



**North Carolina**

**COMPREHENSIVE FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**For the Fiscal Year Ended June 30, 2023**



**TOWN OF STALLINGS  
NORTH CAROLINA**

**Comprehensive Financial Statements and  
Supplementary Information**

**For the Fiscal Year  
Ended June 30, 2023**

**Prepared By  
Finance Team**



# **TOWN OF STALLINGS NORTH CAROLINA**

## **List of Principal Elected Officials**

### **Town Council**

Wyatt Dunn – **Mayor**

David Scholl - **Mayor Pro Tempore**

Steven Ayers

Taylor-Rae Drake

Laurie Wojtowicz

Graham Hall

Brad Richardson

### **Administrative and Financial Staff**

Alex Sewell – Town Manager

Erinn Nichols – Assistant Town Manager/Town Clerk

Marsha Gross – Interim Finance Officer

Karen Williams Reid – HR Director



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FOR THE YEAR ENDED JUNE 30, 2023**

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## **FINANCIAL SECTION**

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## Independent Auditors' Report

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

### Report on the Audit of Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Stallings, North Carolina**, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the **Town of Stallings'** basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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**, as of June 30, 2023, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and major, annually budgeted special revenue funds, if applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the **Town of Stallings** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Audit of 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the **Town of Stallings'** ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- exercise professional judgment and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 **Town of Stallings'** internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Town of Stallings'** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 16, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 52 through 53, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Employee Payroll on pages 54 through 55, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information

because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary 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, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, other schedules, and the Schedule of Expenditures of Federal and State Awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance on thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024, on our consideration of **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 the effectiveness of **Town of Stallings'** 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 **Town of Stallings'** internal control over financial reporting and compliance.

***Potter & Company, P.A.***

Monroe, North Carolina  
January 26, 2024



## 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 of Stallings for the fiscal year ended June 30, 2023. 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 \$31,721,740 (*net position*).
- The government's total net position increased by \$1,013,765 while having a budgeted use of fund balance of \$3,243,803. This increase is explained further within this management's discussion and analysis.
- At the end of the current fiscal year, the Town of Stallings' governmental funds reported combined ending fund balance of \$17,672,886 resulting in a net increase of \$951,948 in fund balance. This net increase was not as significant as the prior year due to American Rescue Plan Act (ARPA).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,289,355 or 92.8% of total General Fund expenditures for the fiscal year.
- The third principal payment of \$291,800 was paid during fiscal year 2023 for the installment purchase agreement for the New Town Hall and Public Works Buildings bringing the balance down to \$1,750,800.

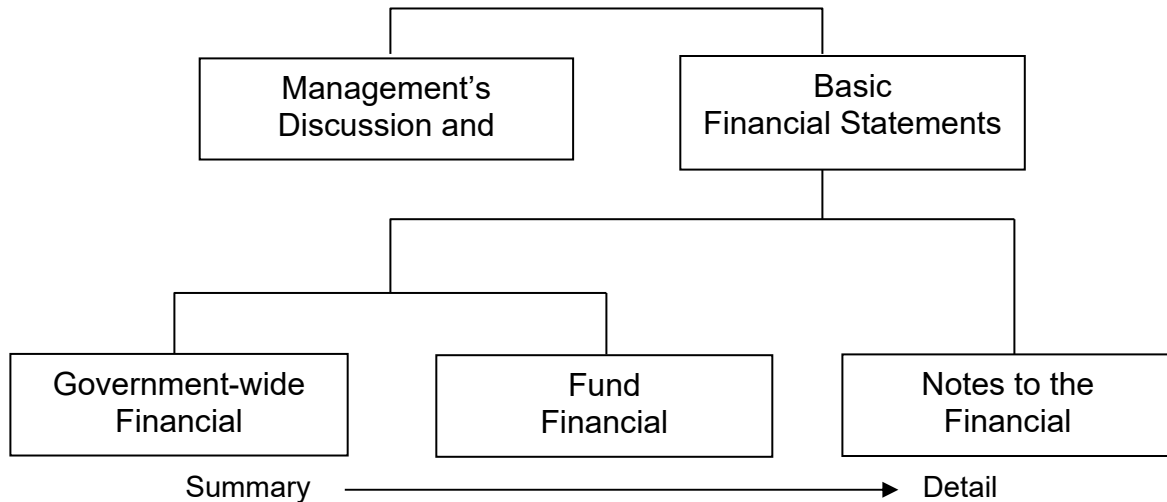
### Overview of the Financial Statements

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 which will enhance the reader's understanding of the financial condition of the Town of Stallings.

**Management Discussion and Analysis  
Town of Stallings**

**Required Components of Annual Financial Report  
Figure 1**



**Basic Financial Statements**

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

The next statements (Exhibits 3 through 10) 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.

## **Management Discussion and Analysis Town of Stallings**

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, general administration, public works and parks and recreation. 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.

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

### **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of 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. All the funds of the Town of Stallings can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how 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 fewer 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 the Town succeeded in providing the services as planned when the budget was adopted.

## **Management Discussion and Analysis Town of Stallings**

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 called *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 operates 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 27 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 52 of this report.

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

**Management Discussion and Analysis  
Town of Stallings**

**Government-Wide Financial Analysis**

**Town of Stallings' Net Position  
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 18,088,178	\$ 17,169,158	\$ 1,233,140	\$ 1,466,458	\$ 19,321,318	\$ 18,635,616
Capital assets	15,282,156	15,181,293	781,964	734,896	16,064,120	15,916,189
Total assets	33,370,334	32,350,451	2,015,104	2,201,354	35,385,438	34,551,805
Deferred outflows of resources	1,485,362	1,000,477	35,311	20,643	1,520,673	1,021,120
	1,485,362	1,000,477	35,311	20,643	1,520,673	1,021,120
Long-term liabilities outstanding	4,018,136	2,928,362	53,654	21,541	4,071,790	2,949,903
Other liabilities	866,635	869,384	32,807	161,843	899,442	1,031,227
	4,884,771	3,797,746	86,461	183,384	4,971,232	3,981,130
Deferred inflows of resources	212,175	872,902	964	10,918	213,139	883,820
	212,175	872,902	964	10,918	213,139	883,820
Net position:						
Net investment in capital assets	13,517,640	13,138,693	781,964	734,896	14,299,604	13,873,589
Restricted	5,075,911	6,424,330	-	-	5,075,911	6,424,330
Unrestricted	11,165,199	9,117,257	1,181,026	1,292,799	12,346,225	10,410,056
Total net position	\$ 29,758,750	\$ 28,680,280	\$ 1,962,990	\$ 2,027,695	\$ 31,721,740	\$ 30,707,975

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 \$31,721,740 as of June 30, 2023. The Town's net position increased 3.3% or \$1,013,765 for the fiscal year ended June 30, 2023. The Town's current and other assets increased \$685,702 due to increased cash from grant and contribution revenues. Capital assets increased \$147,931 due to the street/road resurfacing contract and other capital assets (e.g. land, streets, buildings, and equipment). The Town of Stallings capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is the reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. Deferred outflows of resources increased \$499,553 and deferred inflows decreased \$670,681 both related to pension deferrals. An additional portion of the Town of Stallings' net position, \$5,075,911 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$12,346,225 is unrestricted.

## **Management Discussion and Analysis Town of Stallings**

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

- Diligence in the collection of property taxes by maintaining a tax collection percentage of 99.87% through the county, which continues to exceed the statewide average.
- Increased sales tax revenue of \$250,642 due to continued economic growth in the Town and state.
- Ad valorem tax revenues increased by \$187,591 over last fiscal year. This increase is due to continued development in the Town and increase in property values, which had been seen in the area. Assessed values for property increased from \$2,519,064,919 or fiscal year 2022 to \$2,659,987,772 for fiscal year 2023 representing a 5.5% increase over the prior year.
- Investment earnings increased by \$358,632 over last fiscal year due to ARPA funds received by the Town and other funds such as Sewer Fund and Stormwater Fund moved from PNC into the North Carolina Capital Management Trust (NCCMT). The most significant item that has impacted the earnings has been the increase in investment rates. During fiscal year 2023, the average return rate on the government portfolio was 4.93% compared to an average of 2.03% over the prior three-year rate of return. This has more than doubled investment earnings for the Town.
- General fund expenditures is \$2,542,745 less than final budgeted expenditures for fiscal year 2022-23. This difference was achieved through staff's diligence in competing work, closely monitoring actual verses budgeted costs and reduced/delayed expenditures while maintaining service levels for town services and safety measures for the staff and citizens without increasing overall costs to the Town.

**Management Discussion and Analysis  
Town of Stallings**

**Town of Stallings' Changes in Net Position  
Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 196,087	\$ 184,777	\$ 511,117	\$ 481,845	\$ 707,204	\$ 666,622
Operating grants and contributions	1,921,589	5,929,253	-	-	1,921,589	5,929,253
Capital grants and contributions	274,006	1,600,000	-	-	274,006	1,600,000
General revenues:						
Property taxes	4,931,754	4,745,840	-	-	4,931,754	4,745,840
Other taxes	3,017,671	2,718,679	-	-	3,017,671	2,718,679
General and contributions not restricted to specific programs		-	-	-	-	-
Other	593,747	44,143	-	-	593,747	44,143
Total Revenues not including transfers	10,934,854	15,222,692	511,117	481,845	11,445,971	15,704,537
Transfers	-	-	-	-	-	-
Total Revenues and Transfers	10,934,854	15,222,692	511,117	481,845	11,445,971	15,704,537
Expenses:						
General Government	1,476,655	1,348,875	-	-	1,476,655	1,348,875
Public Safety	3,243,804	2,499,510	-	-	3,243,804	2,499,510
Transportation	2,389,294	1,286,665	-	-	2,389,294	1,286,665
Environmental protection	1,132,602	1,025,834	-	-	1,132,602	1,025,834
Cultural and recreation	921,116	800,099	-	-	921,116	800,099
Economic and physical development	337,205	309,157	-	-	337,205	309,157
Public Works	288,011	243,457	-	-	288,011	243,457
Interest on long-term debt	67,697	77,181	-	-	67,697	77,181
Storm water	-	-	575,822	281,716	575,822	281,716
Total Expenses	9,856,384	7,590,778	575,822	281,716	10,432,206	7,872,494
Increase (decrease) in net position	1,078,470	7,631,914	(64,705)	200,129	1,013,765	7,832,043
Net Position, beginning	28,680,280	21,048,366	2,027,695	1,827,566	30,707,975	22,875,932
Net Position, June 30	\$ 29,758,750	\$ 28,680,280	\$ 1,962,990	\$ 2,027,695	\$ 31,721,740	\$ 30,707,975

The Town of Stallings overall net position increased \$1,013,765 from the prior year. The reasons for this increase are discussed in the following sections for governmental activities and business-type activities.

**Governmental activities.** Governmental activities increased the Town's net position by \$1,078,470 or 3.80%. The most significant factor contributing to this increase was operating grants and contributions under transportation which increased \$1,066,303 over prior fiscal year due to contributed funds received from Atrium for road repairs. The increase in property and other taxes contributed an additional \$484,906 to net position.

Further key elements impacting net position are as follows:

- The Town's total governmental activities' revenues decreased in total by \$4,287,838. General revenue increases in property taxes, other taxes, and other revenues totaling \$1,034,510 is offset by a decrease in operating and capital grants and contributions, totaling \$5,333,658. This decrease is mainly attributable to the ARPA funds recognized in the prior fiscal year, which is utilized for law enforcement services over the next two fiscal years.

## Management Discussion and Analysis Town of Stallings

- Total governmental activities expenses increased \$2,265,606 or 29.85% from the prior fiscal year. The majority of this increase is in the transportation and public safety department due to road resurfacing expenses and law enforcement services and departmental expenses.

**Business-type Activities.** Business-type activities decreased the Town of Stallings' net position by \$64,705 representing a decrease of 3.20%.

Key elements of this increase are as follows:

- Revenues for business-type activities increased \$29,272 which is due to growth in the Town and increased investment income.
- Total expenses increased \$294,106 from prior year and repair projects were completed in fiscal year 2023. Repairs were made for those items that met the Town's repair criteria.
- The Storm Water fees remained unchanged insignificantly from the prior fiscal year.

### 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 Fiscal Year 2022-23, the Town of Stallings' fund balance available in the General Fund was \$9,289,355, while total fund balance reached \$13,295,979. The Town Council has determined that the Town should maintain an available fund balance of 20% of budgeted 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 92.8% of General Fund expenditures, while total fund balance represents 133% of the same amount.

During Fiscal Year 2021-22, the Town was awarded \$5,145,370 from the American Rescue Plan Act of 2021 (ARPA) to help reverse the negative impact of the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery. One of the requirements of the ARPA Funds was that the Town was to establish a separate governmental fund to account for the receipt and use of the funds. The Town established the ARPA Fund which had no expenditures for Fiscal Year 2021-22 resulting in a year-end balance of \$5,147,440. The Town's Council chose to use the ARPA funds as revenue replacement over the next few fiscal years, resulting in 2022-23 year-end fund balance of \$3,219,007.

## **Management Discussion and Analysis Town of Stallings**

As of June 30, 2023, the governmental funds of the Town of Stallings reported a combined fund balance of \$17,672,886 with a net increase in fund balance of \$951,948 or 5.39% from the prior fiscal year. Included in this change in fund balance is the decrease of the ARPA fund, a decrease in Streets – Powell Bill fund balance due road resurfacing work, a decrease in Minimum fund balance requirement and a decrease in Assigned fund balance for Subsequent year expenditures. Capital Project Fund for Potter Road/Pleasant Plains intersection increased by \$270,576 due to Department of Transportation and Union County grants.

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

There were several reasons the Town revised its budget through the year. Contributions and Traffic Control accounts were revised by \$1,174,000. This is related to a contract with both Atrium Health and Indian Trail. Atrium contributed funds for road repairs, which were located mainly in Indian Trail but due to the hospital being in Stallings, the funds ran through the Town. The Town received the funds from Atrium and then sent them to Indian Trail once the invoice for the road work was presented.

At year-end, revenues were 12.9% greater than the budget due to increases in ad valorem tax, unrestricted intergovernmental revenue and investment earnings. Expenditures were 20.3% below budget with savings compared to budget across all departments. Most significant savings in Public Works was in capital outlay. The department did not have any capital purchases, which resulted in \$391,000 for the department. Additional savings were in outside services. Contracts for roadway cuttings and maintenance of grounds were not in place during the entire year. Transportation department had budgeted \$305,000 for signage, which was not completed during fiscal year 2023 and was moved into fiscal year 2024. Also, there was significant savings in Powell Bill spending compared to budget for paving for the Town as \$1,040,000 was budgeted and \$695,000 was spent. The Town has been working with Indian Trail to get road repairs completed where cost savings and economies of scale occurred by completing projects at the same time. Park and Recreation had savings of \$305,000 due to costs for Greenway carrying over to fiscal year 2024 and \$91,000 in salaries and related payroll costs due to position vacancies in the department. Also, Public Safety resulted in cost savings due to Police Department salaries contributed to a \$163,000 savings due to vacancies throughout the year. Also, an additional \$50,000 was saved when combining the capital purchase, inventory & equipment, and vehicle line items. The department was able to negotiate lower pricing for vehicles and other equipment needs.

**Management Discussion and Analysis  
Town of Stallings**

**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 \$1,181,026. The change in unrestricted net position was an decrease of \$111,773. This decrease is a result of operational expenses exceeding revenues for the year. The net investment in capital assets also increased \$47,068 making the total change in net position from prior year a decrease of \$64,705.

**Capital Asset and Debt Administration**

**Capital Assets.** The Town of Stallings’ investments in capital assets and right to use assets for its governmental and business-type activities as of June 30, 2023 total \$16,064,120 (net of accumulated depreciation). These assets include buildings, streets, land, machinery and equipment, park facilities, and vehicles, and IT subscriptions.

Major capital asset transactions during the year included the following:

- Road resurfacing work and road repairs for streets scheduled according to the Town’s resurfacing policy added \$698,713 to the Town’s infrastructure.
- Acquisition of public safety vehicles and equipment totaling \$192,791.
- Infrastructure related improvements for Stallings’ parking lot resurfacing at a cost of \$100,052.
- Blair Mill Greenway Construction for land improvements and Hawk Beacon traffic signals at a cost of \$509,655.

**Town of Stallings’ Capital Assets  
And Right to Use Assets  
(net of depreciation and amortization)  
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Infrastructure	\$ 4,247,213	\$ 4,146,787	\$ 781,964	\$ 734,896	\$ 5,029,177	\$ 4,881,683
Land improvements	1,340,290	1,138,879	-	-	1,340,290	1,138,879
Buildings and improvements	5,750,074	5,934,275	-	-	5,750,074	5,934,275
Land	3,277,444	3,277,444	-	-	3,277,444	3,277,444
Vehicles	296,840	248,798	-	-	296,840	248,798
Equipment	345,101	420,932	-	-	345,101	420,932
Computers and Software	9,178	14,178	-	-	9,178	14,178
Right to use: Subscription Assets	16,016	-	-	-	16,016	-
	<b>\$ 15,282,156</b>	<b>\$ 15,181,293</b>	<b>\$ 781,964</b>	<b>\$ 734,896</b>	<b>16,064,120</b>	<b>15,916,189</b>

**Management Discussion and Analysis  
Town of Stallings**

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

**Long-term Debt.** As of June 30, 2023, the Town of Stallings’ total debt and outstanding liabilities of \$4,549,920. Of this, installment debt of \$1,750,800 is backed by the full faith and credit of the Town. Other debt of the Town related to compensated absences and pension related liabilities.

**Outstanding Liabilities  
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Installment debt	\$ 1,750,800	\$ 2,042,600	\$ -	\$ -	\$ 1,750,800	\$ 2,042,600
Pension related debt (LGERS)	1,907,871	501,570	53,654	21,541	1,961,525	523,111
Pension related debt (LEO)	637,549	675,992	-	-	637,549	675,992
Compensated absences	181,711	155,268	4,619	3,836	186,330	159,104
SBITA liability	13,716	-	-	-	13,716	-
	<b>\$ 4,491,647</b>	<b>\$ 3,375,430</b>	<b>\$ 58,273</b>	<b>\$ 25,377</b>	<b>\$ 4,549,920</b>	<b>\$ 3,400,807</b>

**Town of Stallings’ Outstanding Debt**

The Town of Stallings’ total debt increased by \$1,149,113 or 33.8% from the past fiscal year. Pension related debt (LGERS) represents the increase offset by decreases in the LEO and the installment debt. Installment debt related to the construction of the New Town Hall and Public Works Maintenance buildings decreased \$291,800 due to the payment of the third installment this fiscal year.

The implementation of GASB 96 resulted in an increase of IT subscription liabilities for governmental activities of \$13,716.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Stallings is \$211,034,506.

Additional information regarding the Town of Stallings’ long-term debt can be found in Note III.B of this report.

## **Management Discussion and Analysis Town of Stallings**

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

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

- The economy continues to stimulate the housing and construction markets in the Town this fiscal year with ad valorem tax growth of 3.19% as well as economic growth with sales tax increasing 13.7%.
- New development. The Town continues to see relatively strong interest in development within the Town. New developments continue to be completed/near completion. Also, the Town's planning department continues to receive strong interest in several key areas of Town including from hotel developers in the area surrounding the new Atrium hospital. In addition, the Town has begun to focus on supporting/enhancing tax base growth at the Union West Business Park.
- Future Downtown – The Town has made downtown creation a top priority, has developed a downtown action plan, and has begun plan implementation including property acquisition and a downtown streetscape plan adoption. Also, the Town worked with the Development Finance Initiative (DFI – UNC School of Government) to analyze area market conditions and take the first steps towards developing a public-private partnership that will spur the desired downtown development.
- In FY 2020-21, the Town Council also passed a resolution supporting the Charlotte Area Transit System's (CATS) selected alignment for the proposed LYNX Silver Line Light Rail in Stallings near the hospital complex. While this is just one of the first necessary steps of many to extending the light rail to Stallings, any light rail expansion in the future would have significant impact on our community. To maximize positive development, the Town has continued the process of redeveloping our plans around the twin pillars of a potential light rail and Atrium hospital campus. (Note: The Town received a grant to embark on this plan overhaul).
- Despite strong development interest, planning investments, and other favorable conditions, the Town faces several substantial challenges to economic development including:
  - Our community's primary water/sewer provider (Union County) has challenges related to limited sewer capacity which will likely lead to future developmental delays for projects that have not yet secured sewer capacity. Indeed, it is likely that there will be a period of several years where no additional development can be permitted due to lack of sewer capacity.
  - Interest rates continue to rise during FY 22-23, but we have seen decreases recently. Interest rates have a significant effect on the local economy in a growing area such as the Charlotte Metropolitan region.

## **Management Discussion and Analysis Town of Stallings**

**Governmental Activities:** Impacting the FY 2023-24 budget this year is the American Rescue Plan Act of 2021 (ARPA). The Town was allocated \$5,145,370 to be used to help reverse the negative impact of the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery. The federal government set forth guidelines to use these funds which must be spent by 2024. At a council meeting on April 11, 2022, the Town Council created the ARPA Fund and elected to use the funds over the next several fiscal years as revenue replacement for law enforcement services from July 1, 2022, to December 31, 2024 or until all of the funds are expended. Included in the Fiscal Year 2023-24 budget is an appropriation of \$2,042,949 in ARPA funds to be used for Police department salaries and benefits.

The Town's management and Council has taken a conservative approach for Fiscal Year 2023-24 budgeted revenues. Total budgeted revenue for the Town is expected to decrease 14.8% to \$10,748,599 compared to actual revenue of \$12,616,301 in 2023. The large decrease from 2023 is due to contributions of \$1,174,000 for road improvements and reductions in grant revenue for ARPA funds and other grants and contributions. Budgeted property taxes increased \$43,654 or 0.9% while sales and use taxes decreased \$289,388 or 13.9% from actual revenue in 2023.

Budgeted expenditures in the General Fund are expected to increase 7.4% to \$10,748,599 when compared to actual expenditures of \$10,010,129 in 2023. This increase is primarily seen in in the transportation department with an increase of \$226,000 due to road resurfacing, in sanitation department of \$290,000 for increased costs associated with trash pickup for the Town and in the police department associated with annual pay increases in accordance with the Town's pay policy.

Interest expense related to the Town's debt is funded through current year revenues and not additional funds through appropriations.

The Town Council has no appropriations of general fund balance for the FY2024 budget with the exception of the ARPA funds in the amount of \$2,042,949 which are for police department salaries and benefits in FY2024. Management believes that increased revenues and continued cost cutting measures on departmental spending will maintain the current level of services provided by the Town and will not require additional fund balance appropriation.

**Business-type Activities:** The Town has chosen to keep the storm water fees unchanged. Project work for the year is focused on issues where flooding creates property damage. Expenses are primarily budgeted to repair these issues, with additional spending focused on cleaning out existing drains, street sweeping and other preventative services to help deter future flooding issues.

Council also approved a contingency line item in the budget to be appropriated for unbudgeted storm water projects that may arise.

### **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 the Town's Finance Officer, 315 Stallings Road, Stallings, NC 28104-5061. You can also call 704-821-0311, visit our website at [www.stallingsnc.org](http://www.stallingsnc.org), or send an email to [finance.officer@stallingsnc.org](mailto:finance.officer@stallingsnc.org) for more information.

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## **Basic Financial Statements**

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**Town of Stallings**  
**Statement of Net Position**  
**June 30, 2023**

**Exhibit 1**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 13,952,515	\$ 1,114,051	\$ 15,066,566
Taxes receivable (net)	16,476	-	16,476
Accrued interest receivable on taxes	5,118	-	5,118
Accounts receivable (net)	-	5,207	5,207
Due from other governments	428,050	-	428,050
Deposits	3,515	-	3,515
Internal balances	(113,882)	113,882	-
Restricted cash and cash equivalents	3,796,386	-	3,796,386
Total current assets	<u>18,088,178</u>	<u>1,233,140</u>	<u>19,321,318</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements, and construction in progress	3,277,444	-	3,277,444
Other capital assets, net of depreciation	11,988,696	781,964	12,770,660
Right to use assets, net of amortization	16,016	-	16,016
Total capital assets	<u>15,282,156</u>	<u>781,964</u>	<u>16,064,120</u>
Total non-current assets	<u>15,282,156</u>	<u>781,964</u>	<u>16,064,120</u>
Total assets	<u><u>33,370,334</u></u>	<u><u>2,015,104</u></u>	<u><u>35,385,438</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	1,485,362	35,311	1,520,673
Total deferred outflows of resources	<u>1,485,362</u>	<u>35,311</u>	<u>1,520,673</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	377,548	27,507	405,055
Deposits in escrow	8,809	-	8,809
Unearned revenue	6,767	681	7,448
Current portion long-term liabilities	473,511	4,619	478,130
Total current liabilities	<u>866,635</u>	<u>32,807</u>	<u>899,442</u>
Long-term liabilities:			
Net pension liability-LGERS	1,907,871	53,654	1,961,525
Total pension liability-LEO	637,549	-	637,549
Due in more than one year	1,472,716	-	1,472,716
Total long-term liabilities	<u>4,018,136</u>	<u>53,654</u>	<u>4,071,790</u>
Total liabilities	<u>4,884,771</u>	<u>86,461</u>	<u>4,971,232</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	574	-	574
Pension deferrals	211,601	964	212,565
Total deferred inflows of resources	<u>212,175</u>	<u>964</u>	<u>213,139</u>
<b>NET POSITION</b>			
Net investment in capital assets	13,517,640	781,964	14,299,604
Restricted for:			
Stabilization by State Statute	1,279,525	-	1,279,525
Streets	476,076	-	476,076
Drug Forfeiture	101,303	-	101,303
ARPA	3,219,007	-	3,219,007
Unrestricted	11,165,199	1,181,026	12,346,225
Total net position	<u>\$ 29,758,750</u>	<u>\$ 1,962,990</u>	<u>\$ 31,721,740</u>

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, 2023**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Grants and Contributions	Grants and Contributions	Primary Government		
					Operating	Capital	Governmental Activities
<b>Primary government:</b>							
Governmental Activities:							
General government	1,476,655	\$ 20,408	\$ 19,365	\$ -	\$ (1,436,882)	\$ -	\$ (1,436,882)
Public safety	3,243,804	15,508	126,531	-	(3,101,765)	-	(3,101,765)
Transportation	2,389,294	-	1,762,287	274,006	(353,001)	-	(353,001)
Environmental protection	1,132,602	-	13,406	-	(1,119,196)	-	(1,119,196)
Economic and physical development	337,205	154,678	-	-	(182,527)	-	(182,527)
Public works	288,011	-	-	-	(288,011)	-	(288,011)
Cultural and recreational	921,116	5,493	-	-	(915,623)	-	(915,623)
Interest on long-term debt	67,697	-	-	-	(67,697)	-	(67,697)
Total governmental activities	9,856,384	196,087	1,921,589	274,006	(7,464,702)	-	(7,464,702)
Business-type activities:							
Storm Water	575,822	511,117	-	-	-	(64,705)	(64,705)
Total business-type activities	575,822	511,117	-	-	-	(64,705)	(64,705)
Total primary government	\$ 10,432,206	\$ 707,204	\$ 1,921,589	\$ 274,006	\$ (7,464,702)	\$ (64,705)	\$ (7,529,407)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					\$ 4,931,754	\$ -	\$ 4,931,754
Sales taxes					2,079,388	-	2,079,388
Utilities taxes					851,739	-	851,739
Beer and wine taxes					75,373	-	75,373
Other taxes and licenses					11,171	-	11,171
Unrestricted investment earnings					358,972	-	358,972
Restricted investment earnings					170,380	-	170,380
Miscellaneous					64,395	-	64,395
Total general revenues					8,543,172	-	8,543,172
Change in net position					1,078,470	(64,705)	1,013,765
Net position, beginning					28,680,280	2,027,695	30,707,975
Net position, ending					\$ 29,758,750	\$ 1,962,990	\$ 31,721,740

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

**Town of Stallings  
Balance Sheet  
Governmental Funds  
June 30, 2023**

**Exhibit 3**

	<u>Major Funds</u>			<b>Total Governmental Funds</b>
	<u>General Fund</u>	<u>ARPA</u>	<u>Non-Major Funds</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,952,515	\$ -	\$ -	\$ 13,952,515
Restricted cash	577,379	3,219,007	-	3,796,386
Receivables, net:				
Taxes	16,476	-	-	16,476
Due from other governments	428,050	-	-	428,050
Deposits	3,515	-	-	3,515
Due from other funds	-	-	1,157,900	1,157,900
Total assets	<u>\$ 14,977,935</u>	<u>\$ 3,219,007</u>	<u>\$ 1,157,900</u>	<u>\$ 19,354,842</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 384,315	\$ -	\$ -	\$ 384,315
Accounts payable from restricted cash	-	-	-	-
Due to other funds	1,271,782	-	-	1,271,782
Deposits in escrow	8,809	-	-	8,809
Total liabilities	<u>1,664,906</u>	<u>-</u>	<u>-</u>	<u>1,664,906</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	16,476	-	-	16,476
Prepaid taxes	574	-	-	574
Total deferred inflows of resources	<u>17,050</u>	<u>-</u>	<u>-</u>	<u>17,050</u>
<b>FUND BALANCES</b>				
Restricted				
Stabilization by State Statute	1,279,525	-	-	1,279,525
Streets - Powell Bill	476,076	-	-	476,076
Drug Forfeiture	101,303	-	-	101,303
ARPA	-	3,219,007	-	3,219,007
Committed				
Parks and Recreation	-	-	-	-
Capital Projects Fund	-	-	1,157,900	1,157,900
Assigned				
Subsequent year expenditures	-	-	-	-
Minimum fund balance requirement	2,149,720	-	-	2,149,720
Unassigned	9,289,355	-	-	9,289,355
Total fund balances	<u>13,295,979</u>	<u>3,219,007</u>	<u>1,157,900</u>	<u>17,672,886</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,977,935</u>	<u>\$ 3,219,007</u>	<u>\$ 1,157,900</u>	<u>\$ 19,354,842</u>

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

**Town of Stallings**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2023**

**Exhibit 4**

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

Total fund balance - Governmental Funds		\$ 17,672,886
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	50,268,728	
Accumulated depreciation and amortization	<u>(34,986,572)</u>	15,282,156
Deferred outflows of resources related to pensions are not reported in the funds		
		1,485,362
Other assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are inflows of resources in the funds		
		5,118
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Compensated absences	(181,711)	
Direct placement installment purchase	(1,750,800)	
SBITA payable	(13,716)	
Net pension liability (LGERS)	(1,907,871)	
Total pension liability (LEOSSA)	<u>(637,549)</u>	(4,491,647)
Deferred inflows of resources related to pensions are not reported in the funds		
		(211,601)
Earned revenues considered deferred inflows of resources in fund statements		
		<u>16,476</u>
Net position of governmental activities		<u>\$ 29,758,750</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**  
**Governmental Funds**  
**For the Year Ended June 30, 2023**

**Exhibit 5**

	<u>Major Funds</u>			<b>Total Governmental Funds</b>
	<u>General</u>	<u>ARPA</u>	<u>Non-Major Funds Total</u>	
<b>REVENUES</b>				
Ad valorem taxes	\$ 4,934,680	\$ -	\$ -	\$ 4,934,680
Other taxes and licenses	11,171	-	-	11,171
Unrestricted intergovernmental	3,006,500	-	-	3,006,500
Restricted intergovernmental	625,406	-	274,006	899,412
Permits and fees	170,186	-	-	170,186
Investment earnings	372,833	156,519	-	529,352
Sales and services	25,901	-	-	25,901
Miscellaneous	1,360,578	-	-	1,360,578
Total revenues	<u>10,507,255</u>	<u>156,519</u>	<u>274,006</u>	<u>10,937,780</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,243,562	-	-	1,243,562
Public safety	2,926,924	-	-	2,926,924
Transportation	1,506,371	-	3,430	1,509,801
Environmental protection	1,132,602	-	-	1,132,602
Economic and physical development	320,726	-	-	320,726
Public works	256,168	-	-	256,168
Cultural and recreational	645,076	-	-	645,076
Debt service:				
Principal	302,381	-	-	302,381
Interest	67,697	-	-	67,697
Capital Outlay				
General government	0	-	-	-
Public safety	235,211	-	-	235,211
Transportation	698,713	-	-	698,713
Cultural and recreational	671,268	-	-	671,268
Total expenditures	<u>10,006,699</u>	<u>-</u>	<u>3,430</u>	<u>10,010,129</u>
Excess (deficiency) of revenues over expenditures	<u>500,556</u>	<u>156,519</u>	<u>270,576</u>	<u>927,651</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Subscription-based information technology arrangement	24,297	-	-	24,297
Transfer to/from other funds	2,084,952	(2,084,952)	-	-
Total other financing sources (uses)	<u>2,109,249</u>	<u>(2,084,952)</u>	<u>-</u>	<u>24,297</u>
Net change in fund balance	2,609,805	(1,928,433)	270,576	951,948
Fund balances, beginning	10,686,174	5,147,440	887,324	16,720,938
Fund balances, ending	<u>\$ 13,295,979</u>	<u>\$ 3,219,007</u>	<u>\$ 1,157,900</u>	<u>\$ 17,672,886</u>

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

**Town of Stallings**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of Governmental Funds to the Statement of Activities**

**Exhibit 6**

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

Net changes in fund balances - total governmental funds	\$	951,948
<p>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.</p>		
Capital outlay expenditures which were capitalized	\$ 1,605,192	
Depreciation and amortization expense for governmental assets	<u>(1,504,329)</u>	100,863
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		308,104
<p>Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities</p>		
		91,670
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in accrued interest receivable from taxes	(1,598)	
Change in unavailable revenue for tax revenues	<u>(1,328)</u>	(2,926)
<p>The issuance of long-term debt (e.g., bonds, SBITAs) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Subscription-Based Information Technology Arrangement (SBITAs)	(24,297)	
Principal payments on SBITAs	10,581	
Principal payments on long-term debt	<u>291,800</u>	278,084
<p>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.</p>		
Compensated absences		(26,444)
Pension expense		<u>(622,829)</u>
Total changes in net position of governmental activities		<u>\$ 1,078,470</u>

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

**Town of Stallings** **Exhibit 7**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2023**

	<b>General Fund</b>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 4,743,300	\$ 4,743,300	\$ 4,934,680	\$ 191,380
Unrestricted intergovernmental	2,625,000	2,625,000	3,006,500	381,500
Restricted intergovernmental	467,000	542,840	625,406	82,566
Other taxes and licenses	12,500	12,500	11,171	(1,329)
Permits and fees	93,700	93,700	170,186	76,486
Investment earnings	1,400	1,400	372,833	371,433
Sales and services	20,000	25,000	25,901	901
Miscellaneous	21,700	1,261,901	1,360,578	98,677
Total revenues	7,984,600	9,305,641	10,507,255	1,201,614
<b>Expenditures:</b>				
Current and capital outlay:				
General government	1,408,500	1,406,180	1,243,562	162,618
Public safety	3,500,200	3,644,939	3,162,135	482,804
Transportation	1,712,200	2,939,200	2,205,084	734,116
Economic and physical development	486,000	479,132	320,726	158,406
Environmental protection	1,110,000	1,160,000	1,132,602	27,398
Public works	758,500	750,850	256,168	494,682
Cultural and recreational	1,561,700	1,725,366	1,316,344	409,022
Debt service:				
Principal	291,800	339,477	302,381	37,096
Interest	68,000	68,000	67,697	303
Contingency	97,300	36,300	-	36,300
Total expenditures	10,994,200	12,549,444	10,006,699	2,542,745
Revenues over (under) expenditures	(3,009,600)	(3,243,803)	500,556	3,744,359
<b>Other financing sources (uses):</b>				
Subscription-based information technology arrangements	-	-	24,297	24,297
Transfers from other funds	2,912,300	3,207,503	2,084,952	(1,122,551)
Total other financing sources (uses)	2,912,300	3,207,503	2,109,249	(1,098,254)
Fund balance appropriated	3,009,600	3,243,803	-	(3,243,803)
Net change in fund balance	\$ 2,912,300	\$ 3,207,503	2,609,805	\$ (597,698)
Fund balances, beginning			10,686,174	
Fund balances, ending			\$ 13,295,979	

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, 2023**

**Exhibit 8**

	<b>Major Enterprise Fund Storm Water Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,114,051
Fees receivable	1,356
Accounts receivable	3,851
Due from other funds	113,882
Total current assets	1,233,140
Noncurrent assets:	
Capital assets:	
Capital assets, net of depreciation	781,964
Capital assets	781,964
Total noncurrent assets	781,964
Total assets	\$ 2,015,104
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	\$ 35,311
Total deferred outflows of resources	35,311
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	27,507
Compensated absences	4,619
Unearned revenue	681
Total current liabilities	32,807
Noncurrent liabilities:	
Net pension liability	53,654
Total noncurrent liabilities	53,654
Total liabilities	86,461
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	964
Total deferred inflows of resources	964
<b>NET POSITION</b>	
Net investment in capital assets	781,964
Unrestricted	1,181,026
Total net position	\$ 1,962,990

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, 2023**

**Exhibit 9**

	<b>Major Enterprise Fund</b>
	<b>Storm Water</b>
	<b>Fund</b>
<b>OPERATING REVENUES</b>	
Storm water fees and interest	\$ 511,117
Total operating revenues	511,117
<b>OPERATING EXPENSES</b>	
Salaries and employee benefits	77,297
Repairs and maintenance	420,447
Professional fees	48,420
Miscellaneous expenses	6,071
Depreciation	23,587
Total operating expenses	575,822
<b>Loss before contributions and transfers</b>	(64,705)
<b>Change in net position</b>	(64,705)
Total net position, beginning	2,027,695
Total net position, ending	\$ 1,962,990

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

**Town of Stallings  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2023**

**Exhibit 10**

	<b>Major Enterprise Fund</b>
	<b>Storm Water</b>
	<b>Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 510,580
Cash paid for goods and services	(604,715)
Cash paid to or on behalf of employees for services	(69,023)
Net cash used by operating activities	(163,158)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Increase in due from General Fund	(113,902)
Net cash used by non-capital financing activities	(113,902)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(70,655)
Net cash used by capital and related financing activities	(70,655)
Net increase (decrease) in cash and cash equivalents	(347,715)
Balances, beginning	1,461,766
Balances, ending	\$ 1,114,051
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (64,705)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	23,587
Changes in assets and liabilities:	
(Increase) decrease in fees receivable	706
(Increase) decrease in accounts receivable	(1,201)
(Increase) decrease in deferred outflows of resources - pensions	(14,668)
Increase (decrease) in accounts payable	(129,777)
Increase (decrease) in compensated absences	783
Increase (decrease) in unearned revenue	(42)
Increase (decrease) in net pension liability	32,113
Increase (decrease) in deferred inflows of resources - pensions	(9,954)
Total adjustments	(98,453)
Net cash used by operating activities	\$ (163,158)

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

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## **Notes to Financial Statements**

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**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**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 only the Town of Stallings, as 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. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole by fees charged to external parties.

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

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

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

The Town reports the following major governmental 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.

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**I. Summary of Significant Accounting Policies (continued)**

**American Rescue Plan Act (ARPA) Fund:** This fund accounts for the transactions related to the American Rescue Plan Funds.

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.

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 the 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. Issuance of general long-term debt and acquisitions under capital leases and IT subscriptions are reported as other financing sources.

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**I. Summary of Significant Accounting Policies (continued)**

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

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Stallings Municipal Park Capital Project Fund, Potter/Pleasant Plains Intersection Improvement Capital Project Fund and the ARPA Special Revenue 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, and the Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

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

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**I. Summary of Significant Accounting Policies (continued)**

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 generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) mutual fund, is authorized by G.S. 159-30(c)(8). The Government Portfolio, which invests in treasuries and government agencies, is a money market mutual fund (2a7) and maintains an AAAM rating from S&P and AAAMf by Moody's Investor Service. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months. It is reported at fair value.

**2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

**3. Restricted Assets**

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

*Restricted Cash*

Governmental Activities

General Fund

Powell Bill	\$ 476,076
Drug forfeiture	101,303
	<hr/>

Total General Fund	577,379
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ARPA Fund	3,219,007
	<hr/>

Total Restricted Cash	<u>\$ 3,796,386</u>
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**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2022.

**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.

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**I. Summary of Significant Accounting Policies (continued)**

**6. 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. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are recorded at cost or estimated historical cost.

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.

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

Right-to-use lease and subscription-based information technology arrangement assets are initially measured at the present value of payments expected to be made during the contract term, adjusted for payments made at or before the contract commencement date, plus certain initial direct costs. Subsequently, the lease and subscription-based information technology arrangement asset is amortized in a systematic and rational manner over the shorter of the contract.

**7. 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 assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion: pension deferrals in the 2023 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – prepaid taxes, property taxes receivable, and pension deferrals.

**8. 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.

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**I. Summary of Significant Accounting Policies (continued)**

**9. 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.

**10. Reimbursements for Pandemic-related Expenditures**

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The Town was allocated \$5,145,370 of fiscal recovery funds to be paid in two equal installments. The first installment of \$2,572,685 was received in July 2021. The second installment of \$2,572,685 was received in August 2022. The Town and Town Council have elected to use all of the ARPA funds for law enforcement services from July 1, 2022 through December 31, 2024. Revenue replacement funds will be transferred to the general fund as the expenditures are incurred.

**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:

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

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**I. Summary of Significant Accounting Policies (continued)**

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

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

Restricted for Drug Forfeiture – funds received from forfeitures, restricted for law enforcement.

Restricted for American Rescue Plan (ARPA) – portion of fund balance that is restricted by revenue source and elected by the Town to be used for law enforcement salaries and benefits.

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). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Parks and Recreation – committed for park improvements.

Capital Projects Fund – committed to construction of Stallings Town Park, the Potter/Pleasant Plains Intersection Improvement, and the construction of the New Town Hall Building and Public Works Building.

Assigned Fund Balance – portion of fund balance that the Town of Stallings council 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.

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 20% of budgeted expenditures. Any portion of the general fund balance in excess of 20% 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.

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**I. Summary of Significant Accounting Policies (continued)**

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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.

**12. Defined Benefit Cost-Sharing Plans**

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

**13. 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.

**14. Adoption of New Accounting Pronouncements**

Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement is based on the criteria that SBITAs are financings of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). A SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability. This Statement also provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. It requires disclosures, which include the general description of the SBITA arrangement, the total amount of subscription assets and the related accumulated amortization, the amount of outflow of resources recognized from SBITA contracts that are not included in the measurement of the liability, and the disclosure of the long-term effect of SBITA arrangements on a government's resources.

The Town adopted the requirements of the guidance effective July 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. See Note III.

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**II. Stewardship, Compliance, and Accountability**

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

1. *Noncompliance with North Carolina General Statutes*  
None

B. Deficit in Fund Balance or Net Position of Individual Funds  
None

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 the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the

Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2023, the Town's deposits had a carrying amount of \$1,714,076 and a bank balance of \$1,117,311. 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, 2023, the Town's petty cash fund totaled \$200.

2. Investments

At June 30, 2023, the Town had \$17,148,676 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**III. Detail Notes on All Funds (continued)**

**3. Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2023 was as follows:

	July 1, 2022	Additions	Retirements	Adjustments/ Transfers	June 30, 2023
<b>Governmental activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 3,277,444	\$ -	\$ -	\$ -	\$ 3,277,444
Total capital assets not being depreciated	<u>3,277,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,277,444</u>
<b>Capital assets being depreciated:</b>					
Buildings and improvements	7,008,633	10,904	-	-	7,019,537
Land improvements	3,111,397	404,602	-	-	3,515,999
Equipment	839,859	34,297	-	-	874,156
Computers and software	121,323	-	-	-	121,323
Vehicles	1,067,957	165,711	73,707	-	1,159,961
Infrastructure	33,310,630	965,381	-	-	34,276,011
Total capital assets being depreciated	<u>45,459,799</u>	<u>1,580,895</u>	<u>73,707</u>	<u>-</u>	<u>46,966,987</u>
<b>Less accumulated depreciation:</b>					
Buildings and improvements	1,074,358	195,105	-	-	1,269,463
Land improvements	1,972,518	203,191	-	-	2,175,709
Equipment	418,927	110,128	-	-	529,055
Computers and software	107,145	5,000	-	-	112,145
Vehicles	819,159	117,669	73,707	-	863,121
Infrastructure	29,163,843	864,955	-	-	30,028,798
Total accumulated depreciation	<u>33,555,950</u>	<u>1,496,048</u>	<u>73,707</u>	<u>-</u>	<u>34,978,291</u>
Total capital assets being depreciated, net	<u>11,903,849</u>	<u>84,847</u>	<u>-</u>	<u>-</u>	<u>11,988,696</u>
<b>Capital assets being amortized:</b>					
Right to use asset:					
IT subscriptions		24,297			24,297
Total capital assets being amortized	<u>-</u>	<u>24,297</u>	<u>-</u>	<u>-</u>	<u>24,297</u>
<b>Less accumulated amortization:</b>					
Right to use asset:					
IT subscriptions	-	8,281	-	-	8,281
Total accumulated amortization	<u>-</u>	<u>8,281</u>	<u>-</u>	<u>-</u>	<u>8,281</u>
Total capital assets being amortized, net	<u>-</u>	<u>16,016</u>	<u>-</u>	<u>-</u>	<u>16,016</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 15,181,293</u>	<u>\$ 100,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,282,156</u>

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**III. Detail Notes on All Funds (continued)**

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

General government	\$ 185,431
Public safety	159,635
Transportation	872,431
Public works	23,459
Cultural and recreational	255,092
Total depreciation expense	<u>\$ 1,496,048</u>

	July 1, 2022	Additions	Retirements	June 30, 2023
<b>Business-type activities:</b>				
<b>Storm Water Fund</b>				
<b>Capital assets being depreciated:</b>				
Infrastructure	\$ 804,661	\$ 70,655	\$ -	\$ 875,316
Total capital assets being depreciated	<u>804,661</u>	<u>70,655</u>	<u>-</u>	<u>875,316</u>
<b>Less accumulated depreciation:</b>				
Infrastructure	69,765	23,587	-	93,352
Total accumulated depreciation	<u>69,765</u>	<u>\$ 23,587</u>	<u>\$ -</u>	<u>93,352</u>
Total capital assets being depreciated, net	<u>734,896</u>	<u>47,068</u>	<u>-</u>	<u>781,964</u>
<b>Business-type capital assets, net</b>	<u>\$ 734,896</u>	<u>\$ 47,068</u>	<u>\$ -</u>	<u>\$ 781,964</u>

**Construction Commitments**

The Town has active construction projects as of June 30, 2023. At year-end, the Town's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Potter/Pleasant Plains Improvement	\$ 2,072,659	\$ 1,657,069
Total	<u>\$ 2,072,659</u>	<u>\$ 1,657,069</u>

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2023, were as follows:

	Vendors	Salaries and Benefits	Total
<b>Governmental Activities:</b>			
General	\$ 344,338	33,210	\$ 377,548
Total governmental activities	<u>\$ 344,338</u>	<u>\$ 33,210</u>	<u>\$ 377,548</u>
<b>Business-type Activities:</b>			
Storm Water	\$ 26,513	\$ 994	\$ 27,507
Total business-type activities	<u>\$ 26,513</u>	<u>\$ 994</u>	<u>\$ 27,507</u>

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**III. Detail Notes on All Funds (continued)**

**2. Pension Plan Obligations**

**a. Local Governmental Employees' Retirement System**

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

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

LGERS plan members who are law enforcement officers (LEOs) are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Stallings employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2023 was 13.04% of compensation for law enforcement officers and 12.19% for general employees, actuarially determined as an amount that, when combined with employee

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**III. Detail Notes on All Funds (continued)**

contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$308,104 for the year ended June 30, 2023.

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

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

At June 30, 2023, the Town reported a liability of \$1,961,525 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022 (measurement date), the Town’s proportion was 0.03477%, which was an increase of 0.00066% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$551,001. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 84,520	\$ 8,287
Changes of assumptions	195,716	-
Net difference between projected and actual earnings on pension plan investments	648,304	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	12,537	26,942
Town contributions subsequent to the measurement date	308,104	-
Total	<u>\$ 1,249,181</u>	<u>\$ 35,229</u>

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**III. Detail Notes on All Funds (continued)**

\$308,104 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2024	\$	284,888
2025		245,608
2026		66,488
2027		308,864
Total	\$	<u>905,848</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study prepared as of December 31, 2019, and adopted by the Board of Trustees on January 28, 2021.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**III. Detail Notes on All Funds (continued)**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic Fixed Income	7.0%	5.0%
Inflation Sensitive	6.0%	2.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2022 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 3,540,299	\$ 1,961,525	\$ 660,523

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

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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, 2021, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to but not receiving benefits	-
Active plan members	<u>22</u>
Total	<u>27</u>

*2. Summary of Significant Accounting Policies*

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

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

*3. Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.31 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2021.

Mortality rates are based on the Pub-2010 amount-weighted tables with adjustments from 2010 using generational improvements with Scale MP-2019.

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**III. Detail Notes on All Funds (continued)**

*4. Contributions*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$88,656 as benefits came due for the reporting period.

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

At June 30, 2023, the Town reported a total pension liability of \$637,549. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$79,319.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 119,531	\$ 69,771
Changes of assumptions	106,126	107,565
Town benefit payments and plan administrative expense Made subsequent to the measurement date	45,835	-
Total	<u>\$ 271,492</u>	<u>\$ 177,336</u>

\$44,348 paid as benefits came due and \$1,487 of administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ 18,293
2025	24,779
2026	18,611
2027	(8,069)
2028	(5,293)
Thereafter	-
Total	<u>\$ 48,321</u>

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 4.31 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	<b>1% Decrease (3.31%)</b>	<b>Discount Rate (4.31%)</b>	<b>1% Increase (5.31%)</b>
Total pension liability	\$ 689,566	\$ 637,549	\$ 590,877

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**III. Detail Notes on All Funds (continued)**

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

	2023
Beginning balance	\$ 675,992
Service cost	50,027
Interest on the total pension liability	14,212
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	99,495
Changes of assumptions or other inputs	(113,521)
Benefit payments	(88,656)
Other changes	-
Ending balance of the total pension liability	\$ 637,549

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**III. Detail Notes on All Funds (continued)**

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 551,001	\$ 79,319	\$ 630,320
Pension Liability	\$ 1,961,525	\$ 637,549	\$ 2,599,074
Proportionate share of the net pension liability	0.03477%	n/a	
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 84,520	\$ 119,531	\$ 204,051
Changes of assumptions	195,716	106,126	301,842
Net difference between projected and actual earnings on plan investments	648,304	-	648,304
Changes in proportion and differences between contributions and proportionate share of contributions	12,537	-	12,537
Benefit payments and administrative costs paid subsequent to the measurement date	308,104	45,835	353,939
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 8,287	\$ 69,771	\$ 78,058
Changes of assumptions	-	107,565	107,565
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	26,942	-	26,942

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**III. Detail Notes on All Funds (continued)**

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2023 were \$127,028, which consisted of \$71,550 from the Town and \$55,478 from the 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, 2023 were \$107,808, which consisted of \$53,949 from the Town and \$53,859 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

The Town also provides a death benefit through NC League of Municipalities. If an employee dies during active service, the beneficiaries of the employee will receive a lump sum of \$30,000.

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**III. Detail Notes on All Funds (continued)**

*6. Deferred Outflows and Inflows of Resources*

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

Contributions to pension plan in current fiscal year	\$ 308,104
Benefit payments made and administrative expenses for LEOSA	45,835
Differences between expected and actual experience	204,051
Changes of assumptions	301,842
Net difference between projected and actual	648,304
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,537
Total	<u><u>\$ 1,520,673</u></u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 574	\$ 574
Taxes receivable, less penalties (General Fund)	-	16,476
Changes in assumptions	107,565	-
Differences between expected and actual experience	78,058	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	26,942	-
Total	<u><u>\$ 213,139</u></u>	<u><u>\$ 17,050</u></u>

*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 has the following coverage:

General Liability	\$5,000,000 aggregate	\$5,000,000 each occurrence
Public Officials Liability	\$5,000,000 aggregate	\$5,000,000 each claim
Police Professional Liability	\$5,000,000 aggregate	\$5,000,000 each occurrence
Employment Practice Liability	\$5,000,000 aggregate	\$5,000,000 each claim
Employee Benefits Liability	\$5,000,000 aggregate	\$5,000,000 each claim
Business Auto	\$5,000,000 each accident	
Workman's Compensation	Up to statutory limits	

In addition, the Town has property insurance which covers the Town's listed values for assets on the policy as well as flood and earthquake insurance with a coverage amount of \$8,836,614 with a \$2,500 deductible.

There have been no reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three years.

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**III. Detail Notes on All Funds (continued)**

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$1,000,000. The Town carries commercial crime coverage for other financial risks. The remaining employees that have access to funds are covered to a \$50,000 limit.

**8. *Claims, Judgments and Contingent Liabilities***

At June 30, 2023, the Town was the 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. Installment Purchase**

In January 2019, the Town entered into a \$2,918,000 direct placement contract to finance a new town hall building and public works building. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires principal payments beginning in the fiscal year ending 2020 with an interest rate of 3.45%.

Annual debt service payments of the installment purchase as of June 30, 2023, including \$197,319 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 291,800	\$ 57,882
2025	291,800	48,423
2026	291,800	39,555
2027	291,800	27,687
2028	291,800	17,617
2029	291,800	6,155
	<u>\$ 1,750,800</u>	<u>\$ 197,319</u>

At June 30, 2023, the Town had a legal debt margin of \$211,034,506.

**b. Changes in Long-Term Liabilities**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Current Portion</u>
Governmental Activities:					
Direct Placement Installment Purchase	\$ 2,042,600	\$ -	\$ 291,800	\$ 1,750,800	\$ 291,800
Compensated absences	155,267	181,711	155,267	181,711	181,711
Net pension liability (LGERS)	501,570	1,406,301	-	1,907,871	-
Total pension liability (LEO)	675,992	-	38,443	637,549	-
SBITA liability		24,297	10,581	13,716	6,911
Total governmental activities long-term liabilities	<u>\$ 3,375,429</u>	<u>\$ 1,588,012</u>	<u>\$ 485,510</u>	<u>\$ 4,491,647</u>	<u>\$ 473,511</u>

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**III. Detail Notes on All Funds (continued)**

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
Business-type Activities:					
Storm Water Fund					
Compensated absences	\$ 3,836	\$ 4,619	\$ 3,836	\$ 4,619	\$ 4,619
Net pension liability (LGERs)	<u>21,541</u>	<u>32,113</u>	<u>-</u>	<u>53,654</u>	<u>-</u>
Total business-type activities					
long-term liabilities	<u>\$ 25,377</u>	<u>\$ 36,732</u>	<u>\$ 3,836</u>	<u>\$ 58,273</u>	<u>\$ 4,619</u>

The liability for pension-related debt related to LGERs is majority liquidated by the general fund with a small portion by the storm water fund. For compensated absences, the general fund approximately liquidates 99% and the storm water fund the remainder. The total pension liability (LEOSSA) is entirely liquidated by the general fund.

Subscription-based Information Technology Arrangements (SBITAs): The Town has entered into certain subscription-based information technology arrangements that convey control of the right to use another entity's intangible asset for a period of time in an exchange or exchange-like transaction. These are generally for licenses and software contracts. The total amount of the subscription asset and related accumulated amortization is \$24,297 and \$8,281, respectively. Minimum payments due in future years include principal and interest in the amount of \$6,911 and \$313, respectively, for fiscal year 2024 and \$6,805 and \$79, respectively, for fiscal year 2025.

**b. Interfund Balance and Activity**

Balances due to/from other funds at June 30, 2023, consist of the following:

Due to the Potter/Pleasant Plains Intersection Improvement Capital Project Fund for Chestnut Roundabout improvements:

General Fund	<u>\$ 1,157,900</u>
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Due from the General Fund for stormwater fees and interest received and owed, net of coverage of payroll expenses for the Storm Water Fund:

Storm Water Fund	<u>\$ 113,882</u>
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The interfund balances resulted from the time lag between 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.

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**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:

<u>Total Fund Balance - General Fund</u>	<u>\$ 13,295,979</u>
Less:	
Stabilization by State Statute	1,279,525
Streets - Powell Bill	476,076
Drug Forfeiture Fund	101,303
Parks and Recreation	-
Subsequent Year Expenditures	-
Minimum Fund Balance Policy	<u>2,149,720</u>
Remaining Fund Balance	<u><u>\$ 9,289,355</u></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 20% of budgeted expenditures. Any portion of the General Fund balance in excess of 20% 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.

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, 2023, the Town had the following encumbrances:

Governmental Activities:	
General Fund	\$ 847,960
PPP Fund	<u>1,419,727</u>
Total governmental activities	<u><u>\$ 2,267,687</u></u>

**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 March 2018, the Town approved a third amendment to the contract which extended the terms an additional five years expiring on June 20, 2023. Subsequent amendments have occurred, which include an extension with an expiration date of June 30, 2027.

The Town entered into a contract for the support and service of all Town printing, scanning, and document management equipment. The contract commenced on September 2018 and has an expiration date of September 2023.

**TOWN OF STALLINGS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**III. Detail Notes on All Funds (continued)**

**F. Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

The Town has received proceeds from several Federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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. Significant Effects of Subsequent Events**

Management has evaluated subsequent events through January 26, 2024, the date the financial statements were made available to be issued and determined that no other events occurred that required recording in the financial statements.



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## **Required Supplementary Information**

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

- Schedule of Proportionate Share of Net Pension Asset - Local Governments Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance



**Town of Stallings  
Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Ten Fiscal Years**

**Local Government Employees' Retirement System**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Stallings' proportion of the net pension liability (asset) (%)	0.03477%	0.03411%	0.03264%	0.03422%	0.03156%	0.03395%	0.0308%	0.0318%	0.0309%	0.0306%
Stallings' proportion of the net pension liability (asset) (\$)	\$ 1,961,525	\$ 523,111	\$ 1,166,367	\$ 934,523	\$ 748,712	\$ 518,663	\$ 653,679	\$ 142,761	\$ (180,285)	\$ 372,464
Stallings' covered payroll	\$ 2,767,303	\$ 2,242,166	\$ 2,166,675	\$ 2,200,303	\$ 2,083,532	\$ 2,055,502	\$ 1,800,336	\$ 1,692,841	\$ 1,625,913	\$ 976,960
Stallings' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	70.88%	23.33%	53.83%	42.47%	35.93%	25.23%	36.31%	8.43%	-11.09%	38.12%
Plan fiduciary net position as a percentage of the total pension liability	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

**Town of Stallings  
Town of Stallings' Contributions  
Required Supplementary Information  
Last Ten Fiscal Years**

**Local Government Employees' Retirement System**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 308,104	\$ 266,887	\$ 236,687	\$ 203,373	\$ 180,231	\$ 166,784	\$ 159,297	\$ 126,958	\$ 124,306	\$ 116,602
Contributions in relation to the contractually required contribution	308,104	266,887	236,687	203,373	180,231	166,784	159,297	126,958	124,306	116,602
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stallings' covered payroll	\$ 2,435,921	\$ 2,264,385	\$ 2,242,166	\$ 2,166,675	\$ 2,200,303	\$ 2,083,532	\$ 2,055,502	\$ 1,800,336	\$ 1,692,841	\$ 1,625,913
Contributions as a percentage of covered payroll	12.65%	11.79%	10.56%	9.39%	8.19%	8.00%	7.75%	7.05%	7.34%	7.17%

**Town of Stallings**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2023**

	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 675,992	\$ 796,100	\$ 552,433	\$ 503,015	\$ 524,452	\$ 523,764	\$ 508,487
Service cost	50,027	46,594	28,044	29,135	27,408	23,192	27,802
Interest on the total pension liability	14,212	14,701	17,202	17,629	16,259	19,834	17,798
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	99,495	(96,436)	54,977	25,345	(28,980)	(48,748)	-
Changes of assumptions or other inputs	(113,521)	(16,167)	192,981	14,698	(16,258)	26,276	(10,457)
Benefit payments	(88,656)	(68,800)	(49,537)	(37,389)	(19,866)	(19,866)	(19,866)
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 637,549</u>	<u>\$ 675,992</u>	<u>\$ 796,100</u>	<u>\$ 552,433</u>	<u>\$ 503,015</u>	<u>\$ 524,452</u>	<u>\$ 523,764</u>

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

Pension schedules are intended to show information for ten years, additional years' information will be displayed as it comes available.

This schedule will not present ten years' worth of fiscal information until 2026.

**Town of Stallings**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 637,549	\$ 675,992	\$ 796,100	\$ 552,433	\$ 503,015	\$ 524,452	\$ 523,764
Covered-employee payroll	1,229,614	1,179,406	1,145,268	1,191,154	1,026,657	1,062,451	1,191,875
Total pension liability as a percentage of covered-employee payroll	51.85%	57.32%	69.51%	46.38%	49.00%	49.36%	43.94%

Notes to the schedules:

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

Pension schedules are intended to show information for ten years, additional years' information will be displayed as it comes available.

This schedule will not present ten years' worth of fiscal information until 2026.

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## **Individual Fund Statements and Schedules**

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**Town of Stallings**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – General Fund**  
**For the Fiscal Year Ended June 30, 2023**

**Schedule 1**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ 4,735,300	\$ 4,899,149	
Penalties and interest	8,000	35,531	
Total	<u>4,743,300</u>	<u>4,934,680</u>	<u>\$ 191,380</u>
Other taxes and licenses:			
Gross receipts tax - vehicle rental	12,500	11,171	
Total	<u>12,500</u>	<u>11,171</u>	<u>(1,329)</u>
Unrestricted intergovernmental:			
Local option sales tax	1,775,000	2,079,388	
Utilities sales tax	780,000	851,739	
Beer and wine tax	70,000	75,373	
Total	<u>2,625,000</u>	<u>3,006,500</u>	<u>381,500</u>
Restricted intergovernmental:			
Powell Bill allocation	445,000	450,887	
Solid waste disposal tax	12,000	13,406	
Governor's Crime Commission Grant	12,075	-	
Drug forfeiture	54,400	121,660	
Bullet proof vest grant	-	4,871	
SRO Union County Grant	19,365	19,365	
NC Department of Transportation	0	15,217	
Total	<u>542,840</u>	<u>625,406</u>	<u>82,566</u>
Permits and fees:			
Zoning fees	60,000	154,178	
Fees in Lieu of Park Land	-	-	
Civil citations	1,000	500	
Public safety fees	31,700	15,508	
Nuisance abatement fees	1,000	-	
Total	<u>93,700</u>	<u>170,186</u>	<u>76,486</u>
Sales and services:			
Rent	18,000	20,408	
Festival/event sales	7,000	5,493	
Total	<u>25,000</u>	<u>25,901</u>	<u>901</u>
Investment earnings	<u>1,400</u>	<u>372,833</u>	<u>371,433</u>
Miscellaneous:			
Insurance reimbursements	11,547	20,580	
Park fees and contributions	-	2,000	
Wellness Grant - NCLM	2,107	2,107	
Lily (K9) Donors	8,547	8,547	
Sale of Surplus Property - DOJ Asset	-	10,099	
Twin Pines Project Contribution Earmark	-	78,183	
Miscellaneous revenues	1,239,700	1,239,062	
Total	<u>1,261,901</u>	<u>1,360,578</u>	<u>98,677</u>
Total revenues	<u>9,305,641</u>	<u>10,507,255</u>	<u>1,201,614</u>

**Town of Stallings**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – General Fund**  
**For the Fiscal Year Ended June 30, 2023**

**Schedule 1**  
**cont**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries - elected officials	53,735	38,108	
Administration:			
Salaries and employee benefits		636,588	
Operating expenditures		341,516	
Contracted services		227,350	
Capital outlay		-	
Total	<u>1,406,180</u>	<u>1,243,562</u>	<u>162,618</u>
Public safety:			
Police:			
Salaries and employee benefits		2,319,996	
Operating expenditures		591,890	
Contracted services		15,038	
Capital outlay		235,211	
Total	<u>3,644,939</u>	<u>3,162,135</u>	<u>482,804</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		134,009	
Operating expenditures		129,492	
Contracted services		1,242,870	
Capital outlay		698,713	
Total	<u>2,939,200</u>	<u>2,205,084</u>	<u>734,116</u>
Environmental protection:			
Contracted services	<u>1,160,000</u>	<u>1,132,602</u>	<u>27,398</u>
Economic and physical development:			
Salaries and employee benefits		271,266	
Operating expenditures		34,899	
Contracted services		14,561	
Capital outlay		-	
Total	<u>479,132</u>	<u>320,726</u>	<u>158,406</u>
Public works:			
Salaries and employee benefits		137,819	
Operating expenditures		52,737	
Contracted services		65,612	
Capital outlay		-	
Total	<u>750,850</u>	<u>256,168</u>	<u>494,682</u>
Cultural and recreation:			
Salaries and employee benefits		338,219	
Operating expenditures		203,361	
Contracted services		103,496	
Capital outlay		671,268	
Total	<u>1,725,366</u>	<u>1,316,344</u>	<u>409,022</u>

**Town of Stallings**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – General Fund**  
**For the Fiscal Year Ended June 30, 2023**

**Schedule 1**  
**cont**

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal	339,477	302,381	
Interest	68,000	67,697	
Total	407,477	370,078	37,399
Contingency	36,300	-	
Total	36,300	-	36,300
Total expenditures	12,549,444	10,006,699	2,542,745
Revenues over (under) expenditures	(3,243,803)	500,556	3,744,359
<b>Other financing sources (uses):</b>			
Subscription-based information technology arrangements	-	24,297	24,297
Transfers from other funds	3,207,503	2,084,952	(1,122,551)
Total	3,207,503	2,109,249	(1,098,254)
Fund balance appropriated	3,243,803	-	(3,243,803)
Net change in fund balance	\$ -	2,609,805	\$ (597,698)
Fund balances, beginning		10,686,174	
Fund balances, ending		\$ 13,295,979	

**Town of Stallings  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2023**

**Schedule 2**

	<b>Stallings Municipal Park Capital Project Fund</b>	<b>Potter/Pleasant Plains Intersection Improvement Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Current assets:			
Due from other funds	\$ -	\$ 1,157,900	\$ 1,157,900
Total assets	\$ -	\$ 1,157,900	\$ 1,157,900
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund balance:			
Unassigned	-	1,157,900	1,157,900
Total liabilities and fund balances	\$ -	\$ 1,157,900	\$ 1,157,900

**Town of Stallings** **Schedule 3**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2023**

	<b>Stallings Municipal Park Capital Project Fund</b>	<b>Potter/Pleasant Plains Intersection Improvement Capital Project Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>			
Contributions	\$ -	\$ 274,006	\$ 274,006
Investment earnings	-	-	-
Total revenues	<u>-</u>	<u>274,006</u>	<u>274,006</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Transportation	-	3,430	3,430
Cultural and recreational	-	-	-
Total expenditures	<u>-</u>	<u>3,430</u>	<u>3,430</u>
Revenue over (under) expenditures	-	270,576	270,576
Other financing sources:			
Transfer from General Fund	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>270,576</u>	<u>(3,430)</u>
Fund balance, beginning	-	887,324	887,324
Fund balance, ending	<u>\$ -</u>	<u>\$ 1,157,900</u>	<u>\$ 883,894</u>

**Town of Stallings**  
**Stallings Municipal Park Capital Project Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2023**

**Schedule 4**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Contributions	\$ -	\$ 3,750	\$ -	\$ 3,750	\$ 3,750
Restricted intergovernmental	138,000	-	-	-	(138,000)
Total Revenues	<u>138,000</u>	<u>3,750</u>	<u>-</u>	<u>3,750</u>	<u>(134,250)</u>
Expenditures:					
Cultural and recreation	3,163,336	3,003,691	-	3,003,691	159,645
Total Expenditures	<u>3,163,336</u>	<u>3,003,691</u>	<u>-</u>	<u>3,003,691</u>	<u>159,645</u>
Revenues over (under) expenditures	<u>(3,025,336)</u>	<u>(2,999,941)</u>	<u>-</u>	<u>(2,999,941)</u>	<u>25,395</u>
Other financing sources:					
Transfer from General Fund	3,025,336	2,999,941	-	2,999,941	(25,395)
Total other financing sources	<u>3,025,336</u>	<u>2,999,941</u>	<u>-</u>	<u>2,999,941</u>	<u>(25,395)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Total fund balance:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

**Town of Stallings**  
**Potter/Pleasant Plains Intersection Improvement – Capital Project Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2023**

**Schedule 5**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
NC DOT Spot Safety Grant	\$ 1,061,006	\$ 1,215,505	\$ 232,006	\$ 1,447,511	\$ 386,505
Union County	342,000	-	42,000	42,000	(300,000)
Total Revenues	<u>1,403,006</u>	<u>1,215,505</u>	<u>274,006</u>	<u>1,489,511</u>	<u>86,505</u>
<b>Expenditures:</b>					
Transportation	3,729,728	2,069,229	3,430	2,072,659	1,657,069
Total Expenditures	<u>3,729,728</u>	<u>2,069,229</u>	<u>3,430</u>	<u>2,072,659</u>	<u>1,657,069</u>
Revenues over (under) expenditures	<u>(2,326,722)</u>	<u>(853,724)</u>	<u>270,576</u>	<u>(625,148)</u>	<u>1,743,574</u>
<b>Other financing sources:</b>					
Transfer from General Fund	2,326,722	1,741,048	-	1,741,048	(585,674)
Total other financing sources	<u>2,326,722</u>	<u>1,741,048</u>	<u>-</u>	<u>1,741,048</u>	<u>(585,674)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 887,324</u>	270,576	<u>\$ 1,157,900</u>	<u>\$ 1,157,900</u>
<b>Total fund balance:</b>					
Beginning of year, July 1			887,324		
End of year, June 30			<u>\$ 1,157,900</u>		

**Town of Stallings**  
**American Rescue Plan Act (ARPA) Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2023**

**Schedule 6**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
CSLRF funds	\$ 5,145,370	\$ 5,145,370	\$ -	\$ 5,145,370	\$ -
Investment revenues	-	2,070	156,519	158,589	158,589
Total Revenues	<u>5,145,370</u>	<u>5,147,440</u>	<u>156,519</u>	<u>5,303,959</u>	<u>158,589</u>
Expenditures:					
Public Safety					
Salaries	5,145,370	-	-	-	5,145,370
Total Expenditures	<u>5,145,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,145,370</u>
Revenues over (under) expenditures	<u>-</u>	<u>5,147,440</u>	<u>156,519</u>	<u>5,303,959</u>	<u>5,303,959</u>
Other financing sources:					
Transfer to General Fund	-	-	(2,084,952)	(2,084,952)	(2,084,952)
Total other financing sources	<u>-</u>	<u>-</u>	<u>(2,084,952)</u>	<u>(2,084,952)</u>	<u>(2,084,952)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 5,147,440</u>	<u>(1,928,433)</u>	<u>\$ 3,219,007</u>	<u>\$ 3,219,007</u>
Total fund balance:					
Beginning of year, July 1			5,147,440		
End of year, June 30			<u>\$ 3,219,007</u>		

**Town of Stallings**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP) – Storm Water Fund**  
**For the Fiscal Year Ended June 30, 2023**

**Schedule 7**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Residential and commercial fees		\$ 484,847	
Investment earnings		26,270	
Total revenues	780,100	511,117	\$ (268,983)
Expenditures:			
Salaries and employee benefits		69,023	
Professional fees		48,420	
Other operating expenditures		426,518	
Capital Outlay		70,655	
Contingency		-	
Total expenditures	780,100	614,616	165,484
Revenues over (under) expenditures	-	(103,499)	(103,499)
Other financing sources (uses):			
Transfer to other fund:			
Fund balance appropriated	-	-	-
General Fund	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures and other uses	\$ -	(103,499)	\$ (103,499)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		70,655	
Depreciation		(23,587)	
Capital contributions		-	
Decrease in deferred outflows of resources - pensions		14,668	
Increase in net pension liability		(32,113)	
Decrease in deferred inflows of resources - pensions		9,954	
Increase in accrued vacation pay		(783)	
Change in net position		\$ (64,705)	

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## **Other Schedules**

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**Town of Stallings**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2023**

**Schedule 8**

<u>Fiscal Year</u>	<u>Uncollected Balance 6/30/2022</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance 6/30/2023</u>
2022-2023	\$ -	\$ 4,900,377	\$ 4,894,025	\$ 6,352
2021-2022	3,699	-	2,144	1,555
2020-2021	3,963	-	1,914	2,049
2019-2020	2,850	-	2,456	394
2018-2019	271	-	68	203
2017-2018	115	-	-	115
2016-2017	339	-	-	339
2015-2016	108	-	-	108
2014-2015	2,797	-	-	2,797
2013-2014	2,564	-	-	2,564
2012-2013	1,098	-	1,098	-
	<u>\$ 17,804</u>	<u>\$ 4,900,377</u>	<u>\$ 4,901,705</u>	<u>\$ 16,476</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 4,934,680
Amounts written off per Statute of Limitations	1,098
Interest and penalties collected	(35,531)
Refunds and adjustments	<u>1,458</u>
Total collections and credits	<u>\$ 4,901,705</u>

**Town of Stallings  
Analysis of Current Tax Levy  
Town-Wide Levy  
June 30, 2023**

**Schedule 9**

	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	\$ 2,429,725,641	\$ 0.186	\$ 4,471,507	\$ 4,471,507	\$ -
Registered motor vehicles	<u>235,350,153</u>	0.186	<u>438,333</u>	<u>-</u>	<u>438,333</u>
Total	<u>2,665,075,794</u>		<u>4,909,840</u>	<u>4,471,507</u>	<u>438,333</u>
Discoveries	1,249,806	0.186	2,325	2,325	-
Releases	<u>(6,337,828)</u>	0.186	<u>(11,788)</u>	<u>(11,788)</u>	<u>-</u>
Total property valuation	<u><u>\$ 2,659,987,772</u></u>				
Net levy			<u>4,900,377</u>	<u>4,462,044</u>	<u>438,333</u>
Uncollected taxes at June 30, 2023			<u>(6,352)</u>	<u>(5,275)</u>	<u>(1,077)</u>
Current year's taxes collected			<u><u>\$ 4,894,025</u></u>	<u><u>\$ 4,456,769</u></u>	<u><u>\$ 437,256</u></u>
Current levy collection percentage			<u><u>99.87%</u></u>	<u><u>99.88%</u></u>	<u><u>99.75%</u></u>

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## **Compliance Section**

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**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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stallings, North Carolina, as of and for the year ended June 30, 2023, 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 January 26, 2024.

**Report on 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) as a basis for designing 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 of Stallings' 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, however, as described in the accompanying schedule of findings and questioned costs we identified a deficiency as item 2023-001 that we consider to be a material weakness.

**Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Town of Stallings' Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town of Stallings' responses to the findings identified in our audit that are described in the accompanying schedule of findings and questioned costs. 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***Potter & Company, P.A.***

Monroe, North Carolina  
January 26, 2024



**Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; With OMB Uniform Guidance; And The State Single Audit Implementation Act**

**Independent Auditors' Report**

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

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited the Town of Stallings, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town of Stallings' major federal programs for the year ended June 30, 2023. The Town of Stallings' major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Stallings complied, in all material respects, with the types compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Stallings and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Stallings' compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Stallings' federal programs.

## **Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Stallings' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Stallings' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Stallings' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Town of Stallings' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Stallings' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

***Potter & Company, P.A.***

Monroe, North Carolina  
January 26, 2024



**Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; With OMB Uniform Guidance; And The State Single Audit Implementation Act**

**Independent Auditors' Report**

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

**Report on Compliance for Each Major State Program**

**Opinion on Each Major State Program**

We have audited the Town of Stallings, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town of Stallings' major State programs for the year ended June 30, 2023. The Town of Stallings' major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Stallings complied, in all material respects, with the types compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2023.

**Basis for Opinion on Each Major State Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Stallings and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Town of Stallings' compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Stallings State programs.

## **Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Stallings' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Stallings' compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Stallings' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Town of Stallings' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Stallings' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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

compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 that we consider to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town of Stallings' response to internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Town of Stallings' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Town of Stallings is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Town of Stallings' corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

***Potter & Company, P.A.***

Monroe, North Carolina  
January 26, 2024

**TOWN OF STALLINGS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Section I. Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?   X   Yes        No
- Significant deficiency(ies)?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses.        Yes   X   No

Noncompliance material to federal awards.        Yes   X   No

Type of auditors' report issued on compliance for major federal programs: Unmodified, for all federal programs

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        Yes   X   No

Identification of major federal programs:

<u>Assistance Listing No.</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:   \$750,000  

Auditee qualified as low-risk auditee?   X   Yes        No

**TOWN OF STALLINGS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

State Awards

Internal control over major State Programs:

- Material weakness(es) identified?                           Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses.                      X   Yes           No

Noncompliance material to State awards.                           Yes      X   No

Type of auditors' report issued on compliance for major State programs:    Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act.                           Yes      X   No

Identification of major State programs:

Program Name

Powell Bill

**TOWN OF STALLINGS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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**Section II. Financial Statement Findings**

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**Finding 2023-001 - Untimely Reconciliation of Records and Reporting**

**MATERIAL WEAKNESS**

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting.

**Condition:** In reviewing records and testing certain account balances, we noted that several accounts were not reconciled/adjusted timely, including cash, receivables, payables, and other balance sheet accounts.

**Effect:** The Town's management and other users of the financial statements do not have accurate and timely information for decision making and monitoring of the Town's financial position and adherence to laws, regulations and other requirements. Errors in financial reporting could occur and not be detected, and fraud risks increase with delays in reconciliation of key accounts.

**Cause:** The availability of adequate personnel in the finance department caused delays in reconciling account information, preparing for the annual audit and preparation of the financial statements.

**Recommendation:** The Town should evaluate the allocation of time dedicated to financial reporting to ensure adequate resources are available for timely account reconciliations, year-end close and annual financial reporting purposes. Management should consult with outside accountants or auditors if additional assistance is required in order to prepare for the annual audit, determine appropriate accounting for complex transactions, or prepare financial statements.

**Views of Responsible Officials and Corrective Action Plan:** The Town agrees with this finding. Please refer to the corrective action plan to follow.

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**Section III. Federal Award Findings and Questioned Costs**

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None reported.

**TOWN OF STALLINGS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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**Section IV. State Award Findings and Questioned Costs**

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**Finding 2023-002 - Powell Bill Allowable Costs/Cost Principles**

**SIGNIFICANT DEFICIENCY**

**Criteria:** Powell Bill funds should only be used on qualifying expenditures.

**Condition:** In reviewing records and testing certain Powell Bill balances, we noted a street was incorrectly repaired using Powell Bill funds.

**Questioned Costs:** \$3,121. This amount was spent for a repair on a non-qualified road.

**Effect:** The Town was not in compliance with the Allowable Costs/Cost Principles requirements of the grant. However, the Town had additional costs incurred that were eligible under the Powell Bill that were not included on the Powell Bill report. These excluded costs in addition to an over allocation of investment earnings brings the net change on the report to \$34,607.

**Cause:** Controls were not in place to ensure that funds were spent on qualifying expenditures.

**Recommendation:** Management should implement controls to ensure that funds are used on qualifying expenditures.

**Views of Responsible Officials and Corrective Action Plan:** The Town agrees with this finding. Please refer to the corrective action plan to follow.



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Town of  
**Stallings**

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315 Stallings Road • Stallings, North Carolina 28104

**TOWN OF STALLINGS  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2023**

**Material Weakness**

**Finding: 2023-001**

**Name of contact person:** Marsha Gross, Interim Finance Officer

**Corrective Action:** The Town will implement a change in the internal control processes to include timely reconciliations of balance sheet accounts that will be reviewed by the Town Manager on a quarterly basis. Internal control procedures included monthly cash reconciliations that were not completed timely during FY2023, which resulted in staff changes. The new internal control processes will ensure these reconciliations are completed in a timely manner.

**Proposed Completion Date:** February 1, 2024

**Significant Deficiency**

**Finding: 2023-002**

**Name of Contact Person:** Marsha Gross, Interim Finance Officer

**Corrective Action:** The Town will implement an additional level of approval by the Town Manager to ensure that Powell Bill funds are used in accordance with the Allowable Costs/Cost Principals requirements of the grant. The Town will also implement an internal control process to include a review of the Powell Bill charges each month to ensure that they are appropriately charged.

**Proposed Completion Date:** February 1, 2024

**TOWN OF STALLINGS  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023**

None

**TOWN OF STALLINGS, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2023**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct and Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>U.S. Department of Treasury</u> American Rescue Plan Act of 2021			2,084,952	\$ -	\$ -
<u>U.S. Department of Justice</u> Passed-through the NC Department of Public Safety Edward Byrne Memorial Justice Assistance Grant	16.738	15PBJA-21-GG-00278-JAGX	\$ 8,400	\$ -	\$ 1,040
Total Assistance - Federal Programs			<u>2,093,352</u>	<u>-</u>	<u>1,040</u>
<b>State Grants:</b>					
<u>NC Department of Transportation</u> Powell Bill Total NC Department of Transportation			<u>-</u>	<u>702,442</u>	<u>-</u>
<u>NC Department of Commerce</u> NC Rural Economic Development Grant Total NC Department of Commerce		2022-078-1257-1913	<u>-</u>	<u>50,000</u>	<u>24,400</u>
<u>NC Office of State Budget and Management</u> State Capital and Infrastructure Fund Total NC Office of State Budget and Management		11561	<u>-</u>	<u>-</u>	<u>-</u>
Total Assistance - State Programs			<u>-</u>	<u>752,442</u>	<u>24,400</u>
Total Federal and State awards			<u>\$ 2,093,352</u>	<u>\$ 752,442</u>	<u>\$ 25,440</u>

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

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Stallings under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Stallings, it is not intended to and does not present the financial position, changes in net position of cash flows of The Town of Stallings.

Note 2. Summary of Significant Accounting Policies

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

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