reported in the funds		132,052
Earned revenues considered deferred inflows of resources in fund statements.		10,124
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Compensated absences		(27,027)
Long-term debt		(277,493)
Net pension liability		(132,379)
Total pension liability		(137,349)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(110,484)</u>
Net position of governmental activities		<u><u>\$ 1,268,232</u></u>

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

Exhibit 4

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

	Major Fund		Total Governmental Funds
	General		
REVENUES			
Ad valorem taxes	\$ 547,868	\$	547,868
Unrestricted intergovernmental	385,381		385,381
Restricted intergovernmental	154,723		154,723
Investment earnings	1,336		1,336
Miscellaneous	144,035		144,035
Governmental and private grants	153,050		153,050
Total revenues	<u>1,386,393</u>		<u>1,386,393</u>
EXPENDITURES			
Current:			
General government	307,356		307,356
Public safety	549,351		549,351
Public works	260,708		260,708
Economic development	112,787		112,787
Culture and recreation	42,140		42,140
Debt service:			
Principal	49,126		49,126
Interest and other charges	9,509		9,509
Total expenditures	<u>1,330,977</u>		<u>1,330,977</u>
Excess (deficiency) of revenues over expenditures	<u>55,416</u>		<u>55,416</u>
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds	24,000		24,000
Installment purchase obligation issued	-		-
Total other financing sources (uses)	<u>24,000</u>		<u>24,000</u>
Net change in fund balance	79,416		79,416
Fund balances, beginning	812,458		
Fund balances, ending	<u>\$ 891,874</u>		

(cont)

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

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

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

Net changes in fund balances - total governmental funds	\$	79,416
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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 expense exceeded capital outlays in the current period.

Capital outlay expenditures which were capitalized	\$ 89,858	
Depreciation expense for governmental activities	<u>(101,796)</u>	(11,938)

Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	31,071
---------------------------------------------------------------------------------------------------------------	--------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	(3,357)
------------------------------------------------	---------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Installment purchase obligation issued	-	
Principal payments on long-term debt	49,125	49,125

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		4,227
Pension expense		(38,481)
Net pension obligation (LEO)		<u>1,399</u>

Total changes in net position of governmental activities	\$	<u>111,462</u>
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The notes to the financial statements are an integral part of this statement.

Exhibit 5

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

General Fund				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 499,250	\$ 519,250	\$ 547,868	\$ 28,618
Unrestricted intergovernmental	314,772	314,772	385,381	70,609
Restricted intergovernmental	160,500	154,041	154,723	682
Investment earnings	350	350	1,336	986
Miscellaneous	135,448	149,554	144,035	(5,519)
Governmental and private grants	113,850	209,450	153,050	(56,400)
Total revenues	1,224,170	1,347,417	1,386,393	38,976
Expenditures:				
Current:				
General government	305,492	325,492	307,356	18,136
Public safety	532,030	702,541	549,351	153,190
Public works	218,953	264,842	260,708	4,134
Economic development	114,500	114,700	112,787	1,913
Cultural and recreation	43,511	61,917	42,140	19,777
Debt service:				
Principal retirement	49,442	49,442	49,126	316
Interest and other charges	9,216	9,197	9,509	(312)
Total expenditures	1,273,144	1,528,131	1,330,977	197,154
Revenues over (under) expenditures	(48,974)	(180,714)	55,416	236,130
Other financing sources (uses):				
Transfers from (to) other funds	24,000	24,000	24,000	-
Installment purchase obligation issued	-	38,900	-	(38,900)
Total other financing sources (uses)	24,000	62,900	24,000	(38,900)
Fund balance appropriated	24,974	117,814	-	(117,814)
Net change in fund balance	\$ -	\$ -	79,416	\$ 79,416
Fund balances, beginning			812,458	
Fund balances, ending			\$ 891,874	

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

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

	Major Enterprise Fund	
	Water and Sewer Fund	Total
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 193,592	\$ 193,592
Accounts receivable (net)	84,175	84,175
Due from other governments	312,914	312,914
Prepaid items	4,567	4,567
Restricted cash and cash equivalents	7,395	7,395
Total current assets	<u>602,643</u>	<u>602,643</u>
Noncurrent assets:		
Capital Assets:		
Land and other non-depreciable assets	2,921,886	2,921,886
Other capital assets, net of depreciation	3,701,908	3,701,908
Capital assets (net)	<u>6,623,794</u>	<u>6,623,794</u>
Total noncurrent assets	<u>6,623,794</u>	<u>6,623,794</u>
Total assets	<u>7,226,437</u>	<u>7,226,437</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	23,876	23,876
Total deferred outflows of resources	<u>23,876</u>	<u>23,876</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	402,823	402,823
Due to other funds	8,314	8,314
Notes payable - current	82,992	82,992
Liabilities payable from restricted assets:		
Customer deposits	6,695	6,695
Total current liabilities	<u>500,824</u>	<u>500,824</u>
Noncurrent liabilities:		
Net pension liability	27,991	27,991
Compensated absences	7,999	7,999
Notes payable - noncurrent	1,013,996	1,013,996
Total noncurrent liabilities	<u>1,049,986</u>	<u>1,049,986</u>
Total liabilities	<u>1,550,810</u>	<u>1,550,810</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	688	688
Total deferred inflows of resources	<u>688</u>	<u>688</u>
NET POSITION		
Net investment in capital assets	5,527,506	5,527,506
Unrestricted	171,309	171,309
Total net position	<u>\$ 5,698,815</u>	<u>\$ 5,698,815</u>

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

Town of Stoneville, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2019

	Major Enterprise Fund	
	Water and Sewer	
	Fund	Total
OPERATING REVENUES		
Charges for services	\$ 615,798	\$ 615,798
Water and sewer taps	1,250	1,250
Other operating revenues	36,451	36,451
Total operating revenues	653,499	653,499
OPERATING EXPENSES		
Water operations	252,364	252,364
Wastewater operations	292,035	292,035
Deprecation	160,457	160,457
Total operating expenses	704,856	704,856
Operating income (loss)	(51,357)	(51,357)
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	124	124
Interest and other charges	(15,810)	(15,810)
Total nonoperating revenues (expenses)	(15,686)	(15,686)
Income (loss) before contributions and transfers	(67,043)	(67,043)
Capital contributions	1,908,281	1,908,281
Transfers from (to) other funds	(24,000)	(24,000)
Change in net position	1,817,238	1,817,238
Total net position, beginning	3,881,577	3,881,577
Total net position, ending	\$ 5,698,815	\$ 5,698,815

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

Town of Stoneville, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019

	Major Enterprise Fund	
	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 615,798	\$ 615,798
Cash paid for goods and services	(432,100)	(432,100)
Cash paid on behalf of employees for services	(122,819)	(122,819)
Other operating revenues	37,701	37,701
Net cash provided (used) by operating activities	<u>98,580</u>	<u>98,580</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from (to) other funds	(24,000)	(24,000)
Net cash provided (used) by noncapital financing activities	<u>(24,000)</u>	<u>(24,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term liabilities	(82,903)	(82,903)
Interest paid on long-term liabilities	(15,810)	(15,810)
Acquisition and construction of capital assets	(2,297,214)	(2,297,214)
Proceeds from general obligation bond	813,000	813,000
Repayment of bond anticipation note	(813,000)	(813,000)
Capital contributions	1,908,281	1,908,281
Net cash provided (used) by capital and related financing activities	<u>(487,646)</u>	<u>(487,646)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	124	124
Net cash provided (used) by investing activities	<u>124</u>	<u>124</u>
Net increase (decrease) in cash and cash equivalents	(412,942)	(412,942)
Balances, beginning	613,929	613,929
Balance, ending	<u>\$ 200,987</u>	<u>\$ 200,987</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (51,357)	\$ (51,357)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	160,457	160,457
Changes in assets, deferred outflows of resources, and liabilities:		
(Increase) decrease in accounts receivable	(4,508)	(4,508)
(Increase) decrease in due from other governments	(304,650)	(304,650)
(Increase) decrease in prepaids	(4,567)	(4,567)
(Increase) decrease in deferred outflows of resources - pensions	(6,192)	(6,192)
Increase (decrease) in net pension liability	8,864	8,864
Increase (decrease) in deferred inflows of resources - pensions	(1,190)	(1,190)
Increase (decrease) in accounts payable and accrued liabilities	295,615	295,615
Increase (decrease) in due to other funds	8,314	8,314
Increase (decrease) in compensated absences	(2,206)	(2,206)
Total adjustments	<u>149,937</u>	<u>149,937</u>
Net cash provided by operating activities	<u>\$ 98,580</u>	<u>\$ 98,580</u>

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

Notes to the Financial Statements

Town of Stoneville, 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 Stoneville 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 Stoneville is a municipal corporation that is governed by an elected mayor and a five-member council.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are

those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Proprietary Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Matthews Street Project and the Sewer System Project. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations

at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board and the board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town investments are reported at fair value. 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.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be 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. The Reserve Account funds are restricted for the payment of principal and interest on USDA loan agreement. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Town of Stoneville Restricted Cash

Governmental Activities

General Fund

Streets	\$ 142,937
Public safety	36,276
Cemetery	117,717
Reserve account	8,182
Total Governmental Activities	<u>305,112</u>

Business-Type Activities

Water and Sewer Fund

Capital projects	700
Customer deposits	6,695
Total Business-Type Activities	<u>7,395</u>

Total Restricted Cash	<u><u>\$ 312,507</u></u>
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4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

6. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. 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 set at \$5,000. 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 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings	50
Infrastructure	40
Equipment	5
Furniture	10
Computer equipment	3
Vehicles	5
Heavy-duty vehicles	20
Improvements	25

8. 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 has one item that meets this criterion, pension deferrals for the 2019 fiscal year. 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 two items that meet the criterion for this category - property taxes receivable and pension deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are 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:

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.

Prepaid expenses – portion of fund balance that is not an available resource because it represents the year end balance of prepaid expenses, which are not spendable resources.

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

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

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

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for public safety expenditures.

Restricted for Cemetery – portion of fund balance that is restricted by revenue source for cemetery maintenance.

Restricted for Reserve Account – portion of fund balance that is restricted by the revenue source for a loan agreement.

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

and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

12. Defined Benefit Cost Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERs) and additions to/deductions from LGERs' fiduciary net position have been determined on the same basis as they are reported by LGERs. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Stoneville's employer contributions are recognized when due and the Town of Stoneville has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERs. Investments are reported at fair value.

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in its name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. 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 \$978,927 and a bank balance of \$1,002,664. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$935.

At June 30, 2019, the Town of Stoneville had \$1,091 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

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 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	<u>\$ 10,858</u>

3. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 119,540	\$ -	\$ -	\$ 119,540
Total capital assets not being depreciated	119,540	-	-	119,540
Capital assets being depreciated:				
Buildings	425,420	-	-	425,420
Infrastructure	53,000	-	-	53,000
Other improvements	184,678	7,464	-	192,142
Equipment and furniture	335,205	-	-	335,205
Computer software	4,750	-	-	4,750
Vehicles	178,937	82,394	-	261,331
Heavy duty vehicles	1,021,855	-	-	1,021,855
Total capital assets being depreciated	2,203,845	89,858	-	2,293,703
Less accumulated depreciation for:				
Buildings	268,911	8,508	-	277,419
Infrastructure	10,365	1,325	-	11,690
Other improvements	138,177	4,308	-	142,485
Equipment and furniture	287,663	11,184	-	298,847
Computer software	4,750	-	-	4,750
Vehicles	100,970	34,795	-	135,765
Heavy duty vehicles	581,697	41,676	-	623,373
Total accumulated depreciation	1,392,533	101,796	-	1,494,329
Total capital assets being depreciated, net	811,312			799,374
Governmental activity capital assets, net	<u>\$ 930,852</u>			<u>\$ 918,914</u>

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

General government	\$ 15,269
Public safety	71,257
Public works	8,144
Cultural and recreation	7,126
Total depreciation expense	<u>\$ 101,796</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 28,360	\$ -	\$ -	\$ 28,360
Construction in process	930,723	2,297,214	334,411	2,893,526
Total capital assets not being depreciated	<u>959,083</u>	<u>2,297,214</u>	<u>334,411</u>	<u>2,921,886</u>
Capital assets being depreciated:				
Equipment	252,020	13,982	-	266,002
Other improvements	12,986	-	-	12,986
Water and sewer systems	6,188,857	320,429	-	6,509,286
Vehicles	10,108	-	-	10,108
Total capital assets being depreciated	<u>6,463,971</u>	<u>334,411</u>	<u>-</u>	<u>6,798,382</u>
Less accumulated depreciation for:				
Equipment	165,844	14,143	-	179,987
Other improvements	5,880	374	-	6,254
Water and sewer systems	2,754,185	145,940	-	2,900,125
Vehicles	10,108	-	-	10,108
Total accumulated depreciation	<u>2,936,017</u>	<u>160,457</u>	<u>-</u>	<u>3,096,474</u>
Total capital assets being depreciated, net	<u>3,527,954</u>			<u>3,701,908</u>
Business-type activity capital assets, net	<u>\$ 4,487,037</u>			<u>\$ 6,623,794</u>

Construction activities

As of June 30, 2019, the Town has two sewer rehabilitation capital projects underway. The Town expended \$2,179,809 in 2019 related to these projects which are included as capital outlay as noted above. Total projects costs are estimated to be approximately \$4,000,000.

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached

age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Stoneville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Stoneville's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Stoneville were \$37,641 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$160,370 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was .00676%, which was a decrease of .00026% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$46,531. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,741	\$ 830
Changes in assumptions	42,556	-
Net difference between projected and actual earnings on pension plan investments	22,014	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,841	3,109
Town contributions subsequent to the measurement date	37,641	-
Total	<u>\$ 136,793</u>	<u>\$ 3,939</u>

\$37,641 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 48,651
2021	28,196
2022	6,026
2023	12,340
2024	-
Thereafter	-

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

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

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

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

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 385,223	\$ 160,370	\$ (27,520)

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Stoneville administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>4</u>
Total	<u>4</u>

2. Summary of Significant Accounting Policies:

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

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

3. Actuarial Assumptions

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

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

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

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

4. Contributions.

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

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

At June 30, 2019, the Town reported a total pension liability of \$137,349. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension income of \$1,399.

	Deferred Outflows of Resources	Deferred Inflows of
Differences between expected and actual experience	\$ 13,240	\$ 102,302
Changes of assumptions	5,895	4,931
Benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 19,135</u>	<u>\$ 107,233</u>

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

Year ended June 30:

2020	\$ (16,103)
2021	(16,103)
2022	(16,103)
2023	(16,572)
2024	(20,548)
Thereafter	(2,669)

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 145,272	\$ 137,349	\$ 130,116

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

	2019
Beginning balance	\$ 248,916
Service Cost	6,524
Interest on the total pension liability	7,866
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(122,244)
Changes of assumptions or other inputs	(3,713)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 137,349</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 46,531	\$ (1,339)	\$ 45,192
Pension Liability	160,370	137,349	297,719
Proportionate share of the net pension liability	0.00676%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	24,741	13,240	37,981
Changes of assumptions	42,556	5,895	48,451
Net difference between projected and actual earnings on plan investments	22,014	-	22,014
Changes in proportion and differences between contributions and proportionate share of contributions	9,841	-	9,841
Benefit payments and administrative costs paid subsequent to the measurement date	37,641	-	37,641
			-
Deferred of Inflows of Resources			
Differences between expected and actual experience	830	102,302	103,132
Changes of assumptions	-	4,931	4,931
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	3,109	-	3,109

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The Town made contributions of \$8,651 for the reporting year. No amounts were forfeited.

d. Other Employment Benefits

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

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Differences between expected and actual experience	\$ 37,981
Changes in assumptions	48,451
Net difference between projected and actual earnings on pension plan investments	22,014
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,841
Employer contributions subsequent to measurement date	37,641
Total	<u>\$ 155,928</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 10,124
Differences between expected and actual experience	103,132	-
Changes in assumptions	4,931	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,109	-
Total	<u>\$ 111,172</u>	<u>\$ 10,124</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 does not carry flood insurance since it is not in a flood prone area as defined by the Federal Emergency Management Agency.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$30,000.

4. Long-term Obligations

a. Installment Purchase

In January, 2014 the Town entered into a direct placement contract for the purchase of a fire truck. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires monthly payments of \$2,428 which includes interest at 3.25% through December, 2028.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2020	\$ 21,705	\$ 7,427
2021	22,440	6,691
2022	23,181	5,951
2023	23,945	5,186
2024	24,724	4,406
2025-2029	121,799	9,297
	<u>\$ 237,794</u>	<u>\$ 38,958</u>

b. Installment Purchase

In July, 2014 the Town entered into a direct placement contract for the purchase of two police cars. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires monthly payments of \$896 which includes interest at 4.00% through July, 2019.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2020	\$ 805	\$ 4
	<u>\$ 805</u>	<u>\$ 4</u>

c. Installment Purchase

In October, 2015, the Town entered into a direct placement contract for the renovation of town hall. The contract requires monthly payments of \$1,183 which includes interest at 1.75% through November, 2020.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2020	\$ 13,976	\$ 237
2021	5,393	26
	<u>\$ 19,369</u>	<u>\$ 263</u>

d. Installment Purchase

In October, 2015, the Town entered into a direct placement contract for the purchase of equipment. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires monthly payments of \$872 which includes interest at 1.75% through November, 2020.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2020	\$ 10,277	\$ 174
2021	2,836	19
	<u>\$ 13,113</u>	<u>\$ 193</u>

e. Financing Agreement

In 2005, the Town entered into a financing agreement with the Town of Mayodan for a water-sewer project. The agreement requires annual payments of \$51,492 plus interest paid semiannually at 2.66% through May, 2024.

Annual debt service requirements to maturity for the financing agreement are as follows:

Year Ending June 30	Principal	Interest
2020	\$ 51,492	\$ 6,848
2021	51,492	5,479
2022	51,492	4,109
2023	51,492	2,739
2024	51,490	1,370
	<u>\$ 257,458</u>	<u>\$ 20,545</u>

f. Installment Purchase

In July, 2015, the Town entered into a direct placement contract for the purchase of equipment. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires monthly payments of \$756 which includes interest at 3.625% through January, 2023.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2020	\$ 8,223	\$ 822
2021	8,527	520
2022	8,936	205
2023	731	2
	<u>\$ 26,417</u>	<u>\$ 1,549</u>

g. Installment Purchase

In July, 2017, the Town entered into a direct placement contract for the purchase of equipment. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires monthly payments of \$151 which includes interest at 3.25% through June, 2022.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2020	\$ 1,678	\$ 134
2021	1,734	78
2022	1,791	21
2023	50	-
	<u>\$ 5,253</u>	<u>\$ 233</u>

h. Installment Purchase

In November, 2017, the Town entered into a direct placement contract for the purchase of equipment. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires monthly payments of \$240 which includes interest at 3.25% through May, 2023.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2020	\$ 2,451	\$ 429
2021	2,533	347
2022	2,402	478
2023	2,237	643
2024	2,790	90
2025	1,858	10
	<u>\$ 14,271</u>	<u>\$ 1,997</u>

i. General Obligation Indebtedness

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

In February, 2019, the Town issued a \$813,000 Water and Sewer bond, Water & Sewer, Series 2019 due on June 1, 2058 including interest at 2.25%. The agreement requires annual payments from \$13,000 to \$30,000 plus interest at 2.25%.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year Ending June 30	Principal	Interest
2020	\$ 13,000	\$ 18,000
2021	13,000	17,708
2022	14,000	17,415
2023	14,000	17,100
2024	14,000	16,785
2025-2029	77,000	78,953
2030-2034	85,000	69,953
2035-2039	95,000	59,940
2040-2044	106,000	48,780
2045-2050	119,000	36,270
2051-2055	133,000	22,298
2056-2058	117,000	6,658
	<u>\$ 800,000</u>	<u>\$ 409,860</u>

j. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Direct placement installment purchase	\$ 326,616	\$ -	\$ 49,124	\$ 277,492	\$ 40,615
Compensated absences	31,254	-	4,227	27,027	-
Total pension liability (LEO)	248,916	-	111,567	137,349	-
Net pension liability (LGERS)	88,118	44,261	-	132,379	-
Governmental activity long-term liabilities	<u>\$ 694,904</u>	<u>\$ 44,261</u>	<u>\$ 164,918</u>	<u>\$ 574,247</u>	<u>\$ 40,615</u>
Business-type activities:					
Direct placement installment purchase	\$ 57,939	\$ -	\$ 18,409	\$ 39,530	\$ 18,500
Town of Mayodan	308,950	-	51,492	257,458	51,492
General obligation bond	-	813,000	13,000	800,000	13,000
Bond anticipation note	813,000	-	813,000	-	-
Compensated absences	10,205	-	2,206	7,999	-
Net pension liability (LGERS)	19,128	8,863	-	27,991	-
Business-type activity long-term liabilities	<u>\$ 1,209,222</u>	<u>\$ 821,863</u>	<u>\$ 898,107</u>	<u>\$ 1,132,978</u>	<u>\$ 82,992</u>

Compensated absences for governmental activities have typically been liquidated in the General Fund.

At June 30, 2019, the Town had a legal debt margin of \$5,863,287.

C. Interfund Balances and Activity

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

To the General Fund from the Water and Sewer Fund	<u>\$ 8,314</u>
---------------------------------------------------	-----------------

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

From the Enterprise Fund to the General Fund for funding of the Matthew St. project	<u>\$ 24,000</u>
-------------------------------------------------------------------------------------	------------------

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

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 918,914	\$ 6,623,794
Add: restricted cash	-	700
Less: long-term debt	(277,492)	(1,096,988)
Net investment in capital assets	<u>\$ 641,422</u>	<u>\$ 5,527,506</u>

E. Fund Balance

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

Total fund balance - General Fund	\$ 891,874
Less:	
Prepays	31,081
Stabilization by State Statute	130,579
Streets - Powell Bill	116,584
Public safety	36,276
Cemetery	117,718
Reserve account	8,182
Remaining Fund Balance	451,454

F. Commitments

The Town has entered into a contract for solid waste collection expiring June, 2020 for approximately \$90,000 per year.

III. Jointly Governed Organizations

The Town, in conjunction with twelve counties and sixty other municipalities established the Piedmont Triad Regional Council. The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$550 to the Council during the fiscal year ended June 30, 2019.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Subsequent Events

Subsequent events have been evaluated through October 31, 2019, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

Town of Stoneville, North Carolina
Town of Stoneville's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years*

Local Governmental Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Stoneville's proportion of the net pension liability (asset) (%)	0.00676%	0.00702%	0.00616%	0.00680%	0.00580%	0.00283%
Stoneville's proportion of the net pension liability (asset) (\$)	\$ 160,370	\$ 107,246	\$ 130,736	\$ 30,518	\$ (16,690)	\$ 69,912
Stoneville's covered payroll	\$ 429,536	\$ 432,837	\$ 393,648	\$ 362,140	\$ 343,191	\$ 343,191
Stoneville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.34%	24.78%	33.21%	8.43%	(4.86%)	20.37%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Town of Stoneville, North Carolina
Town of Stoneville's Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Governmental Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 37,641	\$ 33,453	\$ 32,232	\$ 26,440	\$ 26,086	\$ 23,831
Contributions in relation to the contractually required contribution	<u>37,641</u>	<u>33,453</u>	<u>32,232</u>	<u>26,440</u>	<u>26,086</u>	<u>23,831</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Stoneville's covered payroll	\$ 467,977	\$ 429,536	\$ 432,837	\$ 393,648	\$ 362,140	\$ 343,191
Contributions as a percentage of covered payroll	8.04%	7.79%	7.45%	6.72%	7.20%	6.94%

Town of Stoneville, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	2019	2018	2017
Beginning balance	\$ 248,916	\$ 205,510	\$ 194,010
Service cost	6,524	6,266	8,171
Interest on the total pension liability	7,866	7,933	6,926
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(122,244)	20,208	-
Changes of Assumptions or other inputs	(3,713)	8,999	(3,597)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 137,349</u>	<u>\$ 248,916</u>	<u>\$ 205,510</u>

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

Town of Stoneville, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	2019	2018	2017
Total pension liability	\$ 137,349	\$ 248,916	\$ 205,510
Covered payroll	183,013	221,233	202,799
Total pension liability as a percentage of covered payroll	75.05%	112.51%	101.34%

Notes to the schedules:

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

Individual Fund Schedules

Town of Stoneville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 543,080	\$
Interest		4,788	
Total	<u>519,250</u>	<u>547,868</u>	<u>28,618</u>
Unrestricted intergovernmental:			
Local option sales taxes		217,681	
Telecommunications sales tax		8,543	
Utilities sales tax		58,183	
Video franchise fee		4,276	
Sales and use tax		14,883	
Beer and wine tax		5,211	
Hold harmless		73,356	
Other		3,248	
Total	<u>314,772</u>	<u>385,381</u>	<u>70,609</u>
Restricted intergovernmental:			
Powell Bill allocation		36,836	
Fire protection tax		116,900	
Solid waste disposal tax		845	
Other		142	
Total	<u>154,041</u>	<u>154,723</u>	<u>682</u>
Investment earnings	<u>350</u>	<u>1,336</u>	<u>986</u>
Miscellaneous:			
Sanitation fees		98,891	
Rental income		12,696	
Sales and service		23,683	
Miscellaneous		8,765	
Total	<u>149,554</u>	<u>144,035</u>	<u>(5,519)</u>
Governmental and private grants:			
Intergovernmental grants		99,500	
Private grants		53,550	
	<u>209,450</u>	<u>153,050</u>	<u>(56,400)</u>
Total revenues	<u>1,347,417</u>	<u>1,386,393</u>	<u>38,976</u>

cont.

Town of Stoneville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		10,918	
Other operating expenditures		42,304	
Total	58,920	53,222	5,698
Administration:			
Salaries and employee benefits		158,229	
Professional services		17,820	
Other operating expenditures		22,184	
Total	202,892	198,233	4,659
Public buildings:			
Other operating expenditures		55,901	
Capital outlay		-	
Total	63,680	55,901	7,779
Total general government	325,492	307,356	18,136
Public safety:			
Police department:			
Salaries and employee benefits		280,000	
Other operating expenditures		61,955	
Capital outlay		41,988	
Total	503,081	383,943	119,138
Fire department:			
Salaries and employee benefits		43,778	
Other operating expenditures		81,224	
Capital outlay		40,406	
Total	199,460	165,408	34,052
Total public safety	702,541	549,351	153,190
Public works:			
Public works:			
Salaries and employee benefits		97,529	
Garbage collection		91,177	
Other operating expenditures		45,650	
Capital outlay		-	
Total	238,490	234,356	4,134
Powell Bill:			
Street maintenance and repairs		26,352	
Total	26,352	26,352	-
Total public works	264,842	260,708	4,134
Economic development	114,700	112,787	1,913

cont.

Town of Stoneville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Cultural and recreation:			
Recreation:			
Salaries and employee benefits		18,530	
Other operating expenditures		16,146	
Capital outlay		7,464	
Total	61,917	42,140	19,777
Debt service:			
Principal	49,442	49,126	
Interest and other charges	9,197	9,509	
Total debt service	58,639	58,635	4
Total expenditures	1,528,131	1,330,977	197,154
Revenues over (under) expenditures	(180,714)	55,416	236,130
Other financing sources (uses):			
Transfers from (to) other funds:			
Capital projects fund - Matthews Street	24,000	24,000	-
Installment purchase obligation issued	38,900	-	(38,900)
Sale of capital assets	-	-	-
Total other financing sources (uses)	62,900	24,000	(38,900)
Fund balance appropriated	117,814	-	(117,814)
Net change in fund balance	\$ -	79,416	\$ 79,416
Fund balances, beginning		812,458	
Fund balances, ending		\$ 891,874	

Town of Stoneville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales and sewer charges	\$ 640,366	\$ 615,798	\$ (24,568)
Water and sewer taps	2,500	1,250	(1,250)
Other operating revenues	15,100	36,451	21,351
Total revenues	657,966	653,499	(4,467)
Expenditures:			
Water operations:			
Salaries and employee benefits		59,561	
Water purchases		113,809	
Maintenance		45,144	
Other operating expenditures		34,279	
Total operating expenditures	256,116	252,793	3,323
Wastewater operations:			
Salaries and employee benefits		63,258	
Sewer usage		122,179	
Maintenance		46,738	
Other operating expenditures		60,157	
Total operating expenditures	296,166	292,332	3,834
Debt service:			
Interest and other charges		14,898	
Principal retirement		69,903	
Total debt service	121,946	84,801	37,145
Capital outlay:			
Capital outlay		117,405	
Total capital outlay	237,835	117,405	120,430
Total expenditures	912,063	747,331	164,732
Revenues over (under) expenditures	(254,097)	(93,832)	160,265

(continued)

Town of Stoneville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfers from (to) other funds			
General fund	(24,000)	(24,000)	-
USDA Sewer System Project	-	-	-
Matthew Street Project	-	-	-
Total other financing sources (uses)	(24,000)	(24,000)	-
Fund balance appropriated	278,097	-	(278,097)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ (117,832)	\$ (117,832)

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Revenues and other sources over (under) expenditures and other uses	\$ (117,832)
Reconciling items:	
Principal retirement	69,903
Capital outlay	117,405
Increase in accrued interest payable	(911)
Decrease in accrued compensated absences	2,206
Increase in deferred outflows of resources - pensions	6,192
Increase in net pension liability	(8,863)
Decrease in deferred inflows of resources - pensions	1,190
Depreciation	(160,457)
Interest income from USDA Sewer System Project	124
Capital contributions	1,908,281
Total reconciling items	1,935,070
Change in net position	\$ 1,817,238

Town of Stoneville, North Carolina
Capital Project Fund - USDA Sewer System Project
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
USDA Rural Development grant	\$ 1,865,000	\$ -	\$ 1,833,281	\$ 1,833,281	\$ (31,719)
Investment earnings	-	504	124	628	628
Total revenues	<u>1,865,000</u>	<u>504</u>	<u>1,833,405</u>	<u>1,833,909</u>	<u>(31,091)</u>
Expenditures:					
Capital outlay	<u>2,678,000</u>	<u>541,503</u>	<u>2,104,809</u>	<u>2,646,312</u>	<u>31,688</u>
Total expenditures	<u>2,678,000</u>	<u>541,503</u>	<u>2,104,809</u>	<u>2,646,312</u>	<u>31,688</u>
Revenues over (under) expenditures	<u>(813,000)</u>	<u>(540,999)</u>	<u>(271,404)</u>	<u>(812,403)</u>	<u>597</u>
Other financing sources (uses)					
Transfers from (to) other funds					
Water sewer fund	-	100	-	100	100
Proceeds from financing agreement	<u>813,000</u>	<u>813,000</u>	<u>-</u>	<u>813,000</u>	<u>-</u>
Total other financing sources (uses)	<u>813,000</u>	<u>813,100</u>	<u>-</u>	<u>813,100</u>	<u>100</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 272,101</u>	<u>\$ (271,404)</u>	<u>\$ 697</u>	<u>\$ 697</u>

Town of Stoneville, North Carolina
Capital Projects Fund - CDBG Infrastructure Project
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Sewer improvements	\$ 1,198,500	\$ -	\$ -	\$ -	\$ (1,198,500)
Administration	101,500	-	75,000	75,000	(26,500)
Total revenues	<u>1,300,000</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>(1,225,000)</u>
Expenditures:					
Capital outlay	<u>1,300,000</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>1,225,000</u>
Total expenditures	<u>1,300,000</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>1,225,000</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)					
Transfers from (to) other funds					
General fund	-	-	-	-	-
Water and Sewer Fund	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Schedules

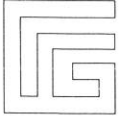
Town of Stoneville, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<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	\$ -	\$ 539,163	\$ 534,029	\$ 5,134
2017-2018	9,967	-	5,563	4,404
2016-2017	3,720	-	418	3,302
2015-2016	2,195	-	162	2,033
2014-2015	1,541	-	596	945
2013-2014	1,127	-	371	756
2012-2013	1,231	-	2	1,229
2011-2012	1,224	-	33	1,191
2010-2011	1,665	-	286	1,379
2009-2010	1,366	-	757	609
2008-2009	1,256	-	1,256	-
	<u>\$ 25,292</u>	<u>\$ 539,163</u>	<u>\$ 543,473</u>	<u>20,982</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>10,858</u>
Ad valorem taxes receivable - net				<u>\$ 10,124</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 547,868
Reconciling items:				
Interest collected				(4,788)
Adjustments				(863)
Taxes written off				<u>1,256</u>
Subtotal				<u>(4,395)</u>
Total collections and credits				<u>\$ 543,473</u>

Town of Stoneville, 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	\$ 80,000,597	0.67	\$ 536,004	\$ 469,370	\$ 66,634
Discoveries - current and prior years	759,403	0.67	5,088	5,088	-
Releases	(287,910)	0.67	(1,929)	(1,929)	-
Total property valuation	<u>\$ 80,472,090</u>				
Net levy			539,163	472,529	66,634
Unpaid (by taxpayers) taxes at June 30, 2019			(5,134)	(5,134)	-
Current year's taxes collected			<u>\$ 534,029</u>	<u>\$ 467,395</u>	<u>\$ 66,634</u>
Current levy collection percentage			<u>99.05%</u>	<u>98.91%</u>	<u>100.00%</u>

Compliance Section



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

Independent Auditor's Report

To the Members of the Town Council
Town of Stoneville
Stoneville, North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stoneville, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Stoneville's basic financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these

limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

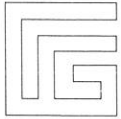
As part of obtaining reasonable assurance about whether the Town of Stoneville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Johnson + Company, P.A." The signature is written in a cursive, flowing style.

Winston-Salem, North Carolina
October 31, 2019



Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Winston-Salem, North Carolina
October 31, 2019

TOWN OF STONEVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

Grantor/Pass-through Grantor/Program Title 1(a)	Federal CFDA Number 1(a)(b)	State/ Pass-through Grantor's Number 1(c)	Fed. (Direct & Pass-through) Expenditures 1(c),2	State Expenditures 1(d)	Pass-through to subrecipients 1(e)	Local Expenditures 1(d)
Federal Grants:						
Cash Programs:						
<u>U.S. Dept. of Housing and Urban Development</u>						
Passed-through N.C. Department of Environmental Quality:						
Community Development Block Grant, Infrastructure Fund	14.228	2017 / 17-I-2970	\$ 75,000	\$ -	\$ -	\$ -
<u>U.S. Dept. of Transportation</u>						
Passed-through the N.C. Department of Transportation:						
Enhanced Mobility of Seniors & Individuals with Disabilities	20.513	19-ED-931/51001.85.4.3	88,000	11,000	-	11,000
<u>U. S. Department of Agriculture</u>						
Passed-through N.C. Department of Agriculture - Rural Development						
Water & Waste Disposal Systems for Rural Communities	10.760	RD Grant 08	2,104,809	-	-	-
Total assistance - federal programs			<u>2,267,809</u>	<u>11,000</u>	<u>-</u>	<u>11,000</u>
State Grants:						
Cash Assistance:						
<u>N.C. Department of Transportation:</u>						
Powell Bill		38570	-	26,352	-	-
<u>N.C. Department of Insurance</u>						
State Fire Protection		G.S. 58-85A-1	-	7,200	-	-
Total assistance - State programs			<u>-</u>	<u>33,552</u>	<u>-</u>	<u>-</u>
Total assistance			<u>\$ 2,267,809</u>	<u>\$ 44,552</u>	<u>\$ -</u>	<u>\$ 11,000</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

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

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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

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

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant Deficiency(s) ☐ yes ☒ none reported

Noncompliance material to financial
statements noted

☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant Deficiency(s) identified ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR 200.516(a)?

☐ yes ☒ no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Names of Federal Program or Cluster</u>
10.760	Water & Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish
between Type A and Type B Programs

\$ 750,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

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

Section II – Financial Statement Findings

None reported.

Section III - Federal Award Findings & Questioned Costs

None reported.

Town of Stoneville
Corrective Action Plan
For the Fiscal Year Ended June 30, 2019

Section II – Financial Statement Findings

None reported.

Section III - Federal Award Findings & Questioned Costs

None reported.

Town of Stoneville
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2019

Finding: None reported.