

Town of Stokesdale, North Carolina

FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

TOWN COUNCIL

John Flynt, Mayor

Theron Hooks, Jr. Mayor Pro-Tem

Derek Foy

Jimmy Landreth

Jim Rigsbee

Alisa Houk, Town Clerk

Kimberly Thacker, Budget/Finance Officer

Town of Stokesdale, North Carolina
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June 30, 2020

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

Certified Public Accountants



R. Rex Rouse, Jr., CPA
Judy G. Rouse, CPA
Victor B. Rouse, CPA/PFS
Trevor C. Gardner, CPA

Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
Stokesdale, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Stokesdale, North Carolina, as of and for the year ended June 30, 2020, 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. 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 financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Stokesdale, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Rouse, Rouse, Rouse and Gardner, LLP
Rouse, Rouse, Rouse & Gardner, LLP
Eden, North Carolina
November 30, 2020

TOWN OF STOKESDALE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

As management of the Town of Stokesdale, we offer readers of the Town of Stokesdale's financial statements this narrative overview and analysis of the financial activities of the Town of Stokesdale for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town of Stokesdale's financial statements, which follow this narrative.

Financial Highlights

- The assets of the Town of Stokesdale exceeded its liabilities at the close of the fiscal year by \$9,515.232 (*net position*).
- The government's total net position decreased by \$231,612, primarily due to decrease in the governmental type activities net position.
- As of the close of the current fiscal year, the Town of Stokesdale's governmental funds reported combined ending fund balances of \$3,025,450 with a net change of (\$77,917) in fund balance. Approximately 4.43 percent of this total amount or \$134,148 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,891,302 or 571.24% of total general fund expenditures for the fiscal year.

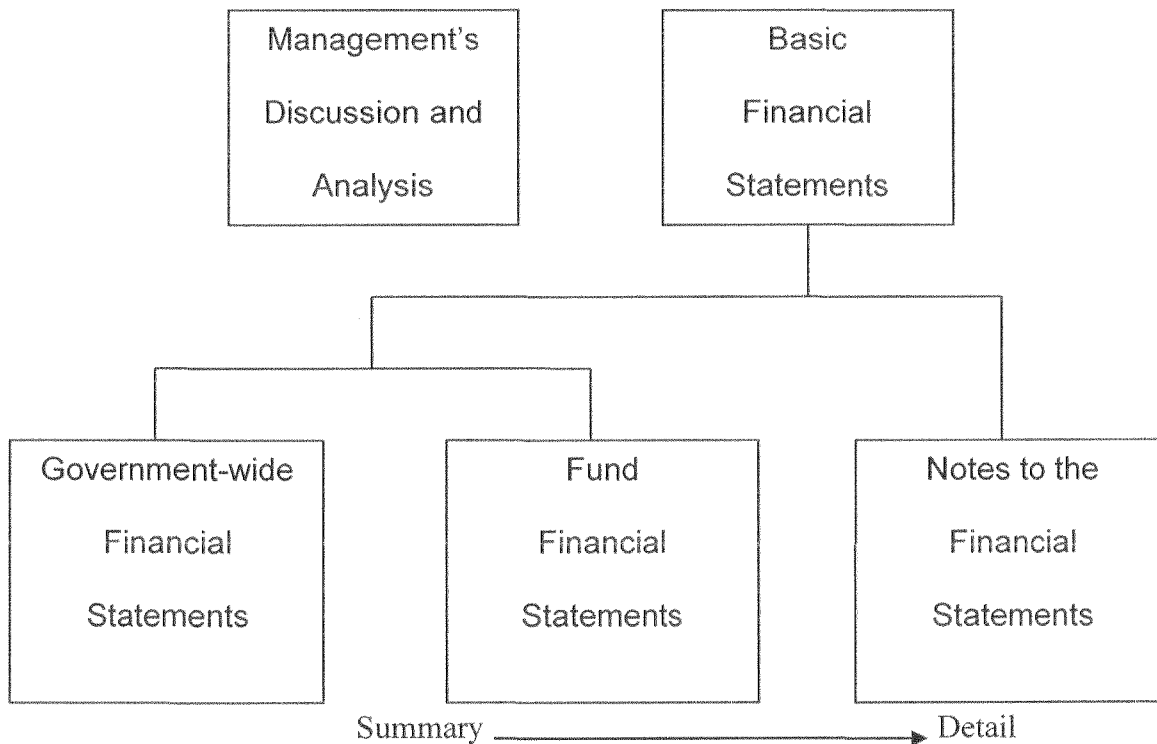
Overview of the Financial Statements

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

TOWN OF STOKESDALE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

TOWN OF STOKESDALE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 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 Stokesdale, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Stokesdale can be divided into two categories: governmental funds and proprietary funds.

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

TOWN OF STOKESDALE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

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

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

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

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

TOWN OF STOKESDALE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Government-Wide Financial Analysis

Town of Stokesdale
Statement of Net Position
June 30, 2020

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current Assets	3,038,869	3,168,595	1,542,285	1,526,659	4,581,154	4,695,254
Non-Current Assets	2,059,295	2,145,050	2,918,156	3,015,425	4,977,451	5,160,475
Total Assets	<u>5,098,164</u>	<u>5,313,645</u>	<u>4,460,441</u>	<u>4,542,084</u>	<u>9,558,605</u>	<u>9,855,729</u>
LIABILITIES						
Current Liabilities						
Accounts Payable and Accrued Expenses	9,106	40,359	179	17,782	9,285	58,141
Payable from restricted Assets	4,313	24,869	-	-	4,313	24,869
Customer Deposits	-	-	29,775	25,875	29,775	25,875
Total Liabilities	<u>13,419</u>	<u>65,228</u>	<u>29,954</u>	<u>43,657</u>	<u>43,373</u>	<u>108,885</u>
NET POSITION						
Net Investment in Capital Assets	2,059,295	2,145,050	2,918,156	3,015,425	4,977,451	5,160,475
Restricted	101,329	96,319	-	-	101,329	96,319
Unrestricted	2,924,121	3,007,048	1,512,331	1,483,002	4,436,452	4,490,050
Total Net Position	<u>5,084,745</u>	<u>5,248,417</u>	<u>4,430,487</u>	<u>4,498,427</u>	<u>9,515,232</u>	<u>9,746,844</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Stokesdale exceeded liabilities by \$9,515,232 as of June 30, 2020. The Town's net position decreased by \$231,612 for the fiscal year ended June 30, 2020. However, the largest portion (approximately 52%) reflects the Town's net investment in capital assets (e.g., land, and water system). The Town of Stokesdale uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The Town of Stokesdale has no outstanding debt at this time since all capital assets were acquired without any debt being issued. An additional portion of the Town of Stokesdale's net position, \$101,329 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,436,412 is unrestricted.

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

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

TOWN OF STOKESDALE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Town of Stokesdale's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	20,993	61,978	457,783	475,607	478,776	537,585
Capital Grants & Contributions		3,200		75,000		78,200
General Revenues:						
Franchise Taxes	300,172	316,181			300,172	316,181
Grants & Contributions Not Restricted to Specific Programs	44,276	37,386			44,276	37,386
Unrestricted Investment Earnings	53,937	34,811	16,191	17,160	70,128	51,971
Miscellaneous	8,852	4,747			8,852	4,747
Total Revenue	<u>428,230</u>	<u>458,303</u>	<u>473,974</u>	<u>567,767</u>	<u>902,204</u>	<u>1,026,070</u>
Expenditures:						
General Government	321,225	220,416			321,225	220,416
Public Safety	21,162	19,019			21,162	19,019
Transportation		2,889				2,889
Economic and Physical Development	51,917	62,749			51,917	62,749
Cultural and Recreational	197,598	132,442			197,598	132,442
Water			541,914	552,207	541,914	552,207
Total Expenditures	<u>591,902</u>	<u>437,515</u>	<u>541,914</u>	<u>552,207</u>	<u>1,133,816</u>	<u>989,722</u>
Change in Net Position Before Transfers	(163,672)	20,788	(67,940)	15,560	(231,612)	36,348
Transfers	<u>-</u>	<u>75,176</u>	<u>-</u>	<u>(75,176)</u>	<u>-</u>	<u>-</u>
Change in Net Position After Transfers	(163,672)	95,964	(67,940)	(59,616)	(231,612)	36,348
Net Position – Beginning of Year	<u>5,248,417</u>	<u>5,152,453</u>	<u>4,498,427</u>	<u>4,558,043</u>	<u>9,746,844</u>	<u>9,710,496</u>
Net Position – End of Year	<u>5,084,745</u>	<u>5,248,417</u>	<u>4,430,487</u>	<u>4,498,427</u>	<u>9,515,232</u>	<u>9,746,844</u>

Governmental activities: Governmental activities reflect the Town's decrease in net position of \$163,672. The decrease in net position was the result of increases in general government expenditures and park maintenance.

Business-type activities: Business-type activities decreased the Town of Stokesdale's net position by \$67,940. Key elements of this decrease are as follows:

- Increased costs related to painting the water tank.

TOWN OF STOKESDALE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Stokesdale's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Stokesdale's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Stokesdale. At the end of the current fiscal year, Town of Stokesdale's fund balance available in the General Fund was \$2,891,302, while total fund balance reached \$3,025,450. The Town currently has an available fund balance of 571% of General Fund expenditures.

At June 30, 2020, the governmental funds of Town of Stokesdale reported a combined fund balance of \$3,025,450, resulting in a 2.51% decrease from last fiscal year.

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

Two budget amendments were made during the 2019-2020 fiscal year. One amendment was made in the general fund to increase appropriations from \$445,600 to 578,456. The other was in the water fund to increase appropriations from \$651,700 to 691,700.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$1,512,331. The total decrease in net position for the funds was \$67,940.

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

TOWN OF STOKESDALE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Capital Asset and Debt Administration

Capital assets. The Town of Stokesdale's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$4,977,451 (net of accumulated depreciation). These assets include a Town Hall, Town Park and the Town's water system.

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	375,000	375,000	8,500	8,500	383,500	383,500
Buildings and System	1,220,991	1,259,665			1,220,991	1,259,665
Improvements Other than Buildings	459,025	503,369			459,025	503,369
Equipment and Furniture	4,279	7,016			4,279	7,016
Distribution System			2,906,956	3,002,425	2,906,956	3,002,425
Computer Software & Equipment			2,700	4,500	2,700	4,500
Total	2,059,295	2,145,050	2,918,156	3,015,425	4,977,451	5,160,475

Economic Factors and Next Year's Budgets and Rates

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

- Stokesdale is a small, formerly farm/agricultural community-oriented town in northwestern Guilford County. Guilford County's unemployment rate is 9.3%. As of the 2020 census, the population of Guilford County was 542,018. Stokesdale's most recent census (2016) reported by the Office of State Budget Management was 5735. According to City-Data.com Stokesdale's per capita income in 2000 was \$ 22,548. Annually, in 2016 that per capita income increased to \$45,936.
- There are currently six major subdivisions under development in Stokesdale. There has been a significant increase in water customers and infrastructure extensions over the last fiscal year.
- Stokesdale offers a variety of office and warehouse space available for business entrepreneurs who wish to locate here.
- The preliminary study by the Timmons's Group, for the NW Guilford Proposed Regional Water System Feasibility Study has been completed and presented to the three towns. The study is shared among Stokesdale, Oak Ridge, and Summerfield. The Timmons's Group is awaiting further request from the towns for more geological details.

TOWN OF STOKESDALE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Estimated revenues for the 2020 - 2021 fiscal year totals \$439,800, with the Franchise Tax continuing to provide 87.5 % of those funds. The Beer & Wine Excise Tax Revenues are estimated to be \$23,800 of the income of the revenue stream. Planning Fees are estimated to provide 4.5% of the income stream. An Ad Valorem tax will not be levied in the 2020-21 fiscal year. Expenses are estimated to be \$570,606.96 with allocating cost to the Water Enterprise account at a percent of 57.10% budgeted \$130,806.96 resulting in a balanced budget June 30, 2021.

Business-Type Activities: The Water Enterprise Fund reflects estimated income of \$546,777.96. Water rates were not increased for the 2020-2021 year, as Winston-Salem did not increase their rate to the Town. Expenses are estimated at \$546,777.96.

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:

Finance Officer
P. O. Box 465
Stokesdale, NC 27357
Phone : 336-643-4011
Fax : 336-643-4016
E-mail : kthacker@stokesdale.org
Town website: www.stokesdale.org

Town of Stokesdale
Statement of Net Position
June 30, 2020

Exhibit 1

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	2,923,908	1,500,966	4,424,874
Accounts Receivables, net:	-	19,126	19,126
Due from Other Governments	76,955	-	76,955
Unbilled Water Receivable	-	16,792	16,792
Restricted Cash and Cash Equivalents	4,313	29,775	34,088
Internal Balances	24,374	(24,374)	-
Prepaid Expenses	9,319	-	9,319
Total current assets	<u>3,038,869</u>	<u>1,542,285</u>	<u>4,581,154</u>
Non - Current Assets:			
Capital assets:			
Land and non-depreciable capital assets	375,000	8,500	383,500
Other capital assets, net of depreciation	1,684,295	2,909,656	4,593,951
Total Capital Assets	<u>2,059,295</u>	<u>2,918,156</u>	<u>4,977,451</u>
Total assets	<u><u>5,098,164</u></u>	<u><u>4,460,441</u></u>	<u><u>9,558,605</u></u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	9,106	179	9,285
Payable from restricted Assets	4,313	-	4,313
Customer Deposits	-	29,775	29,775
Total liabilities	<u>13,419</u>	<u>29,954</u>	<u>43,373</u>
NET POSITION			
Net Investment in capital assets	2,059,295	2,918,156	4,977,451
Restricted for:			
Stabilization by state statute	101,329	-	101,329
Unrestricted	<u>2,924,121</u>	<u>1,512,331</u>	<u>4,436,452</u>
Total net position	<u><u>5,084,745</u></u>	<u><u>4,430,487</u></u>	<u><u>9,515,232</u></u>

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

Town of Stokesdale
Statement of Activities
June 30, 2020

Exhibit 2

Net (Expense) Revenue and
Changes in Net Position

Primary Government

		Program Revenues		Primary Government		
Due from other governments			Capital Grants			
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:						
Governmental Activities:						
General Government	321,225	-	-	(321,225)	-	(321,225)
Public Safety	21,162	-	-	(21,162)	-	(21,162)
Economic and Physical Development	51,917	20,993	-	(30,924)	-	(30,924)
Cultural and Recreational	197,598	-	5,446	(192,152)	-	(192,152)
Total Governmental Activities	591,902	20,993	5,446	(565,463)	-	(565,463)
Business-type Activities:						
Water	541,914	457,783	-	-	(84,131)	(84,131)
Total business-type activities	541,914	457,783	-	-	(84,131)	(84,131)
Total primary government	1,133,816	478,776	5,446	(565,463)	(84,131)	(649,594)
General Revenues:						
Taxes:						
Franchise Taxes				300,172	-	300,172
Grants and contributions not restricted to specific programs				44,276	-	44,276
Unrestricted investment earnings				53,937	16,191	70,128
Miscellaneous				3,406	-	3,406
Total General Revenues before Transfers				401,791	16,191	417,982
Change in Net Position				(163,672)	(67,940)	(231,612)
Net Position - Beginning				5,248,417	4,498,427	9,746,844
Net Position - Ending				\$ 5,084,745	\$ 4,430,487	\$ 9,515,232

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

Town of Stokesdale, North Carolina
Governmental Funds
Balance Sheet
June 30, 2020

Exhibit 3

	<u>Major</u>	<u>Total Governmental Funds</u>
	<u>General</u>	
Assets		
Cash and cash equivalents	2,923,908	2,923,908
Restricted cash	4,313	4,313
Due from Other Funds	24,374	24,374
Due from other governmental units	76,955	76,955
Prepaid Expenses	9,319	9,319
	<u>3,038,869</u>	<u>3,038,869</u>
Total Assets		
	<u>3,038,869</u>	<u>3,038,869</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts Payable	9,106	9,106
Payable from Restricted Assets	4,313	4,313
Total Liabilities	<u>13,419</u>	<u>13,419</u>
Fund Balances:		
Non-Spendable Prepaid Expense	9,319	9,319
Restricted:		
Stabilization by State Statute	101,329	101,329
Committed:		
Public Safety	23,500	23,500
Unassigned	2,891,302	2,891,302
	<u>3,025,450</u>	<u>3,025,450</u>
Total Fund Balances		
	<u>3,025,450</u>	<u>3,025,450</u>
Total Liabilities and Fund Balances	<u>3,038,869</u>	<u>3,038,869</u>
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position		
Total Fund Balances Governmental Funds		3,025,450
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Gross capital assets at historical cost	2,877,224	
Accumulated Depreciation	817,929	
	<u>2,059,295</u>	
Net Position of Governmental Activities		<u>5,084,745</u>

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

Town of Stokesdale, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

Exhibit 4

	<u>Major</u>	Total Governmental Funds
	<u>General</u>	<u>Funds</u>
Revenues:		
Unrestricted intergovernmental	344,448	344,448
Permits and Fees	20,993	20,993
Interest on Investments	53,937	53,937
Miscellaneous	<u>8,852</u>	<u>8,852</u>
Total Revenue	<u>428,230</u>	<u>428,230</u>
Expenditures:		
General Government	286,273	286,273
Public Safety	21,162	21,162
Economic and Physical Development	51,917	51,917
Cultural and Recreational:	<u>146,795</u>	<u>146,795</u>
Total Expenditures	<u>506,147</u>	<u>506,147</u>
Revenue Over (Under)		
Expenditures	(77,917)	(77,917)
Other Financial Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(77,917)	(77,917)
Fund Balance - Beginning of Year	<u>3,103,367</u>	<u>3,103,367</u>
Fund Balance - End of Year	<u><u>3,025,450</u></u>	<u><u>3,025,450</u></u>

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

Town of Stokesdale, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

Exhibit 4

Governmental
Funds

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

Net changes in fund balances - total governmental funds	(77,917)
---	----------

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

(85,755)

Total changes in net position on Governmental Activities

(163,672)

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

Town of Stokesdale North Carolina
General Fund
and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2020

Exhibit 5

	General Fund 2020			
	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Unrestricted intergovernmental	357,200	347,200	344,448	(2,752)
Permits and Fees	32,000	32,000	20,993	(11,007)
Interest on Investments	48,000	48,000	53,937	5,937
Miscellaneous	8,400	8,400	8,852	452
Total Revenue	<u>445,600</u>	<u>435,600</u>	<u>428,230</u>	<u>(7,370)</u>
Expenditures:				
General Government	225,000	331,100	286,273	44,827
Public Safety	22,500	22,500	21,162	1,338
Economic and Physical Development	42,000	54,500	51,917	2,583
Cultural and Recreational:	156,100	170,352	146,795	23,557
Total Operating Expenditures:	<u>445,600</u>	<u>578,452</u>	<u>506,147</u>	<u>72,305</u>
Total Expenditures	<u>445,600</u>	<u>578,452</u>	<u>506,147</u>	<u>72,305</u>
Revenue Over (Under) Expenditures	-	(142,852)	(77,917)	64,935
Fund Balance Appropriated	<u>-</u>	<u>142,852</u>	<u>-</u>	<u>(142,852)</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>-</u>	<u>-</u>	(77,917)	<u>(77,917)</u>
Fund Balance - Beginning of Year			<u>3,103,367</u>	
Fund Balance - End of Year			<u>3,025,450</u>	

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

Town of Stokesdale, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2020

Exhibit 6

	Enterprise Funds	
	Water Fund	Total
Assets		
Current Assets:		
Cash and Cash Equivalents		
Unrestricted Cash and Cash Equivalents	1,500,966	1,500,966
Restricted Cash and Cash Equivalents	29,775	29,775
Total Cash and Cash Equivalents	1,530,741	1,530,741
Accounts Receivable, Net	19,126	19,126
Unbilled Water Receivable	16,792	16,792
Total Current Assets	1,566,659	1,566,659
Non-Current Assets		
Land and Other Nondepreciable Assets	8,500	8,500
Other Capital Assets, Net of Depreciation	2,909,656	2,909,656
Total Non-Current Assets	2,918,156	2,918,156
Total Assets	4,484,815	4,484,815
Liabilities and Fund Balances:		
Liabilities:		
Accounts Payable and Accrued Liabilities	179	179
Due to Other Funds	24,374	24,374
Customer Deposits	29,775	29,775
Total Liabilities	54,328	54,328
Net Positions:		
Net Investment in Capital Assets	2,918,156	2,918,156
Unrestricted	1,512,331	1,512,331
Total Net Position	4,430,487	4,430,487

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

Town of Stokesdale
Statement of Revenues, Expenditures and Changes in
Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

Exhibit 7

	Enterprise Funds	
	Water Fund	Total
Revenues:		
Operating Revenues		
Water Sales	379,107	379,107
Water Taps	23,643	23,643
Capacity Fees	39,141	39,141
Other Fees	15,892	15,892
Total Operating Revenue	<u>457,783</u>	<u>457,783</u>
Expenditures		
Operating Expenditures		
Administrative	152,811	152,811
Maintenance	142,149	142,149
Purchase of Water for Resale	130,717	130,717
Depreciation	116,237	116,237
Total Expenditures	<u>541,914</u>	<u>541,914</u>
Net Operating Income (Loss)	(84,131)	(84,131)
Nonoperating Revenues		
Investment Earnings	<u>16,191</u>	<u>16,191</u>
Revenues Over (Under) Expenditures (Net Change in Financial Position)	(67,940)	(67,940)
Net Position - Beginning of Year	<u>4,498,427</u>	<u>4,498,427</u>
Net Position - End of Year	<u><u>4,430,487</u></u>	<u><u>4,430,487</u></u>

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

Town of Stokesdale
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

Exhibit 8

	Business Type Activities Water Fund
	Year Ended June 30, 2020
Cash flows from operating activities:	
Cash received from customers	459,653
Cash paid for goods and services	(405,937)
Cash paid to employees	(37,343)
Customer deposits collected	3,900
	<u>20,273</u>
Net cash provided by (used for) operating activities	
	<u>20,273</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(18,968)
Cash flows from noncapital and related financing activities:	
Decrease in due to other funds	37,344
Capital Contribution - Federal Grant	75,000
Total cash flows from noncapital financing activities	<u>112,344</u>
Cash flows from investing activities	
Earnings on Investments	16,191
	<u>16,191</u>
Total cash flows from investing activities	
	<u>129,840</u>
Net increase (Decrease) in cash and cash equivalents	
Cash and cash equivalents, July 1, 2019	<u>1,400,901</u>
Cash and cash equivalents, June 30, 2020	<u><u>1,530,741</u></u>

Town of Stokesdale
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

Exhibit 8

Business Type Activities
<u>Water Fund</u>
Year Ended June 30, 2020
<u> </u>

Reconciliation of operating income (Loss) to net
cash provided by operating activities:

Operating income (Loss)	<u>(84,131)</u>
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Adjustments to reconcile operating income
to net cash provided by operating activities:

Depreciation	116,237
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	1,031
(Increase) decrease in unbilled receivable	839
Increase (decrease) in accounts payable	(17,603)
Increase (decrease) in water deposits	<u>3,900</u>

Total adjustments	<u>104,404</u>
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Net cash provided by (used for) operating activities	<u><u>20,273</u></u>
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Town of Stokesdale, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Stokesdale is a municipal corporation which is governed by an elected mayor and four-member council.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are state-shared revenues. The primary expenditures are for general government.

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Sales taxes and certain intergovernmental revenues such as the utilities franchise tax collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Stokesdale because the tax is levied by Guilford County and then Remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations for all annually budgeted funds. The budget is amended by the governing body on a periodic basis as required by changing conditions. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget presented reflects the amended budget at June 30, 2020. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. In accordance with G.S. 159-13(a), the Town makes appropriations by department.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT-Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, the term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of Stokesdale Restricted Cash

Governmental Activities

General Fund

Payable from restricted assets	<u>\$4,313</u>
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Total Governmental Activities	<u>\$4,313</u>
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Business-type Activities

Water Fund

Customer Deposits	<u>\$29,775</u>
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Total Business-type Activities	<u>\$29,775</u>
--------------------------------	-----------------

Total Restricted Cash	<u>\$34,088</u>
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4. Allowances for Doubtful Accounts

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

5. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Minimum capitalization costs are as follows:

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

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

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

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

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town currently has no items that meet this criterion.

7. Net position/Fund Balances

Net position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

II. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2020 the Town's deposits had a carrying amount of \$3,936,431 and a bank balance of \$3,935,036. Of the bank balance, \$3,528,618 was covered by federal depository insurance at various banks and the remainder was covered by collateral held under the Pooling Method. At June 30, 2020, The Town's petty cash fund totaled \$150.

2. Investments

At June 30, 2020 the Town had \$522,383 (Amortized Cost) invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town does not have a formal investment policy or credit risk policy.

3. Receivables -- Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net position for the year ended June 30, 2020 is net of the following allowances for doubtful accounts:

Enterprise Fund:

Water Fund – Accounts Receivable	<u>\$4,175</u>
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4. Capital Assets

Capital asset activity for the Governmental Activities for the year ended June 30, 2020, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>375,000</u>			<u>375,000</u>
Total capital assets not being depreciated	<u>375,000</u>			<u>375,000</u>
Capital assets being depreciated:				
Buildings	<u>1,565,130</u>			<u>1,565,130</u>
Land Improvements	<u>863,684</u>			<u>863,684</u>
Equipment	<u>73,410</u>			<u>73,410</u>
Total capital assets being depreciated	<u>2,502,224</u>			<u>2,502,224</u>
Less accumulated depreciation for:				
Buildings	<u>305,465</u>	<u>38,674</u>		<u>344,139</u>
Land Improvements	<u>360,315</u>	<u>44,344</u>		<u>404,659</u>
Equipment	<u>66,394</u>	<u>2,737</u>		<u>69,131</u>
Total accumulated depreciation	<u>732,174</u>	<u>85,755</u>		<u>817,929</u>
Total capital assets being depreciated, net	<u>1,770,050</u>			<u>1,684,295</u>
Governmental activity capital assets, net	<u>2,145,050</u>			<u>2,059,295</u>

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

General Government:	<u>\$34,951</u>
Cultural and Recreation:	<u>\$50,804</u>
	<u>\$85,755</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	<u>8,500</u>			<u>8,500</u>
Total capital assets not being depreciated	<u>8,500</u>			<u>8,500</u>
Capital assets being depreciated:				
Distribution System	<u>4,561,860</u>	<u>18,968</u>		<u>4,580,828</u>
Computer Equipment and Software	<u>9,000</u>			<u>9,000</u>
Total capital assets being depreciated	<u>4,570,860</u>	<u>18,968</u>		<u>4,589,828</u>
Less accumulated depreciation for:				
Distribution System	<u>1,559,435</u>	<u>114,437</u>		<u>1,673,872</u>
Computer Equipment and Software	<u>4,500</u>	<u>1,800</u>		<u>6,300</u>
Total accumulated depreciation	<u>1,563,935</u>	<u>116,237</u>		<u>1,680,172</u>
Total capital assets being depreciated, net	<u>3,006,925</u>			<u>2,909,656</u>
Business-type activities capital assets, net	<u>3,015,425</u>			<u>2,918,156</u>

5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property liability in excess of \$500,000 and \$1,000,000 statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. Claims incurred have not exceeded coverage any of the three fiscal years.

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

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

IV. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2020, consist of the following:

Due to the General Fund from:

Water and Sewer Fund	<u>\$24,374</u>
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The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

V. Fund Balance

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

Total fund balance – General Fund	\$ 3,025,450
Less:	
Stabilization by Statute	101,329
Non-Spendable Prepaid Expenses	9,319
Public Safety	<u>23,500</u>
Remaining Fund Balance	<u><u>2,891,302</u></u>

VI. Significant Effects of Subsequent Events

Subsequent events have been evaluated through November 30, 2020, which is the date the financial statements were available to be issued. Through that date, management has determined that there were not any material recognizable or non-recognizable subsequent events.

Town of Stokesdale, North Carolina
General Fund
Comparative Fund Net Position
June 30, 2020 and June 30, 2019

Statement A-1

	June 30, 2020	June 30, 2019
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	2,923,908	3,066,724
Restricted cash	4,313	24,869
Due from other funds	24,374	-
Due from other governmental units	76,955	89,972
Prepaid Expenses	9,319	-
	<u> </u>	<u> </u>
Total Assets	<u><u>3,038,869</u></u>	<u><u>3,181,565</u></u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts Payable	9,106	36,169
Accrued Salaries	-	4,190
Due to Other Funds	-	12,970
Payable from Restricted Assets	4,313	24,869
Total Liabilities	<u>13,419</u>	<u>78,198</u>
Fund Balances:		
Non-spendable Prepaid Expenses	9,319	
Restricted:		
Stabilization by State Statute	101,329	89,972
Committed:		
Conservation: Open Space/Conservation Rights	-	39,000
Public Safety	23,500	23,500
Unassigned	2,891,302	2,950,895
	<u> </u>	<u> </u>
Total Fund Balances	<u>3,025,450</u>	<u>3,103,367</u>
Total Liabilities and Fund Balances	<u><u>3,038,869</u></u>	<u><u>3,181,565</u></u>

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

Town of Stokesdale
General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balances- Budget and Actual
For the Fiscal Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

Statement A-2

	2020			2019
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Unrestricted Intergovernmental				
Beer and Wine Excise Tax	26,000	25,191	(809)	24,888
Local ABC Revenues	13,500	19,085	5,585	12,498
Utilities Franchise Tax	298,000	296,644	(1,356)	308,282
Telecommunications Tax	9,700	3,528	(6,172)	7,899
Total Revenue	<u>347,200</u>	<u>344,448</u>	<u>(2,752)</u>	<u>353,567</u>
Permits and Fees:				
Planning Fees	<u>32,000</u>	<u>20,993</u>	<u>(11,007)</u>	<u>22,705</u>
Interest on Investments	<u>48,000</u>	<u>53,937</u>	<u>5,937</u>	<u>34,811</u>
Economic Development:				
Downtown Grant				
Improvement Projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,333</u>
Miscellaneous				
Town Hall Facilities Rental	4,500	1,814	(2,686)	1,058
Donations for Parade	3,000	5,446	2,446	3,200
Park Fees Collected	-	-	-	1,940
Other	900	1,592	692	3,689
Total Miscellaneous	<u>8,400</u>	<u>8,852</u>	<u>452</u>	<u>9,887</u>
Total Revenues	<u>435,600</u>	<u>428,230</u>	<u>(7,370)</u>	<u>458,303</u>

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

Town of Stokesdale
General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balances- Budget and Actual
For the Fiscal Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

Statement A-2

	2020			2019
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Expenditures:				
General Government:				
Salaries	63,000	52,362	10,638	57,892
Health Insurance	-	4,784	(4,784)	
Council Stipend	34,800	32,256	2,544	11,647
F.I.C.A	6,878	7,198	(320)	5,619
Audit	8,500	8,500	-	8,070
Legal Fees	52,000	47,199	4,801	18,943
Postage	3,500	2,374	1,126	1,858
Telephone	10,500	10,025	475	4,807
Printing and Office Supplies	11,000	9,990	1,010	9,731
Accounting	45,000	39,172	5,828	10,886
Mileage	1,500	530	970	345
Housekeeping Supplies	1,500	349	1,151	360
Membership Dues	11,000	8,894	2,106	10,221
Insurance and Bonding	7,500	6,027	1,473	7,636
Worker's Compensation Insurance	650	1,044	(394)	1,307
Payroll Processing Fees	3,000	2,629	371	1,558
Utilities	17,800	16,659	1,141	9,913
Utilities-Water	-	-	-	250
Travel and Conference	2,200	1,480	720	-
Admin. Expense, Service and Fees	12,000	8,971	3,029	6,160
Building Maintenance	10,000	9,475	525	10,178
Advertising	3,500	2,659	841	2,376
Equipment - Purchase and Maintenance	5,972	2,046	3,926	1,766
Equipment Maintenance	6,000	4,041	1,959	-
Town Hall Property and Grounds	-	-	-	290
Website Design	2,500	1,625	875	3,109
Elections	3,200	3,172	28	-
Security/Alarm	2,400	2,812	(412)	1,901
Payroll Expenses - AFLAC	-	-	-	300
Bank Charges and Fees	-	-	-	131
Taxes and Licenses	-	-	-	557
Emergency Funds	5,200	-	5,200	
Total General Government	331,100	286,273	44,827	187,811
Public Safety				
Animal Shelter/Animal Control	14,500	15,295	(795)	11,863
Fire Inspections	8,000	5,867	2,133	7,156
Total Public Safety	22,500	21,162	1,338	19,019

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

Town of Stokesdale
General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balances- Budget and Actual
For the Fiscal Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

Statement A-2

	2020			2019
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Transportation				
Streets and Highways	-	-	-	2,889
Economic and Physical Development				
Downtown Improvement Project	24,500	23,328	1,172	35,213
Advertising - Rezoning Activity	4,000	3,589	411	1,839
Legal Fees - Rezoning	1,000	-	1,000	286
Planning Services	25,000	25,000	-	25,411
Total Economic and Physical Development	54,500	51,917	2,583	62,749
Cultural and Recreational:				
Parade	3,252	3,252	-	1,310
Veterans Monument	600	-	600	146
Community Day	5,000	3,927	1,073	-
Park Security Lights	2,600	1,636	964	845
Property and Grounds	93,000	95,071	(2,071)	37,338
Building Maintenance	6,900	3,073	3,827	-
Utilities	-	-	-	601
Cleaning	-	-	-	1,930
Water Expense Parks	-	-	-	2,126
Repairs	7,500	6,799	701	7,509
Parks and Recreation	-	-	-	23,177
Capital Outlay - Town Park	42,500	24,037	18,463	70,388
Library and Education	9,000	9,000	-	6,540
Town Park Miscellaneous	-	-	-	117
Total Cultural and Recreational	170,352	146,795	23,557	152,027
Total Expenditures	578,452	506,147	72,305	424,495
Revenues Over (Under) Expenditures	(142,852)	(77,917)	64,935	33,808
Other Financing Sources (Uses)				
Transfer from Water and Sewer Fund	-	-	0	75,176
Fund Balance Appropriated	142,852	-	(142,852)	-
Net Change in Fund Balance	-	(77,917)	(77,917)	108,984
Fund Balance - Beginning of Year		3,103,367		2,994,383
Fund Balance - End of Year		3,025,450		3,103,367

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

Town of Stokesdale, North Carolina
Enterprise Fund - Water Fund
Comparative Fund Net Position
June 30, 2020 and June 30, 2019

Statement B-1

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	1,500,966	1,375,026
Due From Other Governments	-	75,000
Accounts Receivable, net	19,126	20,157
Unbilled Water Receivable	16,792	17,631
Due from other Funds	-	12,970
Restricted Cash and Cash Equivalents	<u>29,775</u>	<u>25,875</u>
Total Current Assets	<u>1,566,659</u>	<u>1,526,659</u>
Non-Current Assets		
Land and Other Nondepreciable Assets	8,500	8,500
Other Capital Assets, Net of Depreciation	<u>2,909,656</u>	<u>3,006,925</u>
Total Non-Current Assets	<u>2,918,156</u>	<u>3,015,425</u>
Total Assets	<u>4,484,815</u>	<u>4,542,084</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts Payable and Accrued Liabilities	179	17,782
Due to Other Funds	24,374	-
Customer Deposits	<u>29,775</u>	<u>25,875</u>
Total Liabilities	<u>54,328</u>	<u>43,657</u>
Net Positions:		
Net Investment in Capital Assets	2,918,156	3,015,425
Unrestricted	<u>1,512,331</u>	<u>1,483,002</u>
Total Net Position	<u><u>4,430,487</u></u>	<u><u>4,498,427</u></u>

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

Town of Stokesdale
Water Fund
Statement of Revenues, Expenditures and Changes in
Fund Balances
For the Fiscal Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

	Statement B-2	
	<u>2020</u>	<u>2019</u>
	<u>Actual</u>	<u>Actual</u>
Revenues:		
Operating Revenues		
Water Sales	379,107	405,055
Water Taps	23,643	17,964
Capacity Fees	39,141	27,750
Other Fees	15,892	24,838
Total Operating Revenue	<u>457,783</u>	<u>475,607</u>
Expenditures		
Operating Expenditures		
Administrative	152,811	134,992
Maintenance	142,149	116,393
Purchase of Water for Resale	130,717	187,049
Depreciation	116,237	113,773
Total Expenditures	<u>541,914</u>	<u>552,207</u>
Net Operating Income (Loss)	<u>(84,131)</u>	<u>(76,600)</u>
Non Operating Revenues:		
Investment Earnings	16,191	17,160
FEMA Reimbursement Fee	-	75,000
	<u>16,191</u>	<u>92,160</u>
Revenues Over (Under) Expenditures	(67,940)	15,560
Other Financing Sources / Uses		
Transfer to General Fund	-	(75,176)
Net Change in Fund Balances	(67,940)	(59,616)
Net Position - Beginning of Year	<u>4,498,427</u>	<u>4,558,043</u>
Net Position - End of Year	<u><u>4,430,487</u></u>	<u><u>4,498,427</u></u>

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

Town of Stokesdale
Water Fund
Statement of Revenues, Expenditures and Changes in
Fund Balances- Budget and Actual
For the Fiscal Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

Statement B-3

	2020			2019
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Operating Revenues				
Water Sales	423,000	379,107	(43,893)	405,055
Water Taps	20,000	23,643	3,643	17,964
Capacity Fees	30,000	39,141	9,141	27,750
Late Fees	24,500	10,042	(14,458)	21,538
Inspection Fees	25,000	3,150	(21,850)	
Miscellaneous Fees	3,200	2,700	(500)	3,300
Total Operating Revenues	525,700	457,783	(67,917)	475,607
Nonoperating Revenues				
FEMA Reimbursement Fee	-	-	-	75,000
Investment Earnings	6,000	16,191	10,191	4,500
Total Revenues	531,700	473,974	(57,726)	555,107
Expenditures				
Operating Expenditures				
Administrative				
Salaries	50,602	34,532	16,070	34,723
FICA Tax	4,055	2,811	1,244	2,704
Professional Fees	36,500	36,616	(116)	46,104
Audit	5,300	5,280	20	5,055
Office Expense	1,000	1,208	(208)	2,714
Postage	3,000	2,100	900	1,012
Contract Operations	78,500	67,710	10,790	39,765
Utility Service	450	298	152	132
Mileage Reimbursement	2,000	1,971	29	778
Dues and Fees	1,600	285	1,315	1,120
Taxes and Licenses	1,000	-	1,000	-
Bonds and Insurance	1,000	-	1,000	-
Miscellaneous	500	-	500	885
Total Administrative	185,507	152,811	32,696	134,992
Maintenance				
Supplies	5,000	369	4,631	1,882
Chemicals	700	275	425	348
Chlorinator Maintenance	2,000	-	2,000	1,721
Electrical Utilities	550	250	300	417
Water Hydrant Maintenance	5,000	-	5,000	1,626
General Repairs	33,545	-	33,545	83,792
Water Tank Maintenance	-	-	-	4,459
Water Tank Painting	134,398	134,398	-	4,700
Testing - Miscellaneous	4,000	3,025	975	1,655
Purchase & Installation Meters	44,000	3,832	40,168	15,793
Total Maintenance	229,193	142,149	87,044	116,393
Purchase of Water for Resale	235,000	130,717	104,283	187,049
Capital Outlay:				
Marking Water Lines	20,000	459	19,541	23,600
Water Meter - New Construction	22,000	18,510	3,490	
Capital Outlay - 10 Inch Water Main	-	-	-	75,000
Total Capital Outlay	42,000	18,969	23,031	98,600
Total Expenditures	691,700	444,646	247,054	537,034
Revenues Over (Under) Expenditures	(160,000)	29,328	189,328	18,073
Other Financing Sources (Uses)				
Transfer from Utility Capital Reserve Fund	160,000	-	(160,000)	-
	160,000	-	(160,000)	-
Net Change in Fund Balance	-	29,328	29,328	18,073

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

Town of Stokesdale,
Water Fund
Schedule of Revenues and Expenditures Budget and Actual (Non GAAP)
For the Fiscal Year Ended June 30, 2020

Statement B-3

	<u>2020 Actual</u>	<u>2019 Actual</u>
Reconciliation of modified accrual basis to full accrual basis:		
Total revenues on Exhibit B - Water and Sewer Fund	473,974	555,107
Total expenditures on Exhibit B- Water and Sewer Fund	<u>444,646</u>	<u>537,034</u>
Excess of revenues over (under) expenditures	29,328	18,073
Investment Earnings from Utility Capital Reserve Fund	-	12,660
Capital Outlay	18,969	98,600
Bad Debt Expense	-	-
Depreciation	(116,237)	(113,773)
Transfer to General Fund	<u>-</u>	<u>(75,176)</u>
Net Increase (Decrease) in Net Position	<u><u>(67,940)</u></u>	<u><u>(59,616)</u></u>

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