

Town of Stonewall

Financial Statements

For the Fiscal Year Ended June 30, 2019

Town of Stonewall, North Carolina
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June 30, 2019

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Financial Section

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Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Stonewall, 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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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Opinions

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Stonewall, 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 page 3, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted on 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information have 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 my opinion, based on my audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Farmville, North Carolina
June 9, 2020

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Management's Discussion and Analysis

**Town of Stonewall, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

As management of the Town of Stonewall, we offer readers of the Town of Stonewall's financial statements this narrative overview and analysis of the financial activities of the Town of Stonewall 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

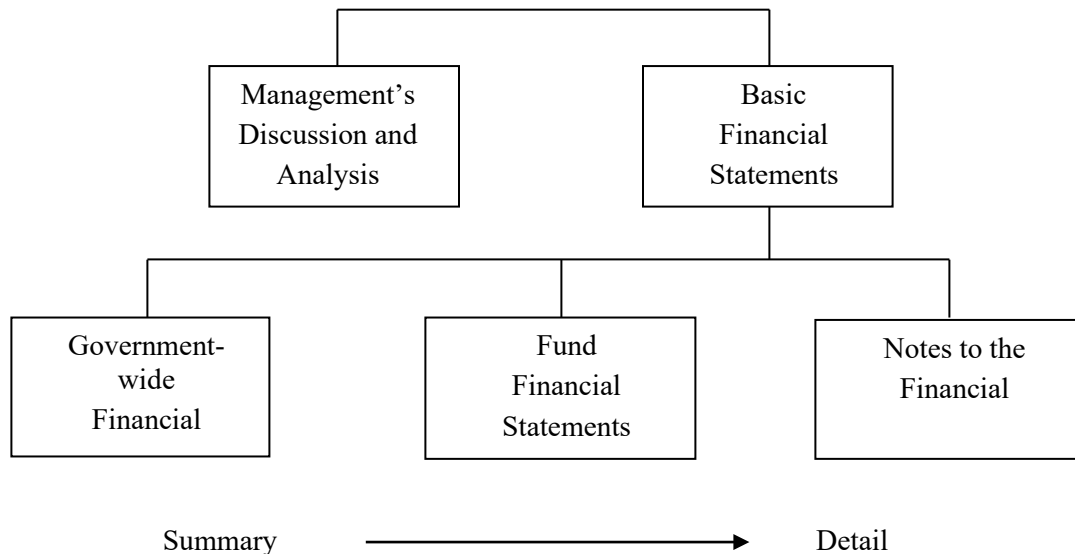
- The assets of the Town of Stonewall exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$326,380 (net position).
- The government's total net position decreased by \$39,980.
- At the close of the current fiscal year, the Town of Stonewall's governmental funds reported ending fund balances of \$315,505 with a net change of \$(37,192) in fund balance. Approximately 22.03 percent of this total amount, or \$69,506, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$245,999, or 243.73 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



**Town of Stonewall, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

Basic Financial Statements

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

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

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

Government-wide Financial Statements

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

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

The government-wide statements consist of only governmental activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes, permits and fees, and sales and services finance most of these activities.

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

Fund Financial Statements

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

**Town of Stonewall, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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

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

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 14 of this report.

**Government-wide Financial Analysis
Town of Stonewall's Net Position
Figure 2**

	Governmental Activities	
	2019	2018
Current and other assets	\$ 317,971	\$ 357,509
Capital assets	9,115	10,121
Total Assets	\$ 327,086	\$ 367,630
Current liabilities	706	1,270
Total Liabilities	\$ 706	\$ 1,270
Net position:		
Net investment in capital assets	\$ 9,115	\$ 10,121
Restricted	69,506	120,280
Unrestricted	247,759	235,959
Total Net Position	\$ 326,380	\$ 366,360

**Town of Stonewall, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Stonewall exceeded liabilities and deferred inflows by \$326,380 as of June 30, 2019. The Town's net position decreased by \$39,980 for the fiscal year ended June 30, 2019. A portion (2.79%) reflects the Town's net investment in capital assets (e.g. land, buildings, and equipment). The Town of Stonewall uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town of Stonewall's net position \$69,506 (22.03%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$247,759 is unrestricted.

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

- Maintaining conservative approach to spending.

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

	Governmental Activities	
	2019	2018
Revenues:		
Program Revenues:		
Operating grants and contributions	\$ 6,842	\$ 8,049
General Revenues:		
Property taxes	31,203	31,642
Grants and contributions not restricted to specific programs	23,805	23,765
Unrestricted investment earnings	105	57
Total Revenues	<u>\$ 61,955</u>	<u>\$ 63,513</u>
Expenses:		
General government	16,401	20,545
Public safety	7,971	7,971
Transportation	58,655	1,006
Environmental protection	18,908	18,522
Total Expenses	<u>\$ 101,935</u>	<u>\$ 48,044</u>
Increase (decrease) in net position	\$ (39,980)	\$ 15,469
Total Net Position:		
Beginning of year	366,360	350,891
End of year	<u>\$ 326,380</u>	<u>\$ 366,360</u>

Governmental Activities. Governmental activities decreased the Town's net position by \$39,980.

Financial Analysis of the Town's Funds

**Town of Stonewall, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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

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

The general fund is the chief operating fund of the Town of Stonewall. At the end of the current fiscal year, fund balance unassigned in the General Fund was \$245,999, while total fund balance reached \$315,505. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The Town currently has an unassigned fund balance of 243.73% of total General Fund expenditures, while total fund balance represents 312.60% of the same amount.

At June 30, 2019, the governmental funds of Town of Stonewall reported a fund balance of \$315,505 with a net decrease in fund balance of \$37,192.

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

Revenues were more than the budgeted amounts primarily due to the maintaining funding in unrestricted intergovernmental funds from the State of North Carolina.

Expenditures were held in check to comply with its budgetary requirements. Expenditures were lower than the budgeted amounts in Public Safety, Transportation, and Environmental Protection departments.

Capital Asset and Debt Administration

Capital assets. The Town of Stonewall's investment in capital assets for its governmental activities as of June 30, 2019, totals \$9,115 (net of accumulated depreciation). These assets include buildings, roads and bridges, land.

**Town of Stonewall, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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

	Governmental Activities	
	2019	2018
Land	\$ 500	\$ 500
Buildings	8,615	9,621
Total	\$ 9,115	\$ 10,121

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

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: Budgeted expenditures in the General Fund are expected to increase approximately \$500 or 0.8%.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Stonewall, P. O. Box 99, Stonewall, NC 28583.

Basic Financial Statements

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

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 246,705
Taxes receivables (net)	1,760
Restricted cash and cash equivalents	69,506
Total Current Assets	<u>\$ 317,971</u>
Non-current Assets:	
Capital assets (Note 2):	
Land	\$ 500
Other capital assets, net of depreciation	8,615
Total Capital Assets	<u>\$ 9,115</u>
Total Assets	<u>\$ 327,086</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 706
Total Current Liabilities	<u>\$ 706</u>
NET POSITION	
Net investment in capital assets	\$ 9,115
Restricted for:	
Transportation	69,506
Unrestricted	247,759
Total Net Position	<u>\$ 326,380</u>

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

Exhibit 2

Town of Stonewall, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Primary Government:					
Governmental Activities:					
General government	\$ 16,401	\$ -	\$ -	\$ -	\$ (16,401)
Public safety	7,971	-	-	-	(7,971)
Transportation	58,655	-	6,842	-	(51,813)
Environmental protection	18,908	-	-	-	(18,908)
Total Governmental Activities	\$ 101,935	\$ -	\$ 6,842	\$ -	\$ (95,093)
General Revenues:					
Taxes:					
Property taxes, levied for general purpose					\$ 31,203
Grants and contributions not restricted to specific program					23,805
Unrestricted investment earnings					105
Total General Revenues and Transfers					\$ 55,113
Change in Net Position					(39,980)
Net position, beginning					366,360
Net position, ending					\$ 326,380

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

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

	General Fund
ASSETS	
Cash and cash equivalents	\$ 246,705
Restricted cash	69,506
Receivables, net:	
Taxes	1,760
Total Assets	\$ 317,971
LIABILITIES	
Liabilities:	
Accounts payable and accrued liabilities	\$ 706
Total liabilities	\$ 706
DEFERRED INFLOWS OF RESOURCES	
Property taxes receivable	\$ 1,760
Total deferred inflows of resources	\$ 1,760
FUND BALANCES	
Restricted:	
Streets	\$ 69,506
Unassigned	245,999
Total Fund Balances	\$ 315,505
Total liabilities, deferred inflows of resources and fund balances	\$ 317,971
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Unavailable revenues are treated as liabilities in the funds rather than as revenue will full accrual used for the Statement of Net Position.	1,760
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,115
Net Position of Governmental Activities	\$ 326,380

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

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

	General Fund
REVENUES	
Ad valorem taxes	\$ 32,985
Unrestricted intergovernmental	23,805
Restricted intergovernmental	6,842
Investment earnings	105
Total Revenues	\$ 63,737
EXPENDITURES	
Current:	
General government	\$ 16,402
Public safety	7,971
Transportation	57,650
Environmental protection	18,906
Total Expenditures	\$ 100,929
Net Change in Fund Balance	\$ (37,192)
Fund Balances, beginning	352,697
Fund Balances, ending	\$ 315,505
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	\$ (37,192)
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	(1,782)
Governmental funds report capital outlays as expenditures. However, the Statement of Activities allocates the cost of those assets over their estimated useful lives and reports depreciation expense. This is the amount amount by which depreciation exceeded capital outlay in the current period.	
Depreciation expense for governmental activities	(1,006)
Total Change in Net Position of Governmental Activities	\$ (39,980)

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

Town of Stonewall, 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 Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 29,550	\$ 29,550	\$ 32,985	\$ 3,435
Unrestricted intergovernmental	21,900	21,900	23,805	1,905
Restricted intergovernmental	8,100	8,100	6,842	(1,258)
Investment earnings	40	40	105	65
Total revenues	<u>\$ 59,590</u>	<u>\$ 59,590</u>	<u>\$ 63,737</u>	<u>\$ 4,147</u>
Expenditures:				
Current:				
General government	\$ 27,764	\$ 27,764	\$ 16,402	\$ 11,362
Public safety	8,000	8,000	7,971	29
Transportation	1,326	1,326	57,650	(56,324)
Environmental protection	20,000	20,000	18,906	1,094
Contingency	3,000	3,000	-	3,000
Total expenditures	<u>\$ 60,090</u>	<u>\$ 60,090</u>	<u>\$ 100,929</u>	<u>\$ (40,839)</u>
Fund balance appropriated	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ (500)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (37,192)</u>	<u>\$ (37,192)</u>
Fund balances, beginning			352,697	
Fund balances, ending			<u>\$ 315,505</u>	

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

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

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Stonewall (the "Town") is a municipal corporation that is governed by an elected mayor and a three-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 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 Town does not have any Business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees 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, proprietary, and fiduciary* – 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.

The Town reports the following major governmental funds:

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

The Town does not have any non-major governmental funds.

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

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 Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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.

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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. 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 the 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 their financial statements and are offset by deferred inflows or resources.

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned 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 are 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. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, and 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 State 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).

2. Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

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, 2011. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. 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 \$1,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. As allowed by GASB Statement 34, the Town has elected not to capitalize general infrastructure assets acquired prior to July 1, 2004. 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
Infrastructure	30 years
Buildings	20-40 years
Improvements	10-20 years
Furniture and equipment	5-10 years

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

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. 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 only two items that meet the criterion for this category – prepaid taxes and property taxes receivable.

9. Net Position/Fund Balances

a. Net Position

Net position in government-wide financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent 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.

b. Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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.

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

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

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for transportation activities by \$56,324. This over-expenditure occurred because of oversight by the board at year end. Management and the Board will more closely review the budget reports and consider purchase orders to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. 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, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$316,210 and a bank balance of \$316,210. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Receivables

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amount of \$1,760.

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

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2018 are net of the following allowances for doubtful accounts:

Fund	6/30/2019
General Fund:	
Taxes receivable	\$ 1,516

3. Capital Assets

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	\$ 500	\$ -	\$ -	\$ 500
Total Capital Assets Not Being Depreciated	\$ 500	\$ -	\$ -	\$ 500
Capital Assets Being Depreciated:				
Buildings	\$ 15,151	\$ -	\$ -	\$ 15,151
Roads	14,967	-	-	14,967
Total Capital Assets Being Depreciated	\$ 30,118	\$ -	\$ -	\$ 30,118
Less accumulated depreciation for:				
Buildings	\$ 9,998	\$ -	\$ -	\$ 9,998
Roads	10,499	1,006	-	11,505
Total accumulated depreciation	\$ 20,497	\$ 1,006	\$ -	\$ 21,503
Total Capital Assets Being Depreciated, Net	9,621			8,615
Total Capital Assets, Net	\$ 10,121			\$ 9,115

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

General government	\$ 1,006
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A. Liabilities

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

1. Deferred Outflows and Inflows of Resources

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 1,760
Total	\$ -	\$ 1,760

2. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in one self-funded risk-financing pool administered by the North Carolina League of Municipalities. Through this pool, the Town obtains general liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits. The pool is reinsured through commercial companies for single occurrence claims against general liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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 hold any flood insurance.

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

C. 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	\$ 315,504
Less:	
Streets - Powell Bill	69,506
Remaining Fund Balance	\$ 245,998

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year	\$ 29,400	\$ 30,260	\$ -
Prior year	100	2,342	-
Penalties and interest	50	383	-
Total	<u>\$ 29,550</u>	<u>\$ 32,985</u>	<u>\$ 3,435</u>
Unrestricted intergovernmental:			
Local option sales taxes	\$ 9,800	\$ 11,288	\$ -
Franchise tax	10,700	11,307	-
Beer and wine tax	1,100	1,210	-
Cable TV franchise tax	300	-	-
Total	<u>\$ 21,900</u>	<u>\$ 23,805</u>	<u>\$ 1,905</u>
Restricted intergovernmental:			
Powell Bill allocation	<u>\$ 8,100</u>	<u>\$ 6,842</u>	<u>\$ (1,258)</u>
Investment earnings	<u>\$ 40</u>	<u>\$ 105</u>	<u>\$ 65</u>
Total revenues	<u>\$ 59,590</u>	<u>\$ 63,737</u>	<u>\$ 4,147</u>

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

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Administration and Finance:			
Salaries and benefits	\$ 4,564	\$ 4,483	\$ 81
Repairs and maintenance	1,000	300	700
Advertising	500	75	425
Office Supplies	500	142	358
Dues and subscriptions	1,000	925	75
Donations	500	-	500
Miscellaneous expenses	500	372	128
Postage	300	163	137
Professional services	3,500	-	3,500
Total	<u>\$ 12,364</u>	<u>\$ 6,460</u>	<u>\$ 5,904</u>
Elections:			
Elections	2,000	-	2,000
Total	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 2,000</u>
Taxes:			
Tax collection fee	\$ 500	\$ 710	\$ (210)
Total	<u>\$ 500</u>	<u>\$ 710</u>	<u>\$ (210)</u>
Public Buildings:			
Insurance	\$ 3,700	\$ 3,147	\$ 553
Utilities	6,200	5,296	904
Repairs and maintenance	3,000	789	2,211
Total	<u>\$ 12,900</u>	<u>\$ 9,232</u>	<u>\$ 3,668</u>
Total General Government	<u>\$ 27,764</u>	<u>\$ 16,402</u>	<u>\$ 11,362</u>
Public safety:			
Contribution to fire department	\$ 7,500	\$ 7,471	\$ 29
Contribution to rescue squad	500	500	-
Total	<u>\$ 8,000</u>	<u>\$ 7,971</u>	<u>\$ 29</u>

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

	Budget	Actual	Variance Positive (Negative)
Transportation:			
Transportation	1,326	57,650	(56,324)
Total	\$ 1,326	\$ 57,650	\$ (56,324)
Environmental Protection:			
Environmental protection	20,000	18,906	1,094
Total	\$ 20,000	\$ 18,906	\$ 1,094
Contingency	\$ 3,000	\$ -	\$ 3,000
Total expenditures	\$ 60,090	\$ 100,929	\$ (40,839)
Fund balance appropriated	\$ 500	-	\$ (500)
Net change in fund balance	\$ -	\$ (37,192)	\$ (37,192)
Fund balances, beginning		352,697	
Fund balances, ending		\$ 315,505	

Other Schedules

This section contains additional information on property taxes.

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

Town of Stonewall
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2019

<u>Fiscal Year</u>	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 28,245	\$ 26,985	1260
2017-2018	1,663	-	1,110	553
2016-2017	730	-	580	150
2015-2016	415	-	333	82
2014-2015	360	-	287	73
2013-2014	335	-	8	327
2012-2013	269	-	13	256
2011-2012	177	-	14	163
2010-2011	151	-	1	150
2009-2010	212	-	-	212
2008-2009	62	-	62	-
	<u>\$ 4,374</u>	<u>\$ 28,245</u>	<u>\$ 29,393</u>	<u>\$ 3,226</u>
Less: Allowance for uncollectible accounts:	<u>(832)</u>			<u>(1,466)</u>
Ad Valorem Taxes Receivable - Net	<u>\$ 3,542</u>			<u>\$ 1,760</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 32,985
Reconciling Items:				
Interest collected				(383)
Adjustments				(3,271)
Taxes written off				62
Subtotal				<u>\$ (3,592)</u>
Total Collections and Credits				<u>\$ 29,393</u>

Town of Stonewall
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	\$ 21,012,667	0.15	\$ 31,519	\$ 28,245	\$ 3,274
Total Property Valuation	<u>\$ 21,012,667</u>				
Net Levy			\$ 31,519	\$ 28,245	\$ 3,274
Uncollected Taxes at June 30, 2019			<u>\$ (1,260)</u>	<u>\$ (1,260)</u>	<u>\$ -</u>
Current Year's Taxes Collected			<u>\$ 30,259</u>	<u>\$ 26,985</u>	<u>\$ 3,274</u>
Current Levy Collection Percentage			<u>96.00%</u>	<u>95.54%</u>	<u>100.00%</u>