

Town of Stallings
North Carolina

Financial Statements
June 30, 2014

Town Council Members

Wyatt Dunn, Mayor
Walt Kline, Mayor Pro Tempore
Rocky Crenshaw
Regis Griffin
Deborah Romanow
Shawna Steele
Fred Weber

Administrative and Financial Staff

Kevin Woods, Town Manager
Erinn Nichols, Interim Town Manager (9-11-13 to 6-04-14)
Kirk Medlin, Finance Officer
Debbie Wagenhauser, Revenue Collector
Karen Williams, HR Director

TOWN OF STALLINGS
Table of Contents
June 30, 2014

FINANCIAL SECTION:	Pages
Independent Auditors' Report	
Management's Discussion and Analysis	1-9
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities.....	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund.....	16
Statement of Fund Net Position - Proprietary Fund.....	17
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	18
Statement of Cash Flows - Proprietary Fund.....	19
Notes to Financial Statements.....	20-36

TOWN OF STALLINGS
Table of Contents (Continued)
June 30, 2014

Required Supplemental Financial Data:

Law Enforcement Officers' Special Separation Allowance - Schedule of Funding Progress	37
Law Enforcement Officers' Special Separation Allowance - Schedule of Employer Contributions.....	38

Individual Fund Statements and Schedules:

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund.....	39-41
Combining Balance Sheet – Nonmajor Governmental Funds.....	42
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	43
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Stallings Municipal Park Capital Project Fund	44
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Potter/Pleasant Plains Intersection Capital Project Fund.....	45
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Storm Water Fund.....	46

Other Schedules:

Schedule of Ad Valorem Taxes Receivable	47
Analysis of Current Tax Levy - City-wide Levy	48

Compliance Section:

Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in accordance with *Government Auditing
Standards*

Schedule of Findings and Responses

Financial Section

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information the Town of Stallings, North Carolina as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stallings, North Carolina, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows 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 and the law enforcement officer's special separation be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 Town of Stallings' basic financial statements. The combining and individual fund financial 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 financial statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, on our consideration of the Town of Stallings' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Stallings' internal control over financial reporting and compliance.

Tinsley & Terry, CPAs, P.A.

Tinsley & Terry, CPAs, P.A.
Cornelius, North Carolina
December 10, 2014

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Stallings, we offer readers of the Town of Stallings' financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. We encourage readers to use the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

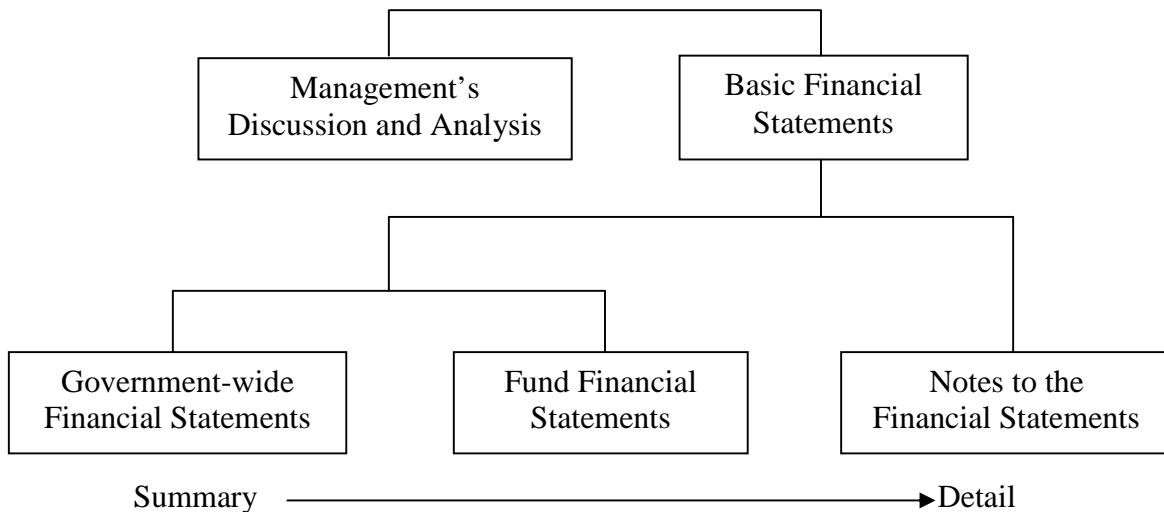
Financial Highlights

- The assets and deferred outflows of resources of the Town of Stallings exceeded its liabilities and deferred inflows of resources at the close of the year by \$26,553,986 (*net position*).
- The government's total net position decreased by \$1,133,070 due to depreciation of Town assets.
- As of the close of the current fiscal year, the Town of Stallings' governmental funds reported an ending fund balance of \$7,467,278, a net increase of \$1,343,213. Approximately 8 percent of this total amount, or \$649,833, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,048,550, or 110 percent of total general fund expenditures for the fiscal year.
- The Town's long-term liabilities increased by \$12,520 during the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2014

Basic Financial Statements

The first two statements (pages 10 and 11) 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 (pages 12 through 19) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

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 the financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

The government-wide statements are divided into two categories: governmental activities and business-type activities. The governmental activities include most of the Town's basic services, such as public safety, sanitation, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. The Town is mandated to participate in an NPDES Phase II storm water management program.

Fund Financial Statements

The fund financial statements 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 Stallings, 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. The funds of the Town of Stallings can be divided into two categories: governmental funds and proprietary funds.

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2014

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Stallings' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 37 of this report.

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2014

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 modification to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Stallings – Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 7,781,353	\$ 6,507,661	\$ 304,229	\$ 395,880	\$ 8,085,582	\$ 6,903,541
Capital assets	19,006,919	21,382,155	-	-	19,006,919	21,382,155
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	<u>26,788,272</u>	<u>27,889,816</u>	<u>304,229</u>	<u>395,880</u>	<u>27,092,501</u>	<u>28,285,696</u>
Long-term liabilities	294,468	281,948	-	-	294,468	281,948
Other liabilities	200,761	276,153	4,800	2,000	205,561	278,153
Deferred inflows of resources	<u>38,486</u>	<u>38,539</u>	<u>-</u>	<u>-</u>	<u>38,486</u>	<u>38,539</u>
Total liabilities and deferred inflows of resources	<u>533,715</u>	<u>596,640</u>	<u>4,800</u>	<u>2,000</u>	<u>538,515</u>	<u>598,640</u>
Net position:						
Net investment in capital assets	19,006,919	21,382,155	-	-	19,006,919	21,382,155
Restricted	649,079	399,027	-	-	649,079	399,027
Unrestricted	<u>6,598,559</u>	<u>5,511,994</u>	<u>299,429</u>	<u>393,880</u>	<u>6,897,988</u>	<u>5,905,874</u>
Total net position	<u>\$ 26,254,557</u>	<u>\$ 27,293,176</u>	<u>\$ 299,429</u>	<u>\$ 393,880</u>	<u>\$ 26,553,986</u>	<u>\$ 27,687,056</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Stallings exceeded liabilities and deferred inflows by \$26,553,986 as of June 30, 2014. The Town's net position decreased by \$1,133,070 for the fiscal year ended June 30, 2014. However, the largest portion (71.58%) reflects the Town's net investment in capital assets (e.g. land, streets, buildings and equipment). The Town of Stallings 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 Stallings' net position, \$649,079, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,897,988 is unrestricted.

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2014

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.10%, which continues to exceed the statewide average.
- Receipt of \$129,905 of fees in lieu of park land as a result of new construction projects.
- Transportation spending was much lower than budgeted due to project delays.

Town of Stallings – Changes in Net Position						
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Program revenues:						
Charges for services	\$ 201,407	\$ 57,826	\$ 236,949	\$ 236,244	\$ 438,356	\$ 294,070
Operating grants and contributions	532,839	432,705	-	-	532,839	432,705
Capital grants and contributions	41,974	98,669	-	-	41,974	98,669
General revenues:						
Property taxes	3,677,957	3,534,525	-	-	3,677,957	3,534,525
Other taxes	1,734,024	1,673,985	-	-	1,734,024	1,673,985
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	<u>45,801</u>	<u>60,513</u>	<u>144</u>	<u>145</u>	<u>45,945</u>	<u>60,658</u>
Total revenues	<u>6,234,002</u>	<u>5,858,223</u>	<u>237,093</u>	<u>236,389</u>	<u>6,471,095</u>	<u>6,094,612</u>
Expenses:						
General government	952,887	813,786	-	-	952,887	813,786
Economic and physical development	227,831	219,862	-	-	227,831	219,862
Public safety	1,886,133	2,001,411	-	-	1,886,133	2,001,411
Transportation	2,836,426	2,954,697	-	-	2,836,426	2,954,697
Environmental protection	859,831	832,879	-	-	859,831	832,879
Cultural and recreation	509,513	387,864	-	-	509,513	387,864
Interest on long-term debt	-	1,218	-	-	-	1,218
Storm water	-	-	331,544	164,700	331,544	164,700
Total expenses	<u>7,272,621</u>	<u>7,211,717</u>	<u>331,544</u>	<u>164,700</u>	<u>7,604,165</u>	<u>7,376,417</u>
Increase (decrease) in net position before transfers	(1,038,619)	(1,353,494)	(94,451)	71,689	(1,133,070)	(1,281,805)
Net position, July 1	<u>27,293,176</u>	<u>28,646,670</u>	<u>393,880</u>	<u>322,191</u>	<u>27,687,056</u>	<u>28,968,861</u>
Net position, June 30	<u>\$ 26,254,557</u>	<u>\$ 27,293,176</u>	<u>\$ 299,429</u>	<u>\$ 393,880</u>	<u>\$ 26,553,986</u>	<u>\$ 27,687,056</u>

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2014

Governmental Activities. Governmental activities decreased the Town's net position by \$1,038,619. The key element of this decrease was the depreciation of Town assets (primarily Town-maintained roads).

Business-type Activities. Business-type activities decreased the Town of Stallings' net position by \$94,451. Key elements of this decrease are as follows:

- A major emergency project was completed at Vickie Lane. Flooding occurred in the area; after investigating the issue, it was determined that defective pipes were impeding water flow and threatening to cause a potential collapse of the street. The defective pipes were removed and replaced with larger pipes. Connecting channels were also enlarged.
- A complete inventory of the Town's storm water system was completed at a cost of \$72,160.

Financial Analysis of the Town's Funds

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

Governmental Funds

The focus of the Town of Stallings' 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 Stallings' financing requirements.

The general fund is the chief operating fund of the Town of Stallings. At the end of the current fiscal year, the Town of Stallings' fund balance available in the General Fund was \$5,048,550, while total fund balance reached \$7,495,618. The Town Council has determined that the Town should maintain an available fund balance of thirty percent of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 110.48 percent of general fund expenditures, while total fund balance represents 161.98 percent of the same amount.

At June 30, 2014, the governmental funds of the Town of Stallings reported a combined fund balance of \$7,767,278 with a net increase in fund balance of \$1,343,213. Included in this change in fund balance are an increase in the General Fund and a decrease in the Capital Projects Funds.

TOWN OF STALLINGS
Management’s Discussion and Analysis (Continued)
For The Year Ended June 30, 2014

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on three occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Revenues were more than the budgeted amounts primarily because the Town received more intergovernmental funds than expected; also, permits and fees increased due to construction of housing developments.

Proprietary Fund. The Town’s proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Storm Water Fund at the end of the fiscal year amounted to \$299,429. The total change in net position was a decrease of \$94,451. The decrease was a result of increased repair costs and the payment for the inventory of the Town’s storm water system.

Capital Asset and Debt Administration

Capital Assets. The Town of Stallings’ investments in capital assets for its governmental activities as of June 30, 2014 totals \$19,006,919 (net of accumulated depreciation). These assets include buildings, streets, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following:

- Construction in progress of \$243,318, the majority of which was engineering costs for the Potter/Pleasant Plains Intersection Improvement project.
- Acquisition of public safety vehicles and equipment totaling \$110,759.

	Town of Stallings – Capital Assets (Net of Depreciation)	
	Governmental Activities 2014	Governmental Activities 2013
Infrastructure	\$ 13,897,424	\$ 16,302,310
Land Improvement	2,404,133	2,588,858
Buildings and improvements	1,355,301	1,402,316
Land	791,342	791,342
Construction in Progress	338,237	94,919
Vehicles	180,786	157,606
Computer Software	24,247	22,484
Equipment	15,449	22,320
Total	<u>\$ 19,006,919</u>	<u>\$ 21,382,155</u>

TOWN OF STALLINGS
Management’s Discussion and Analysis (Continued)
For The Year Ended June 30, 2014

Additional information on the Town’s capital assets can be found on page 29 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2014, the Town of Stallings had no bonded debt outstanding.

Town of Stallings’ Outstanding Debt

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Net pension obligation	\$ 182,235	\$ 164,203
Compensated absences	<u>112,233</u>	<u>117,745</u>
Total	<u>\$ 294,468</u>	<u>\$ 281,948</u>

The Town of Stallings’ total debt increased by \$12,520 (4.44%) during the past fiscal year, due to an increase in the pension obligation for the law enforcement officers separation allowance.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government’s boundaries. The legal margin for the Town of Stallings is \$136,115,274.

Additional information regarding the Town of Stallings’ long-term debt can be found in the Notes to the Financial Statements on page 35.

Economic Factors and Next Year’s Budgets and Rates

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

- The Town’s tax rate remained at \$0.215 per \$100 of assessed property value. Excellent ad valorem collection rates have allowed the Town to hold the tax rate constant.
- Increases in zoning fees (33%) and sales tax (7%) are indicators of strong growth both in the Town and the surrounding area.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities: Property tax rates remain unchanged. Construction on the road improvement project at Pleasant Plains Road and Potter Road will begin during the fiscal year. The project will be funded by a combination of state and county grants, transfers from current year revenues, and a general fund allocation. Sales tax revenues are expected to increase due to the continued economic recovery. Motor vehicle tax collections should rise as a result of the improved collection rates generated under the “Tax and Tag” program.

Business-type Activities: The storm water fees were doubled, which will create an additional \$235,000 in revenue. Expenses are primarily budgeted to repair the highest priority projects identified in last year’s inventory.

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2014

Request 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 Kirk Medlin, Finance Officer for the Town of Stallings, 315 Stallings Road, Stallings, NC 28104-5061. You can also call 704-821-0311, visit our website at www.stallingsnc.org, or send an email to kmedlin@admin.stallingsnc.org for more information.

Basic Financial Statements

Town of Stallings
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,048,713	\$ 301,529	\$ 7,350,242
Taxes receivable (net)	74,828	-	74,828
Accounts receivable (net)	-	6,517	6,517
Due from other governments	207,553	-	207,553
Prepaid items	754	426	1,180
Restricted cash and cash equivalents	445,262	-	445,262
Due from Storm Water Fund	4,243	(4,243)	-
Total current assets	7,781,353	304,229	8,085,582
Capital assets:			
Land, non-depreciable improvements, and construction in progress	1,129,579	-	1,129,579
Other capital assets, net of depreciation	17,877,340	-	17,877,340
Total capital assets	19,006,919	-	19,006,919
Total assets	\$ 26,788,272	\$ 304,229	\$ 27,092,501
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 192,782	\$ 4,800	\$ 197,582
Deposits in escrow	7,979	-	7,979
Current portion long-term liabilities	132,099	-	132,099
Total current liabilities	332,860	4,800	337,660
Long-term liabilities:			
Long-term liabilities	162,369	-	162,369
Total liabilities	495,229	4,800	500,029
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	38,486	-	38,486
Total deferred inflows of resources	38,486	-	38,486
NET POSITION			
Net investment in capital assets	19,006,919	-	19,006,919
Restricted for:			
Stabilization by State Statute	211,796	-	211,796
Streets	373,424	-	373,424
Drug Forfeiture	63,859	-	63,859
Unrestricted	6,598,559	299,429	6,897,988
Total net position	\$ 26,254,557	\$ 299,429	\$ 26,553,986

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

Town of Stallings
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 952,887	\$ 1,200	\$ -	\$ -	\$ (951,687)	\$ -	\$ (951,687)
Public safety	1,886,133	6,515	156,468	6,200	(1,716,950)	-	(1,716,950)
Transportation	2,836,426	-	368,285	35,774	(2,432,367)	-	(2,432,367)
Environmental protection	859,831	-	8,086	-	(851,745)	-	(851,745)
Economic and physical development	227,831	41,820	-	-	(186,011)	-	(186,011)
Cultural and recreational	509,513	151,872	-	-	(357,641)	-	(357,641)
Total governmental activities	<u>7,272,621</u>	<u>201,407</u>	<u>532,839</u>	<u>41,974</u>	<u>(6,496,401)</u>	<u>-</u>	<u>(6,496,401)</u>
Business-type activities:							
Storm Water	<u>331,544</u>	<u>236,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(94,595)</u>	<u>(94,595)</u>
Total business-type activities	<u>331,544</u>	<u>236,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(94,595)</u>	<u>(94,595)</u>
Total primary government	<u>\$ 7,604,165</u>	<u>\$ 438,356</u>	<u>\$ 532,839</u>	<u>\$ 41,974</u>	<u>(6,496,401)</u>	<u>(94,595)</u>	<u>(6,590,996)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					3,677,957	-	3,677,957
Other taxes and licenses					1,734,024	-	1,734,024
Unrestricted investment earnings					8,443	144	8,587
Restricted investment earnings					41	-	41
Miscellaneous					37,317	-	37,317
Total general revenues and transfers					<u>5,457,782</u>	<u>144</u>	<u>5,457,926</u>
Change in net position					(1,038,619)	(94,451)	(1,133,070)
Net position, beginning					27,293,176	393,880	27,687,056
Net position, ending					<u>\$ 26,254,557</u>	<u>\$ 299,429</u>	<u>\$ 26,553,986</u>

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

**Town of Stallings
Balance Sheet
Governmental Funds
June 30, 2014**

	<u>Major Fund</u>		<u>Total</u>
	<u>General Fund</u>		<u>Non-Major Funds</u>
ASSETS			
Cash and cash equivalents	\$ 7,048,713	\$ -	\$ 7,048,713
Restricted cash	445,262	-	445,262
Receivables, net:			
Taxes	74,828	-	74,828
Due from other governments	207,553	625	208,178
Due from other funds	4,243	-	4,243
Prepaid expenses	754	-	754
Total assets	<u>\$ 7,781,353</u>	<u>\$ 625</u>	<u>\$ 7,781,978</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 163,817	\$ 28,965	\$ 192,782
Deposits in escrow	7,979	-	7,979
Due to other funds	625	-	625
Total liabilities	<u>172,421</u>	<u>28,965</u>	<u>201,386</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	74,828	-	74,828
Prepaid taxes	38,486	-	38,486
Total deferred inflows of resources	<u>113,314</u>	<u>-</u>	<u>113,314</u>
FUND BALANCES			
Non-Spendable			
Prepaid expenses	754	-	754
Restricted			
Stabilization by State Statute	211,796	-	211,796
Streets - Powell Bill	373,424	-	373,424
Drug Forfeiture	63,859	-	63,859
Committed			
Law Enforcement Separation Allowance	182,235	-	182,235
Capital Projects Fund	-	(28,340)	(28,340)
Assigned			
Subsequent year expenditures	1,615,000	-	1,615,000
Unassigned	5,048,550	-	5,048,550
Total fund balances	<u>7,495,618</u>	<u>(28,340)</u>	<u>7,467,278</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,781,353</u>	<u>\$ 625</u>	<u>\$ 7,781,978</u>

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

**Town of Stallings
Balance Sheet
Governmental Funds
June 30, 2014**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - Governmental Funds		\$ 7,467,278
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 31,120,249	
Accumulated depreciation	<u>(12,113,330)</u>	19,006,919
Some liabilities, including debt and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
		(294,468)
Liabilities for earned revenues considered deferred inflows of resources in fund statements		
		<u>74,828</u>
Net position of governmental activities		<u><u>\$ 26,254,557</u></u>

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

Town of Stallings
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

	<u>Major Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
	<u>General</u>	<u>Total</u>	<u>Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 3,672,033	\$ -	\$ 3,672,033
Other taxes and licenses	74,281	-	74,281
Unrestricted intergovernmental	1,659,743	-	1,659,743
Restricted intergovernmental	532,839	-	532,839
Permits and fees	179,440	-	179,440
Investment earnings	8,484	-	8,484
Sales and services	21,967	-	21,967
Miscellaneous	37,317	-	37,317
Total revenues	<u>6,186,104</u>	<u>-</u>	<u>6,186,104</u>
EXPENDITURES			
General government	907,226	-	907,226
Public safety	1,876,787	-	1,876,787
Transportation	431,540	207,544	639,084
Environmental protection	859,831	-	859,831
Economic and physical development	227,831	-	227,831
Cultural and recreational	324,207	7,925	332,132
Total expenditures	<u>4,627,422</u>	<u>215,469</u>	<u>4,842,891</u>
Excess (deficiency) of revenues over expenditures	<u>1,558,682</u>	<u>(215,469)</u>	<u>1,343,213</u>
OTHER FINANCING SOURCES (USES)			
Transfer to/from other funds	<u>(187,129)</u>	<u>187,129</u>	<u>-</u>
Total other financing sources (uses)	<u>(187,129)</u>	<u>187,129</u>	<u>-</u>
Net change in fund balance	1,371,553	(28,340)	1,343,213
Fund balances, beginning	6,124,065	-	6,124,065
Fund balances, ending	<u>\$ 7,495,618</u>	<u>\$ (28,340)</u>	<u>\$ 7,467,278</u>

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

Town of Stallings
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

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

Net changes in fund balances - total governmental funds \$ 1,343,213

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 capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 312,103	
Depreciation expense for governmental assets	<u>(2,729,313)</u>	(2,417,210)

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

Amount of donated assets	41,974	
Change in unavailable revenue for tax revenues	<u>5,924</u>	47,898

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

Compensated absences		5,512
Net pension obligation		<u>(18,032)</u>

Total changes in net position of governmental activities		<u><u>\$ (1,038,619)</u></u>
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Town of Stallings
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2014

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 3,505,000	\$ 3,505,000	\$ 3,672,033	\$ 167,033
Unrestricted intergovernmental	1,515,000	1,530,000	1,659,743	129,743
Restricted intergovernmental	509,500	509,500	532,839	23,339
Other taxes and licenses	65,000	65,000	74,281	9,281
Permits and fees	20,000	20,000	179,440	159,440
Investment earnings	10,000	10,000	8,484	(1,516)
Sales and services	6,500	16,000	21,967	5,967
Miscellaneous	-	2,500	37,317	34,817
Total revenues	<u>5,631,000</u>	<u>5,658,000</u>	<u>6,186,104</u>	<u>528,104</u>
Expenditures:				
Current:				
General government	936,850	936,850	907,226	29,624
Public safety	1,930,100	1,930,100	1,876,787	53,313
Transportation	1,498,400	1,498,400	431,540	1,066,860
Economic and physical development	256,450	256,450	227,831	28,619
Environmental protection	850,000	865,000	859,831	5,169
Cultural and recreational	327,200	339,200	324,207	14,993
Contingency	11,000	11,000	-	11,000
Total expenditures	<u>5,810,000</u>	<u>5,837,000</u>	<u>4,627,422</u>	<u>1,209,578</u>
Revenues over (under) expenditures	<u>(179,000)</u>	<u>(179,000)</u>	<u>1,558,682</u>	<u>1,737,682</u>
Other financing sources (uses):				
Transfer from general fund	<u>(1,239,200)</u>	<u>(1,239,200)</u>	<u>(187,129)</u>	<u>1,052,071</u>
Total other financing sources (uses)	<u>(1,239,200)</u>	<u>(1,239,200)</u>	<u>(187,129)</u>	<u>1,052,071</u>
Fund balance appropriated	<u>1,418,200</u>	<u>1,418,200</u>	<u>-</u>	<u>(1,418,200)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,371,553</u>	<u>\$ 1,371,553</u>
Fund balances, beginning			<u>6,124,065</u>	
Fund balances, ending			<u>\$ 7,495,618</u>	

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

**Town of Stallings
Statement of Fund Net Position
Proprietary Fund
June 30, 2014**

	Major Enterprise Fund	
	Storm Water Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 301,529	\$ 301,529
Accounts receivable	6,517	6,517
Prepaid items	426	426
Total current assets	308,472	308,472
Total assets	\$ 308,472	\$ 308,472
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 4,800	\$ 4,800
Due to General Fund	4,243	4,243
Total current liabilities	9,043	9,043
Total liabilities	9,043	9,043
NET POSITION		
Unrestricted	299,429	299,429
Total net position	\$ 299,429	\$ 299,429

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

Town of Stallings
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2014

	Major Enterprise Fund	
	Storm Water Fund	Total
OPERATING REVENUES		
Storm Water fees and interest	\$ 236,949	\$ 236,949
Total operating revenues	236,949	236,949
OPERATING EXPENSES		
Salaries and employee benefits	1,830	1,830
Repairs and maintenance	157,310	157,310
Engineering	95,321	95,321
Consulting services	72,160	72,160
Miscellaneous expenses	4,923	4,923
Total operating expenses	331,544	331,544
Operating income (loss)	(94,595)	(94,595)
NON-OPERATING REVENUES (EXPENSES)		
Investment earnings	144	144
Total non-operating revenue (expenses)	144	144
Change in net position	(94,451)	(94,451)
Total net position, beginning	393,880	393,880
Total net position, ending	\$ 299,429	\$ 299,429

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

**Town of Stallings
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2014**

	Major Enterprise Fund	
	Storm Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 231,616	\$ 231,616
Cash paid for goods and services	(326,914)	(326,914)
Cash paid to or on behalf of employees for services	(1,830)	(1,830)
Net cash provided (used) by operating activities	(97,128)	(97,128)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Due to General Fund	(4,662)	(4,662)
Total cash flows from non-capital financing activities	(4,662)	(4,662)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	144	144
Net increase (decrease) in cash and cash equivalents	(101,646)	(101,646)
Balances, beginning	403,175	403,175
Balances, ending	\$ 301,529	\$ 301,529
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (94,595)	\$ (94,595)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(5,113)	(5,113)
(Increase) decrease in prepaid revenue	(220)	(220)
Increase (decrease) in accounts payable	2,800	2,800
Total adjustments	(2,533)	(2,533)
Net cash provided by operating activities	\$ (97,128)	\$ (97,128)

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

Notes to the Financial Statements

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Stallings 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 Stallings is a municipal corporation that is governed by an elected mayor and a six-member Council. As required by generally accepted accounting principles, these financial statements present the Town of Stallings. There were no entities which met the requirements of a reportable component unit.

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 by fees charged to external parties.

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

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

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

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (continued)

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, sanitation services, and general governmental services.

The Town reports the following non-major governmental funds:

Stallings Municipal Park Capital Project Fund. This fund is used to account for the renovations on an open contract of the existing park within the Town limits.

Potter/Pleasant Plains Intersection Improvement Capital Project Fund. This fund is used to account for improvements at the intersection of Potter Road and Pleasant Plains Road.

The Town reports the following major enterprise funds:

Storm Water Fund. This fund is used to account for the Town's storm water operations.

C. Measurement Focus and Basis of Accounting

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

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

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

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (continued)

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's enterprise fund are fees received from citizens for storm water services. Operating expenses for enterprise fund include maintenance, repair, and engineering costs. 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 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the 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. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (continued)

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. Project ordinances are adopted for the Stallings Municipal Park Capital Project Fund and the Potter/Pleasant Plains Intersection Improvement Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the Town Council. During the year, three amendments to the original budget were necessary.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT - Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT - Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they 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. Drug forfeiture funds are restricted for use by law enforcement.

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (continued)

Restricted Cash

Governmental Activities

General Fund

Powell Bill	\$	373,424
Drug forfeiture		63,859
Escrow deposits		<u>7,979</u>
Total Restricted Cash	\$	<u>445,262</u>

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, 2013.

5. Allowance 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. No allowance for doubtful accounts was required as of June 30, 2014.

6. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the 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 \$5,000 and an estimated useful life of three years or greater. Purchased or constructed assets are recorded at original cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

The Town elected not to adopt retroactive capitalization of general infrastructure assets acquired prior to July 1, 2003, pursuant to GASB 34. 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.

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (continued)

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

	<u>Years</u>
Buildings	39
Infrastructure	10 to 30
Improvements	15
Furniture and Equipment	5 to 10
Vehicles	5
Computer equipment	5
Computer software	3

8. Deferred Outflows/Inflows of Resources

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

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

10. Compensated Absences

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

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

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (continued)

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

 Prepays – portion of fund balance that is not an available resource because it represents the year-end balance of prepaids, which are not spendable resources.

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

 Restricted for Stabilization by State Statute – 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 that balance of the total unexpended Powell Bill funds.

 Restricted for Police – portion of fund balance that can only be used by public safety.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Stallings Town Council (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

 Committed for Law Enforcement Separation Allowance – portion of fund balance that is restricted for retirement benefits to qualified sworn law enforcement officers.

 Capital Projects Fund – portion of fund balance committed to construction of Stallings Town Park and the Potter/Pleasant Plains Intersection Improvement.

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (continued)

Assigned Fund Balance – portion of fund balance that the Town of Stallings intends to use for specific purposes.

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

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

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

The Town of Stallings adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 30% of budgeted expenditures. Any portion of the general fund balance in excess of 30% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

12. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

13. Total Governmental Fund Columns

In the accompanying financial statements, the “Total Governmental Funds” columns are not the equivalent of consolidated totals and do not represent consolidated financial information. These columns are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with accounting principles generally accepted in the United States of America. Interfund eliminations have not been made in the aggregation of this data. However, the reconciliations to net position are reflective of interfund eliminations and reflect financial position.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2014

II. Stewardship, Compliance, and Accountability (continued)

2. Contractual Violations

None

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

The Potter/Pleasant Plains Intersection Improvement Capital Project Fund has a negative fund balance of \$28,340 due to the fact that a transfer was not made for the accounts payable existing in the fund on June 30, 2014. In subsequent years, transfers will include accounts payable balances.

C. Excess of Expenditures over Appropriations

None

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. 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, 2014, the Town's deposits had a carrying amount of \$5,062,454 and a bank balance of \$5,087,109. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2014, the Town's petty cash fund totaled \$600.

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (continued)

2. Investments

At June 30, 2014, the Town had \$2,732,450 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2014 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	\$ 791,342	\$ -	\$ -	\$ 791,342
Construction in progress	<u>94,919</u>	<u>243,318</u>	<u>-</u>	<u>338,237</u>
Total capital assets not being depreciated	<u>886,261</u>	<u>243,318</u>	<u>-</u>	<u>1,129,579</u>
Capital assets being depreciated:				
Building and improvements	1,791,270	-	-	1,791,270
Land improvements	2,810,676	-	-	2,810,676
Equipment	88,412	12,833	-	101,245
Computers and software	174,850	-	-	174,850
Vehicles	762,175	97,926	180,654	679,447
Infrastructure	<u>24,433,182</u>	<u>-</u>	<u>-</u>	<u>24,433,182</u>
Total capital assets being depreciated	<u>30,060,565</u>	<u>110,759</u>	<u>180,654</u>	<u>29,990,670</u>
Less accumulated depreciation for:				
Building and improvements	388,954	47,015	-	435,969
Land improvements	221,818	184,725	-	406,543
Equipment	76,716	9,080	-	85,796
Computers and software	141,742	8,861	-	150,603
Vehicles	604,569	74,746	180,654	498,661
Infrastructure	<u>8,130,872</u>	<u>2,404,886</u>	<u>-</u>	<u>10,535,758</u>
Total accumulated depreciation	<u>9,564,671</u>	<u>2,729,313</u>	<u>180,654</u>	<u>12,113,330</u>
Total capital assets being depreciated, net	<u>20,495,894</u>			<u>17,877,340</u>
Governmental activities capital assets, net	<u>\$ 21,382,155</u>			<u>\$ 19,006,919</u>

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

Transportation	\$ 2,404,886
Cultural and recreational	190,214
Public safety	83,040
General government	<u>51,173</u>
Total depreciation expense	<u>\$ 2,729,313</u>

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (continued)

Donated Assets

The Town received donated assets in the form of sidewalk easements within the town limits. These assets have been recorded based on the estimated market value of acreage received.

Also received during the year was a vehicle that was awarded to the Town's police department as part of federal forfeiture from a narcotics investigation. The Police Department elected to keep the vehicle. The asset was recorded based on the vehicle's fair market value.

Construction Commitments

The Town has active construction projects as of June 30, 2014. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Sidewalk construction	\$ 94,919	\$ 123,081
Potter/Pleasant Plains Improvement	207,544	1,792,456

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Stallings contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.30% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Stallings are established and may be amended by the North Carolina General Assembly. The Town's contribution to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$112,689, \$109,299, and \$108,009, respectively. The contributions made by the Town equaled the required contributions for each year.

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (continued)

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

The Town of Stallings administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled but not receiving benefits	0
Active plan members	<u>22</u>
Total	<u>23</u>

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include post-employment benefit increases.

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (continued)

Annual Pension Cost and Net Pension Obligation. The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$43,066
Interest on net pension obligation	8,210
Adjustment to annual required contribution	<u>(13,378)</u>
Annual pension cost	37,898
Contributions made	<u>19,866</u>
Increase (decrease) in net pension obligation	18,032
Net pension obligation, beginning of year	<u>164,203</u>
Net pension obligation, end of year	<u>\$182,235</u>

Three Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	39,647	45.93%	144,573
2013	39,496	50.30%	164,203
2014	37,898	52.42%	182,235

4. Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$427,690. The covered payroll (annual payroll of active employees covered by the plan) was \$942,304, and the ratio of the UAAL to the covered payroll was 45.39 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (continued)

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$76,638, which consisted of \$47,920 from the Town and \$28,718 from law enforcement officers. The Town has elected to contribute to the Supplemental Retirement Income Plan for non-law enforcement employees. Contributions for the year ended June 30, 2014 were \$40,343, which consisted of \$22,499 from the Town and \$17,844 from non-law enforcement employees.

5. Other Employment Benefits

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

For the fiscal year ended June 30, 2014, the Town made contributions to the State for death benefits of \$1,488. The Town’s required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.23% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer had contributed as of December 31, 2010 was established as follows:

Number of Years Contributing	Years Relief	FY Contributions Resume
Less than 10	1	2014
10 - 20	2	2015
20 or more	3	2016

The Town had contributed for less than ten years, and therefore received one year of relief. Death benefits resumed for the fiscal year beginning July 1, 2013.

The period of reprieve is determined separately for law enforcement officers. The Town of Stallings had a three year reprieve because it had been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (continued)

The Town also provides a death benefit through Blue Cross Blue Shield. If an employee dies during active service, the beneficiaries of the employee will receive a lump sum of \$15,000.

6. Deferred Outflows and Inflows of Resources

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

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes (General Fund)		\$ 38,486
Taxes receivable, net (General Fund)	\$ 74,828	

7. 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 Wells Fargo. Through these pools, the Town has the following coverage:

General Liability	\$ 3,000,000
Business Auto	1,000,000
Workman's Compensation	Up to statutory limits

In addition, the pools cover property up to the total insurance values of the property policy. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are also reinsured for annual employee health claims in excess of \$150,000. 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 insurance 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 years. The Town also carries flood insurance through Wells Fargo with a coverage amount of \$1,000,000 with a \$25,000 deductible.

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 and tax collector are each individually bonded for \$50,000.

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (continued)

8. Claims, Judgments and Contingent Liabilities

At June 30, 2014, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

9. Long-Term Obligations

a. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Net pension obligation	\$ 164,203	\$ 18,032	\$ -	\$ 182,235	\$ 19,866
Compensated absences	117,745	112,233	117,745	112,233	112,233
Subtotal	<u>281,948</u>	<u>130,265</u>	<u>117,745</u>	<u>294,468</u>	<u>132,099</u>
Governmental activity long-term liabilities	<u>\$ 281,948</u>	<u>\$ 130,265</u>	<u>\$ 117,745</u>	<u>\$ 294,468</u>	<u>\$ 132,099</u>

b. Interfund Balance and Activity

Balances due to/from other funds at June 30, 2014 consist of the following:

Due to (from) General Fund:

Storm Water Fund	\$ 4,243
Stallings Municipal Park Capital Project Fund	(625)

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

Transfers to/from other funds at June 30, 2014 consist of the following:

From the General Fund to:

Potter/Pleasant Plains Capital Project Fund	\$ 179,204
Stallings Municipal Park Capital Project Fund	7,925

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

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detail Notes on All Funds (continued)

D. 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	\$ 7,495,618
Less:	
Prepaid Expenses	754
Law Enforcement Separation Allowance	182,235
Stabilization by State Statute	211,796
Streets - Powell Bill	373,424
Drug Forfeiture	63,859
Subsequent year expenditures	1,615,000
Fund Balance Policy	<u>1,698,315</u>
Remaining Fund Balance	<u>\$ 3,350,235</u>

The Town of Stallings has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 30% of budgeted expenditures. Any portion of the General Fund balance in excess of 30% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. As of June 30, 2014, the Town had no encumbrances in the General Fund or the Capital Project Fund.

E. Summary Disclosure of Commitments

The Town of Stallings entered into a contract for the curbside pick-up and disposal of rubbish, yard waste and recyclable materials, and the use of a sanitary landfill. The contract commenced on July 1, 2011 and was originally scheduled to end June 30, 2016. In July 2013, the Town extended the contract to an expiration date of June 30, 2018.

F. Summary Disclosure of Significant Contingencies

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

G. Date of Management's Review

Management has evaluated subsequent events through December 10, 2014, the date the financial statements were made available to be issued. No subsequent events of note occurred during this period.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

Town of Stallings
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2005	-	\$118,758	\$118,758	0%	\$702,039	16.92%
12/31/2007	-	169,994	169,994	0%	828,542	20.52%
12/31/2008	-	209,562	209,562	0%	890,467	23.53%
12/31/2009	-	326,681	326,681	0%	961,866	33.96%
12/31/2011	-	368,802	368,802	0%	955,585	38.59%
12/31/2012	-	370,591	370,591	0%	976,960	37.93%
12/31/2013	-	427,690	427,690	0%	942,304	45.39%

Note: No actuarial valuation done in December 31, 2006 or December 31, 2010.

Town of Stallings
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

Year Ending June 30	Annual Required Contribution	Percentage Contributed
2006	\$16,894	0%
2007	17,124	0%
2008	17,270	0%
2009	23,384	0%
2010	28,323	0%
2011	40,372	49.66%
2012	39,647	45.93%
2013	39,496	50.30%
2014	37,898	52.42%

Notes to the Required Schedules

The information presented in the required supplementary schedules was determined as part actuarial valuation as follows:

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market Value

Actuarial assumptions:

Investment rate of return	5.00%
Projected salary increases	4.25 – 7.85%
Includes inflation at	3.00%
Cost of living adjustments	N/A

**Individual Fund Statements
and Schedules**

Town of Stallings
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year		\$ 3,614,255	
Prior year		42,691	
Penalties and interest		15,087	
Total	<u>\$ 3,505,000</u>	<u>3,672,033</u>	<u>\$ 167,033</u>
Other taxes and licenses:			
Gross receipts tax - vehicle rental	10,000	15,744	
Business licenses	55,000	58,537	
Total	<u>65,000</u>	<u>74,281</u>	<u>9,281</u>
Unrestricted intergovernmental:			
Local option sales tax	830,000	923,945	
Utility franchise tax	620,000	663,951	
Cable franchise tax	20,000	8,796	
Beer and wine tax	60,000	63,051	
Total	<u>1,530,000</u>	<u>1,659,743</u>	<u>129,743</u>
Restricted intergovernmental:			
Powell Bill allocation	356,000	368,285	
Solid waste disposal tax	8,000	8,086	
Safe Routes to School Grant	80,000	-	
Police - drug forfeiture funds	20,000	99,188	
Police - Federal forfeiture funds	-	9,421	
Governor's Highway Safety Program Grant	45,500	47,859	
Total	<u>509,500</u>	<u>532,839</u>	<u>23,339</u>
Permits and fees:			
Zoning fees	20,000	41,820	
Fees in Lieu of Park Land	-	129,905	
Civil citations	-	1,200	
Public safety fees	-	6,515	
Total	<u>20,000</u>	<u>179,440</u>	<u>159,440</u>
Sales and services:			
Rent	12,000	17,697	
Festival sales	4,000	4,270	
	<u>16,000</u>	<u>21,967</u>	<u>5,967</u>
Investment earnings	<u>10,000</u>	<u>8,484</u>	<u>(1,516)</u>
Miscellaneous:			
Park fees and contributions	2,500	3,514	
Insurance reimbursements	-	10,955	
Miscellaneous revenues	-	22,848	
Total	<u>2,500</u>	<u>37,317</u>	<u>34,817</u>
Total revenues	<u>5,658,000</u>	<u>6,186,104</u>	<u>528,104</u>

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

Town of Stallings
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund (Continued)
For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Governing body:			
Salaries - elected officials		40,100	
Administration:			
Salaries and employee benefits		476,039	
Operating expenditures		339,172	
Contracted services		51,915	
Total	<u>936,850</u>	<u>907,226</u>	<u>29,624</u>
Public safety:			
Police:			
Salaries and employee benefits		1,488,817	
Operating expenditures		265,451	
Contracted services		22,114	
Capital outlay		100,405	
Total	<u>1,930,100</u>	<u>1,876,787</u>	<u>53,313</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		11,598	
Operating expenditures		318,090	
Contracted services		101,852	
Total	<u>1,498,400</u>	<u>431,540</u>	<u>1,066,860</u>
Environmental protection:			
Contracted services	<u>865,000</u>	<u>859,831</u>	<u>5,169</u>
Economic and physical development:			
Salaries and employee benefits		130,211	
Operating expenditures		48,331	
Contracted services		49,289	
Total	<u>256,450</u>	<u>227,831</u>	<u>28,619</u>
Cultural and recreational:			
Salaries and employee benefits		113,042	
Operating expenditures		211,165	
Total	<u>339,200</u>	<u>324,207</u>	<u>14,993</u>
Contingency		-	
Total	<u>11,000</u>	<u>-</u>	<u>11,000</u>
Total expenditures	<u>5,837,000</u>	<u>4,627,422</u>	<u>1,209,578</u>
Revenues over (under) expenditures	<u>(179,000)</u>	<u>1,558,682</u>	<u>1,737,682</u>

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

Town of Stallings
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund (Continued)
For the Fiscal Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfer from General Fund	(1,239,200)	(187,129)	1,052,071
Total	(1,239,200)	(187,129)	1,052,071
 Fund balance appropriated	 1,418,200	 -	 (1,418,200)
 Net change in fund balance	 \$ -	 1,371,553	 \$ 1,371,553
 Fund balances, beginning		 6,124,065	
Fund balances, ending		\$ 7,495,618	

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

**Town of Stallings
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

	Stallings Municipal Park Capital Project Fund	Potter/Pleasant Plains Intersection Improvement Capital Project Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current assets:			
Due from General Fund	\$ 625	\$ -	\$ 625
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u> \$ 625</u>	<u> \$ -</u>	<u> \$ 625</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 625	\$ 28,340	\$ 28,965
Due to General Fund	<u> -</u>	<u> -</u>	<u> -</u>
Total liabilities	<u> 625</u>	<u> 28,340</u>	<u> 28,965</u>
Fund balance:			
Unrestricted	<u> -</u>	<u> (28,340)</u>	<u> (28,340)</u>
Total liabilities and fund balances	<u> \$ 625</u>	<u> \$ -</u>	<u> \$ 625</u>

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

Town of Stallings
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2014

	Stallings Municipal Park Capital Project Fund	Potter/Pleasant Plains Intersection Improvement Capital Project Fund	Total Nonmajor Governmental Funds
REVENUES			
Contributions	\$ -	\$ -	\$ -
Restricted intergovernmental	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Cultural and recreational	7,925	-	7,925
Transportation	-	207,544	207,544
Total expenditures	<u>7,925</u>	<u>207,544</u>	<u>215,469</u>
Revenue over (under) expenditures	(7,925)	(207,544)	(215,469)
Other financing sources:			
Transfer from General Fund	7,925	179,204	187,129
Total other financing sources	<u>7,925</u>	<u>179,204</u>	<u>187,129</u>
Net change in fund balance	<u>-</u>	<u>(28,340)</u>	<u>(28,340)</u>
Fund balance, beginning	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ (28,340)</u>	<u>\$ (28,340)</u>

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

Town of Stallings
Stallings Municipal Park Capital Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Contributions	\$ -	\$ 3,750	\$ -	\$ 3,750	\$ 3,750
Restricted intergovernmental	68,200	-	-	-	(68,200)
Total Revenues	<u>68,200</u>	<u>3,750</u>	<u>-</u>	<u>3,750</u>	<u>(64,450)</u>
Expenditures:					
Cultural and recreation	3,163,336	2,660,640	7,925	2,668,565	494,771
Total Expenditures	<u>3,163,336</u>	<u>2,660,640</u>	<u>7,925</u>	<u>2,668,565</u>	<u>494,771</u>
Revenues over (under) expenditures	<u>(3,095,136)</u>	<u>(2,656,890)</u>	<u>(7,925)</u>	<u>(2,664,815)</u>	<u>430,321</u>
Other financing sources:					
Transfer from General Fund	3,095,136	2,656,890	7,925	2,664,815	(430,321)
Total other financing sources	<u>3,095,136</u>	<u>2,656,890</u>	<u>7,925</u>	<u>2,664,815</u>	<u>(430,321)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total fund balance:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ -</u>		

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

Town of Stallings
Potter/Pleasant Plains Intersection Improvement - Capital Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
NC DOT Spot Safety Grant	\$ 829,000	\$ -	\$ -	\$ -	\$ (829,000)
Union County	300,000	-	-	-	(300,000)
Total Revenues	<u>1,129,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,129,000)</u>
Expenditures:					
Transportation	2,000,000	-	207,544	207,544	1,792,456
Total Expenditures	<u>2,000,000</u>	<u>-</u>	<u>207,544</u>	<u>207,544</u>	<u>1,792,456</u>
Revenues over (under) expenditures	<u>(871,000)</u>	<u>-</u>	<u>(207,544)</u>	<u>(207,544)</u>	<u>663,456</u>
Other financing sources:					
Transfer from General Fund	871,000	-	179,204	179,204	(691,796)
Total other financing sources	<u>871,000</u>	<u>-</u>	<u>179,204</u>	<u>179,204</u>	<u>(691,796)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(28,340)	<u>\$ (28,340)</u>	<u>\$ (28,340)</u>
Total fund balance:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ (28,340)</u>		

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

Town of Stallings
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP) - Storm Water Fund
For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Residential and commercial fees		\$ 236,949	
Total		<u>236,949</u>	
Non-operating revenues:			
Interest earnings		<u>144</u>	
Total revenues	<u>\$ 232,000</u>	<u>237,093</u>	<u>\$ 5,093</u>
Expenditures:			
Salaries and employee benefits		1,830	
Professional fees		167,481	
Other operating expenditures		162,233	
Total expenditures	<u>367,000</u>	<u>331,544</u>	<u>35,456</u>
Revenues over (under) expenditures	<u>(135,000)</u>	<u>(94,451)</u>	<u>40,549</u>
Fund balance appropriated	<u>135,000</u>	<u>-</u>	<u>(135,000)</u>
Expenditures over revenues	<u>\$ -</u>	<u>(94,451)</u>	<u>\$ (94,451)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Total reconciling items		<u>-</u>	
Change in net position		<u>\$ (94,451)</u>	

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

Other Schedules

Town of Stallings
Schedule of Ad Valorem Taxes Receivable
June 30, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 3,658,098	\$ 3,623,590	\$ 34,508
2012-2013	32,195	541	25,538	7,198
2011-2012	7,220	-	2,437	4,783
2010-2011	2,643	-	337	2,306
2009-2010	2,037	-	445	1,592
2008-2009	20,148	-	187	19,961
2007-2008	2,237	-	87	2,150
2006-2007	1,458	-	47	1,411
2005-2006	966	-	47	919
	<u>\$ 68,904</u>	<u>\$ 3,658,639</u>	<u>\$ 3,652,715</u>	<u>\$ 74,828</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 3,672,607
Reconciling items:	
Interest and penalties collected	(15,087)
Adjustments	(4,805)
Subtotal	<u>(19,892)</u>
Total collections and credits	<u>\$ 3,652,715</u>

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

**Town of Stallings
Analysis of Current Tax Levy
Town-Wide Levy
June 30, 2014**

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 1,514,919,070	\$ 0.215	\$ 3,257,076	\$ 3,257,076	\$ -
Registered motor vehicles taxed at prior year's rate	184,342,326	0.215	396,336	-	396,336
Total	<u>1,699,261,396</u>		<u>3,653,412</u>	<u>3,257,076</u>	<u>396,336</u>
Discoveries:					
Current year taxes	2,179,535	0.215	4,686	1,912	2,774
Total property valuation	<u><u>\$ 1,701,440,931</u></u>				
Net levy			<u>3,658,098</u>	<u>3,258,988</u>	<u>399,110</u>
Uncollected taxes at June 30, 2014			<u>(34,508)</u>	<u>(29,398)</u>	<u>(5,110)</u>
Current year's taxes collected			<u><u>\$ 3,623,590</u></u>	<u><u>\$ 3,229,590</u></u>	<u><u>\$ 394,000</u></u>
Current levy collection percentage			<u><u>99.06%</u></u>	<u><u>99.10%</u></u>	<u><u>98.72%</u></u>

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

Compliance Section

**Report On Internal Control Over Financial Reporting And On Compliance and Other
Matters Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stallings, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Town of Stallings' basic financial statements, and have issued our report thereon dated December 10, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Stallings' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2014-1.

Town of Stallings, North Carolina's Response to Findings

The Town of Stallings' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Town of Stallings' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Tinsley & Terry, CPAs, P.A.

Tinsley & Terry, CPAs, PA
Cornelius, North Carolina
December 10, 2014

Town of Stallings
Schedule of Findings and Responses
For the Year Ended June 30, 2014

Finding

2014-1

The Potter/Pleasant Plains Intersection Improvement Capital Project Fund has a negative fund balance totaling \$28,340.

Management's Response

Management will review all interfund transfers, to ensure that transfers are made to account for any accounts payable at year end.