

TOWN OF STALLINGS
North Carolina

Financial Statements

June 30, 2012

Town Council Members

Lynda Paxton, Mayor
Reed Esarove, Mayor Pro Tempore
Wyatt Dunn
Paul Frost
Shawna Steele
Harry Stokes
Fred Weber

Administrative and Financial Staff

Brian Matthews, Town Manager
Kirk Medlin, Finance Officer
Debbie Wagenhauser, Revenue Collector
Karen Williams, Accounts Payable

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June 30, 2012

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Financial Section

TINSLEY & TERRY, CPAs, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of the Town of Stallings, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Stallings' management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities and each major fund of the Town of Stallings, North Carolina as of June 30, 2012, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2012 on our consideration of the Town of Stallings' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Stallings, North Carolina. The combining and individual fund financial statements, budgetary schedules and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 combining and individual fund financial statements, budgetary schedules, and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Tinsley + Terry, CPAs, P.A.

Cornelius, North Carolina

October 29, 2012

Management's Discussion and Analysis

TOWN OF STALLINGS
Management's Discussion and Analysis
For The Year Ended June 30, 2012

As management of the Town of Stallings, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Stallings for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets of the Town of Stallings exceeded its liabilities at the close of the year by \$28,968,861 (net assets).
- The government's total net assets decreased by \$1,152,796 due to construction related to the improvements of Stallings Park and the payoff of the Town Hall loan.
- As of the close of the current fiscal year, the Town of Stallings' governmental funds reported an ending fund balance of \$5,683,748, a decrease of \$1,593,250 in comparison to the prior year. Approximately \$4,649,187 (81.80%) of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,649,187 (91.94%) of total general fund expenditures for the fiscal year.
- The Town of Stallings' total debt decreased by \$801,396 during the current fiscal year.

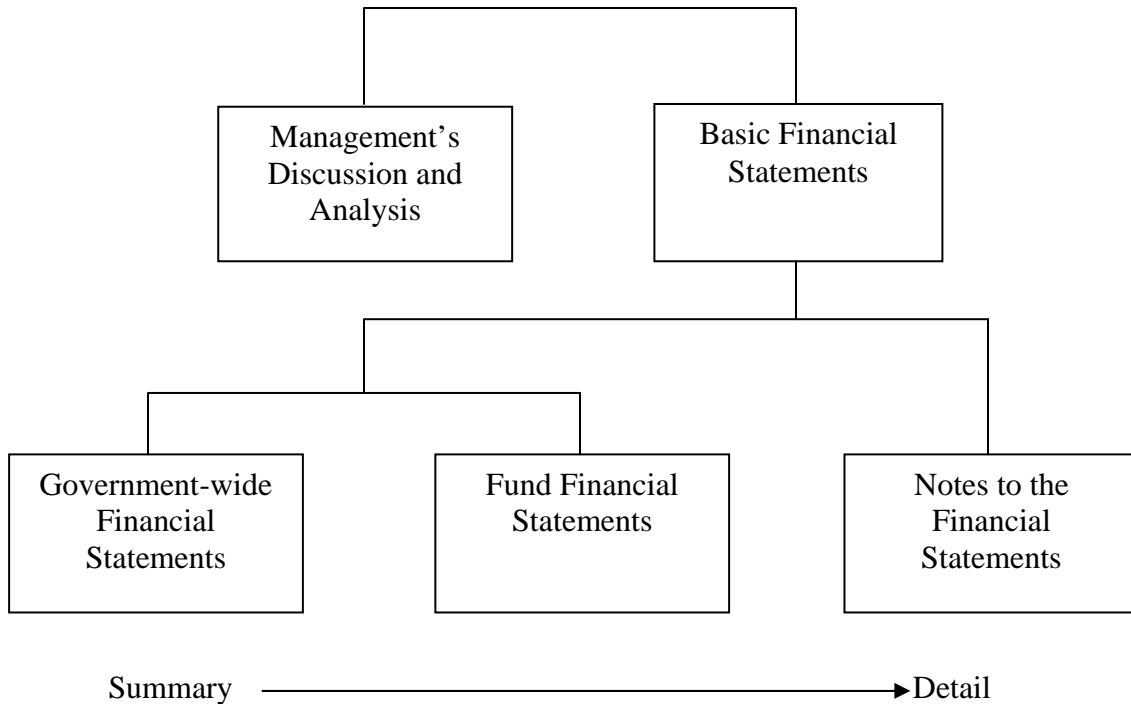
Overview of the Financial Statements

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

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2012

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 10 & 11) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the Town's financial status.

The next statements (pages 12-19) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements.

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

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2012

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

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

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Stallings, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes of the Town's budget ordinance. All of the funds of the Town of Stallings can be divided into two categories: governmental 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 next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between the government activities (reported on in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the financial statements.

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2012

Governmental Funds (continued)

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

Proprietary Funds

The Town of Stallings has one kind of proprietary fund: the Enterprise Fund. The Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Stallings uses an enterprise fund to account for its storm water tax. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Stallings' progress in funding its obligation to provide pension benefits to its employees. This supplementary information can be found beginning on page 39 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 modification to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2012

Government-wide Financial Analysis

	Town of Stallings' Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 6,098,631	\$ 7,680,985	\$ 324,191	\$ 299,734	\$ 6,422,822	\$ 7,980,719
Capital assets	<u>23,163,663</u>	<u>23,552,122</u>	<u>-</u>	<u>-</u>	<u>23,163,663</u>	<u>23,552,122</u>
Total assets	<u>29,262,294</u>	<u>31,233,107</u>	<u>324,191</u>	<u>299,734</u>	<u>29,586,485</u>	<u>31,532,841</u>
Long-term liabilities	279,750	1,081,146	-	-	279,750	1,081,146
Other liabilities	<u>335,874</u>	<u>330,038</u>	<u>2,000</u>	<u>-</u>	<u>337,874</u>	<u>330,038</u>
Total liabilities	<u>615,624</u>	<u>1,411,184</u>	<u>2,000</u>	<u>-</u>	<u>617,624</u>	<u>1,411,184</u>
Net assets:						
Invested in capital assets, net of related debt	23,143,705	22,711,108	-	-	23,143,705	22,711,108
Restricted	544,028	560,270	-	-	544,028	560,270
Unrestricted	<u>4,958,937</u>	<u>6,550,545</u>	<u>322,191</u>	<u>299,734</u>	<u>5,281,128</u>	<u>6,850,279</u>
Total net assets	<u>\$ 28,646,670</u>	<u>\$ 29,821,923</u>	<u>\$ 322,191</u>	<u>\$ 299,734</u>	<u>\$ 28,968,861</u>	<u>\$ 30,121,657</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Stallings exceeded liabilities by \$28,968,861 as of June 30, 2012. The Town's net assets decreased by \$1,152,796 for the fiscal year ended June 30, 2012. However, the largest portion (79.90%) reflects the Town's investment in capital assets (e.g. streets, buildings and related equipment). The Town of Stallings uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional \$544,028 (1.88%) of the Town's net assets represents the resources that are subject to external restrictions and how they may be used. The remaining balance of \$5,281,128 is unrestricted.

Several particular aspects of the Town's financial operations influence the total restricted and unrestricted governmental net assets:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.72%, which is comparable to the statewide average of 98.33%.

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2012

	Town of Stallings' Changes in Net Assets					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 29,072	\$ 19,263	\$ 235,087	\$ 227,489	\$ 264,159	\$ 246,752
Operating grants and contributions	357,034	297,395	-	-	357,034	297,395
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	3,504,671	3,452,532	-	-	3,504,671	3,452,532
Other taxes	1,609,637	1,512,423	-	-	1,609,637	1,512,423
Grants and contributions not restricted to specific programs	-	13,298,648	-	-	-	13,298,648
Other	(1,256)	96,241	197	215	(1,059)	96,456
Total revenues	<u>5,499,158</u>	<u>18,676,502</u>	<u>235,284</u>	<u>227,704</u>	<u>5,734,442</u>	<u>18,904,206</u>
Expenses:						
General government	934,876	923,909	-	-	934,876	923,909
Economic and physical development	225,086	253,791	-	-	225,086	253,791
Public safety	1,787,983	1,791,967	-	-	1,787,983	1,791,967
Transportation	2,774,386	2,317,123	-	-	2,774,386	2,317,123
Environmental protection	808,458	1,010,447	-	-	808,458	1,010,447
Cultural and recreation	120,499	138,438	-	-	120,499	138,438
Interest on long-term debt	23,123	36,066	-	-	23,123	36,066
Storm water	-	-	212,827	81,008	212,827	81,008
Total expenses	<u>6,674,411</u>	<u>6,471,741</u>	<u>212,827</u>	<u>81,008</u>	<u>6,887,238</u>	<u>6,552,749</u>
Change in net assets	(1,175,253)	12,204,761	22,457	146,696	(1,152,796)	12,351,457
Net assets, beginning of year	<u>29,821,923</u>	<u>17,617,162</u>	<u>299,734</u>	<u>153,038</u>	<u>30,121,657</u>	<u>17,770,200</u>
Net assets, end of year	<u>\$ 28,646,670</u>	<u>\$29,821,923</u>	<u>\$ 322,191</u>	<u>\$ 299,734</u>	<u>\$ 28,968,861</u>	<u>\$30,121,657</u>

Governmental activities decreased the Town's net assets by \$1,175,253.
Business-type activities increased the Town's net assets by \$22,457.

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.

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2012

Governmental Funds

The focus of the Town of Stallings' governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Stallings' financing requirements.

The general fund is the chief operating fund of the Town of Stallings. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,649,187, while total fund balance reached \$5,849,655. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 91.94% of total General Fund expenditures, while total fund balance represents 115.68% percent of the same amount.

General Fund Budgetary Highlights

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

Revenues were more than the budgeted amounts primarily because the Town did not expect to receive some of the unrestricted intergovernmental funds that became available. An additional transfer was made to the Capital Projects Fund to pay for Phase 2 of the park renovation project.

Proprietary Fund Budgetary Highlights

The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Storm Water Fund at the end of the fiscal year amounted to \$322,191. The total change in net assets was an increase of \$22,457. The change in net assets is a result of lower than expected expenses in repairs and maintenance.

Capital Assets

The Town of Stallings' investments in capital assets for its governmental activities as of June 30, 2012, totals \$23,163,663 (net of accumulated depreciation). These assets include buildings, streets, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following:

- Construction in progress of \$2,163,157.
- Purchases of public safety vehicles and equipment of \$46,657.

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2012

Capital Assets (continued)

	Town of Stallings Capital Assets (Net of Depreciation)	
	Governmental Activities	Governmental Activities
	<u>2012</u>	<u>2011</u>
Infrastructure	\$ 18,433,425	\$ 20,811,165
Construction in Progress	2,353,877	190,720
Buildings and improvements	1,307,105	1,372,947
Land	791,343	791,343
Vehicles	157,905	198,759
Land Improvement	68,235	106,893
Equipment	28,579	35,410
Computer Software	23,194	44,886
Total	<u>\$ 23,163,663</u>	<u>\$ 23,552,122</u>

Additional information on the Town's capital assets can be found in notes to the financial statements on page 29 of the Basic Financial Statements.

Town of Stallings' Outstanding Debt

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Net pension obligation	\$ 144,573	\$ 143,367
Compensated absences	115,218	96,765
Capital leases	19,959	66,614
Installment purchases	-	774,400
Total	<u>\$ 279,750</u>	<u>\$ 1,081,146</u>

The Town of Stallings' total debt decreased by \$801,396 during the past fiscal year, primarily due to the payoff of the installment agreement for the new Town Hall. Capital leases decreased due to retirement of debt for public safety vehicles.

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 margin for the Town of Stallings is \$130,108,949.

Additional information regarding the Town of Stallings' long-term debt can be found in the Notes to the Financial Statements page 36.

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2012

Economic Factors and Next Year's Budgets and Rates

- The Town tax rate remained at \$0.215 per \$100. Grants, contributions and gains in sales tax revenue, franchise taxes and additional property taxes from new development have allowed the Town to hold the tax rate constant.
- Actual revenues exceeded estimated revenues due to gains in sales tax revenue, franchise taxes, and increased property taxes from new developments.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities: Property tax rates are unchanged, but increased revenues from unrestricted intergovernmental funds are expected to increase budgeted revenue by 3.7%. The Town will use these increases in revenues to fund programs already in place.

Business-type Activities: The storm water rates are unchanged, but operating expenses are expected to exceed revenues by \$200,000 due to increased compliance requirements from Federal storm water programs.

Request for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Kirk Medlin, Finance Officer for the Town of Stallings, 315 Stallings Road, Stallings, NC 28104-5061. You can also call 704-821-0311, visit our website at www.stallingsnc.org, or send an email to kmedlin@admin.stallingsnc.org for more information.

Basic Financial Statements

TOWN OF STALLINGS
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Unrestricted cash and cash equivalents	\$ 5,430,649	\$ 322,561	\$ 5,753,210
Restricted cash and cash equivalents	356,287	-	356,287
Taxes receivable	79,009	-	79,009
Accounts receivable	-	1,506	1,506
Due from other governments	191,833	-	191,833
Note Receivable - Porter Ridge	23,229	-	23,229
Prepaid expenditures	17,624	103	17,727
Due from General Fund	-	21	21
Total current assets	<u>6,098,631</u>	<u>324,191</u>	<u>6,422,822</u>
Capital assets:			
Land	791,343	-	791,343
Construction in progress	2,353,877	-	2,353,877
Other capital assets, net of depreciation	20,018,443	-	20,018,443
Total capital assets	<u>23,163,663</u>	<u>-</u>	<u>23,163,663</u>
Total assets	<u>\$ 29,262,294</u>	<u>\$ 324,191</u>	<u>\$ 29,586,485</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 288,100	\$ 2,000	\$ 290,100
Deposits in escrow	7,959	-	7,959
Unearned revenues	39,794	-	39,794
Due to other funds	21	-	21
Long-term liabilities:			
Due within one year	152,177	-	152,177
Due in more than one year	127,573	-	127,573
Total liabilities	<u>615,624</u>	<u>2,000</u>	<u>617,624</u>
NET ASSETS			
Invested in capital assets, net of related debt	23,143,705	-	23,143,705
Restricted for:			
Stabilization by State Statutes	195,700	-	195,700
Streets	348,328	-	348,328
Unrestricted	4,958,937	322,191	5,281,128
Total net assets	<u>\$ 28,646,670</u>	<u>\$ 322,191</u>	<u>\$ 28,968,861</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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 934,876	\$ -	\$ -	\$ -	\$ (934,876)	\$ -	\$ (934,876)
Public safety	1,787,983	6,561	973	-	(1,780,449)	-	(1,780,449)
Transportation	2,774,386	-	347,052	-	(2,427,334)	-	(2,427,334)
Environmental protection	808,458	-	9,009	-	(799,449)	-	(799,449)
Economic and physical development	225,086	21,508	-	-	(203,578)	-	(203,578)
Cultural and recreational	120,499	1,003	-	-	(119,496)	-	(119,496)
Interest on long-term debt	23,123	-	-	-	(23,123)	-	(23,123)
Total governmental activities	<u>6,674,411</u>	<u>29,072</u>	<u>357,034</u>	<u>-</u>	<u>(6,288,305)</u>	<u>-</u>	<u>(6,288,305)</u>
Business-type activities:							
Storm water	<u>212,827</u>	<u>235,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,260</u>	<u>22,260</u>
Total business-type activities	<u>212,827</u>	<u>235,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,260</u>	<u>22,260</u>
Total primary government	<u>\$ 6,887,238</u>	<u>\$ 264,159</u>	<u>\$ 357,034</u>	<u>\$ -</u>	<u>\$ (6,288,305)</u>	<u>\$ 22,260</u>	<u>\$ (6,266,045)</u>

General revenues:

Taxes:

Property taxes, levied for general purpose	3,504,671	-	3,504,671
Other taxes and licenses	1,609,637	-	1,609,637
Grants and Contributions not restricted to specific programs	-	-	-
Unrestricted investment earnings	13,072	197	13,269
Restricted investment earnings	1,611	-	1,611
Loss on disposal of assets	(27,975)	-	(27,975)
Miscellaneous	12,036	-	12,036
Total general revenues and transfers	<u>5,113,052</u>	<u>197</u>	<u>5,113,249</u>
Change in net assets	(1,175,253)	22,457	(1,152,796)
Net assets, beginning	29,821,923	299,734	30,121,657
Net assets, ending	<u>\$ 28,646,670</u>	<u>\$ 322,191</u>	<u>\$ 28,968,861</u>

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

TOWN OF STALLINGS
Balance Sheet
Governmental Funds
June 30, 2012

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Stallings Park Capital Project</u>	
ASSETS			
Unrestricted cash and cash equivalents	\$ 5,430,649	\$ -	\$ 5,430,649
Restricted cash and cash equivalents	356,287	-	356,287
Receivables, net:			-
Taxes	79,009	-	79,009
Due from other governments	164,363	27,470	191,833
Note Receivable - Porter Ridge	23,229	-	23,229
Due from other funds	8,107	-	8,107
Prepaid expenses	17,624	-	17,624
Total assets	<u>\$ 6,079,268</u>	<u>\$ 27,470</u>	<u>\$ 6,106,738</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 102,830	\$ 185,270	\$ 288,100
Deposits in escrow	7,959	-	7,959
Unearned revenue	39,794	-	39,794
Deferred revenue	79,009	-	79,009
Due to other funds	21	8,107	8,128
Total liabilities	<u>229,613</u>	<u>193,377</u>	<u>422,990</u>
Fund balances:			
Non Spendable:			
Prepaid Expenses	17,624	-	17,624
Restricted:			
Stabilization by State Statute	195,700	-	195,700
Streets - Powell Bill	348,328	-	348,328
Committed:			
Law Enforcement Separation Allowance	144,573	-	144,573
Capital Projects Fund	-	(165,907)	(165,907)
Assigned:			
Subsequent year's expenditures	494,243	-	494,243
Unassigned	4,649,187	-	4,649,187
Total fund balances	<u>5,849,655</u>	<u>(165,907)</u>	<u>\$ 5,683,748</u>
Total liabilities and fund balances	<u>\$ 6,079,268</u>	<u>\$ 27,470</u>	

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

TOWN OF STALLINGS
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2012

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

Total fund balance - Governmental Funds		\$ 5,683,748
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	30,147,597	
Accumulated depreciation	<u>(6,983,934)</u>	23,163,663
Some liabilities, including debt and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
		(279,750)
Liabilities for earned but deferred revenues in fund statements		
		<u>79,009</u>
Net assets of governmental funds		<u><u>\$ 28,646,670</u></u>

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

TOWN OF STALLINGS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2012

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Stallings Park Capital Project</u>	
REVENUES			
Ad valorem taxes	\$ 3,499,611	\$ -	\$ 3,499,611
Other taxes and licenses	892,407	-	892,407
Unrestricted intergovernmental	717,230	-	717,230
Restricted intergovernmental	357,034	-	357,034
Permits and fees	28,069	-	28,069
Investment earnings	14,683	-	14,683
Miscellaneous	35,563	-	35,563
Total revenues	<u>5,544,597</u>	<u>-</u>	<u>5,544,597</u>
EXPENDITURES			
Current:			
General government	849,474	-	849,474
Public safety	1,826,922	-	1,826,922
Transportation	396,646	-	396,646
Environmental protection	808,458	-	808,458
Economic and physical development	225,086	-	225,086
Cultural and recreational	106,050	2,081,033	2,187,083
Debt service:			
Principal	821,055	-	821,055
Interest	23,123	-	23,123
Total expenditures	<u>5,056,814</u>	<u>2,081,033</u>	<u>7,137,847</u>
Excess (deficiency) of revenues over expenditures	<u>487,783</u>	<u>(2,081,033)</u>	<u>(1,593,250)</u>
OTHER FINANCING SOURCES (USES)			
Transfer to/from other funds	<u>(605,845)</u>	<u>605,845</u>	<u>-</u>
Total other financing sources (uses)	<u>(605,845)</u>	<u>605,845</u>	<u>-</u>
Net change in fund balance	(118,062)	(1,475,188)	(1,593,250)
Fund balances, beginning	5,967,717	1,309,281	7,276,998
Fund balances, ending	<u>\$ 5,849,655</u>	<u>\$ (165,907)</u>	<u>\$ 5,683,748</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 Balance
to Statement of Activities
For the Year Ended June 30, 2012

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

Net changes in fund balances - total governmental funds \$ (1,593,250)

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

Capital outlay expenditures which were capitalized	2,209,814	
Asset impairment loss	(50,499)	
Depreciation expense for governmental assets	<u>(2,547,774)</u>	(388,459)

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

Change in deferred revenue for tax revenues	<u>5,060</u>	5,060
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	<u>821,055</u>	821,055
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		(18,453)
Net pension obligation		<u>(1,206)</u>

Total changes in net assets of governmental activities		<u><u>\$ (1,175,253)</u></u>
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TOWN OF STALLINGS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Annual Budget and Actual - General Fund
For the Year Ended June 30, 2012

	General Fund			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 3,419,765	\$ 3,419,765	\$ 3,499,611	\$ 79,846
Other taxes and licenses	756,312	756,312	892,407	136,095
Unrestricted intergovernmental	592,000	676,000	717,230	41,230
Restricted intergovernmental	323,000	323,000	357,034	34,034
Permits and fees	7,500	7,500	28,069	20,569
Investment earnings	12,000	12,000	14,683	2,683
Miscellaneous	1,000	1,000	35,563	34,563
Total revenues	5,111,577	5,195,577	5,544,597	349,020
Expenditures:				
Current:				
General government	877,177	882,177	849,474	32,703
Public safety	1,779,126	1,849,126	1,826,922	22,204
Transportation	1,048,030	1,048,030	396,646	651,384
Economic and physical development	274,250	274,250	225,086	49,164
Environmental protection	815,000	815,000	808,458	6,542
Cultural and recreational	159,770	159,770	106,050	53,720
Debt service:				
Principal retirement	835,524	844,524	821,055	23,469
Interest and other charges	-	-	23,123	(23,123)
Contingency	25,000	25,000	-	25,000
Total expenditures	5,813,877	5,897,877	5,056,814	841,063
Revenues over (under) expenditures	(702,300)	(702,300)	487,783	1,190,083
Other financing sources (uses):				
Transfer to capital projects fund	-	(605,845)	(605,845)	-
Total other financing sources (uses)	-	(605,845)	(605,845)	-
Appropriated fund balance	702,300	1,308,145	-	(1,308,145)
Net change in fund balance	\$ -	\$ -	(118,062)	\$ (118,062)
Fund balances, beginning			5,967,717	
Fund balances, ending			\$ 5,849,655	

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

TOWN OF STALLINGS
Statement of Net Assets
Proprietary Fund
June 30, 2012

	Major Enterprise Fund	
	Storm Water Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 322,561	\$ 322,561
Accounts receivable	1,506	1,506
Prepaid other	103	103
Due from General Fund	21	21
Total current assets	324,191	324,191
 Total assets	 \$ 324,191	 \$ 324,191
 LIABILITIES		
Current liabilities:		
Accounts payable	\$ 2,000	\$ 2,000
Total current liabilities	2,000	2,000
 Total liabilities	 \$ 2,000	 \$ 2,000
 NET ASSETS		
Unrestricted	322,191	322,191
Total net assets	\$ 322,191	\$ 322,191

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 Assets
Proprietary Fund
For the Year Ended June 30, 2012

	Major Enterprise Fund	
	Storm Water Fund	Total
OPERATING REVENUES		
Storm water fees and interest	\$ 235,087	\$ 235,087
Total operating revenues	235,087	235,087
OPERATING EXPENSES		
Salaries and employee benefits	145	145
Repairs and maintenance	106,885	106,885
Engineering	90,230	90,230
Consulting services	12,258	12,258
Miscellaneous expenses	3,309	3,309
Total operating expenses	212,827	212,827
Operating income	22,260	22,260
NON-OPERATING REVENUES (EXPENSES)		
Investment earnings	197	197
Total non-operating revenue (expenses)	197	197
Change in net assets	22,457	22,457
Total net assets, beginning	299,734	299,734
Total net assets, ending	\$ 322,191	\$ 322,191

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

TOWN OF STALLINGS
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2012

	Major Enterprise Fund	
	Storm Water	
	Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 234,968	\$ 234,968
Cash paid for goods and services	(212,682)	(212,682)
Cash paid to or on behalf of employees for services	(145)	(145)
Net cash provided by operating activities	22,141	22,141
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due to General Fund	2,369	2,369
Total cash flows from non-capital financing activities	2,369	2,369
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	197	197
Net increase in cash and cash equivalents	24,707	24,707
Balances, beginning	297,854	297,854
Balances, ending	\$ 322,561	\$ 322,561
 Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 22,260	\$ 22,260
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(16)	(16)
(Increase) in prepaid other	(103)	(103)
Total adjustments	(119)	(119)
Net cash provided by operating activities	\$ 22,141	\$ 22,141

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

Notes to Financial Statements

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE A – 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.

Reporting Entity

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

Basis of Presentation

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

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

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

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

TOWN OF STALLINGS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

The Town reports the following major governmental funds:

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

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.

The Town reports the following major enterprise funds:

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

Measurement Focus and Basis of Accounting

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

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

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

TOWN OF STALLINGS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are taxed to citizens for storm water services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Union County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Stallings. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after which the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Union County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because they are generally not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of the grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. When program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

TOWN OF STALLINGS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

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 fiscal year-end. Project ordinances are adopted for the Stallings Municipal Park Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the Town Council. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted.

Assets, Liabilities and Fund Equity

Deposits and Investments

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

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

TOWN OF STALLINGS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

Restricted Cash

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 it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2011. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. No allowance for doubtful accounts was required as of June 30, 2012.

Prepaid Items

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of two years. Purchased or constructed assets are recorded at original cost or estimated historical cost. Donated capital assets are listed at their estimated fair value at the date of donation.

TOWN OF STALLINGS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

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

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 assets.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation 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 has been made.

TOWN OF STALLINGS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

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

Net Assets/Fund Balances

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Prepaid Expenses – portion of fund balance that is not an available resource because funds have already been spent on future expenses.

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

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

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

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

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

Capital Projects Fund – portion of fund balance committed to construction of Stallings Town Park.

TOWN OF STALLINGS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets/Fund Balances (continued)

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

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

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

Revenue Spending Policy

The Finance Officer uses 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 unassigned fund balance.

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

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

None

2. Contractual Violations

None

TOWN OF STALLINGS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

3. Deficit in Fund Balance or Net Assets of Individual Funds

As of June 30, 2012, the Capital Project Fund had a fund balance deficit of \$165,907. The Town plans to avoid fund balance deficits in the future by making timely transfers from the General Fund.

B. Excess of Expenditures of Appropriations

None

NOTE C – ASSETS

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding credit risk, 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, 2012, the Town's deposits have a carrying amount of \$4,750,842 and a bank balance of \$4,786,830. Of the bank balance, \$527,500 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2012, the Town's petty cash fund totaled \$600.

TOWN OF STALLINGS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE C – ASSETS (continued)

Investments

At June 30, 2012, the Town had \$1,358,055 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk of its investments.

Note Receivable

In March 2009, the Town entered into an agreement to loan up to \$250,000 to a non-profit corporation for the construction of athletic fields. The agreement calls for eight payments of principal and interest to begin on August 1, 2009. Interest accrues annually at 2%. The outstanding balance on the note receivable at June 30, 2012 was \$23,229.

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2012 was as follows:

	Governmental Activities			
	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 791,343	\$ -	\$ -	\$ 791,343
Construction in progress	<u>190,720</u>	<u>2,163,157</u>	<u>-</u>	<u>2,353,877</u>
Total capital assets not being depreciated	<u>982,063</u>	<u>2,163,157</u>	<u>-</u>	<u>3,145,220</u>
Capital assets being depreciated:				
Building and improvements	1,686,752	-	36,581	1,650,171
Land improvements	236,440	-	59,663	176,777
Equipment	105,717	-	6,241	99,476
Computer software	164,226	-	-	164,226
Vehicles	770,936	46,657	67,582	750,011
Infrastructure	<u>24,161,716</u>	<u>-</u>	<u>-</u>	<u>24,161,716</u>
Total capital assets being depreciated	<u>27,125,787</u>	<u>46,657</u>	<u>170,067</u>	<u>27,002,377</u>
Less accumulated depreciation for:				
Building and improvements	313,805	42,312	13,051	343,066
Land improvements	129,548	11,687	32,693	108,542
Equipment	70,307	6,832	6,242	70,897
Computer software	119,340	21,692	-	141,032
Vehicles	572,177	87,511	67,582	592,106
Infrastructure	<u>3,350,551</u>	<u>2,377,740</u>	<u>-</u>	<u>5,728,291</u>
Total accumulated depreciation	<u>4,555,728</u>	<u>2,547,774</u>	<u>119,568</u>	<u>6,983,934</u>
Total capital assets being depreciated, net	<u>22,570,059</u>			<u>20,018,443</u>
Governmental activities capital assets, net	<u>\$ 23,552,122</u>			<u>\$ 23,163,663</u>

TOWN OF STALLINGS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE C – ASSETS (continued)

Capital Assets (continued)

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

Transportation	\$ 2,377,740
Public Safety	88,636
General Government	66,949
Cultural and Recreation	<u>14,449</u>
Total depreciation expense	<u>\$ 2,547,774</u>

Construction Commitments

The Town has active construction projects as of June 30, 2012. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Stallings Park renovation	\$ 2,271,752	\$ 290,733
Evidence storage building	82,125	58,075
Road construction	-	280,874
	<u>\$ 2,353,877</u>	<u>\$ 629,682</u>

NOTE D – LIABILITIES

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

TOWN OF STALLINGS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE D – LIABILITIES (continued)

Local Governmental Employees’ Retirement System (Continued)

Funding Policy – Plan members are required to contribute six percent (6%) of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.09% and 7.05%, respectively, of annual covered salary. The contribution requirements of members and of the Town of Stallings are established and may be amended by the North Carolina General Assembly. The Town’s contribution to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$108,009, \$97,589, and \$76,088, respectively. The contributions made by the Town equaled the required contributions for each year.

Law Enforcement Officers Special Separation Allowance

Plan Description

The Town of Stallings administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers. The Separation Allowance is equal to 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, 2011, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled but not receiving benefits	0
Active plan members	<u>21</u>
Total	<u><u>22</u></u>

A separate report was not issued for the plan.

TOWN OF STALLINGS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE D – LIABILITIES (continued)

Summary of Significant Accounting Policies

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

Method used to value investments – No funds are set aside to pay benefits and administrative costs. These expenditures are paid as they come due.

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

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumption did not include post-employment benefit increases.

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

Employer annual required contribution	\$ 20,142
Interest on net pension obligation	6,157
Adjustment to annual required contribution	<u>(6,882)</u>
Annual pension cost	19,417
Contributions made	<u>18,211</u>
Increase in net pension obligation	1,206
Net pension obligation, beginning of year	<u>143,367</u>
Net pension obligation, end of year	<u>\$ 144,573</u>

Three Year Trend Information			
For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	28,323	0.00%	102,995
2011	40,008	49.66%	143,367
2012	19,417	45.93%	144,573

TOWN OF STALLINGS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE D – LIABILITIES (continued)

Funded Status and Funding Progress – As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$368,802. The covered payroll (annual payroll of active employees covered by the plan) was \$955,585, and the ratio of the UAAL to the covered payroll was 38.59%.

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

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy – Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012 were \$72,297, which consisted of \$46,895 from the Town and \$25,402 from law enforcement officers. The Town has elected to contribute to the Supplemental Retirement Income Plan for non-law enforcement employees. Contributions for the year ended June 30, 2012 were \$43,342, which consisted of \$20,283 from the Town and \$23,059 from non-law enforcement employees.

TOWN OF STALLINGS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE D – LIABILITIES (continued)

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. All death benefit payments are made to the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town also provides a death benefit through UnitedHealthcare. If an employee dies during active service, the beneficiaries of the employee will receive a lump sum of \$15,000.

NOTE E – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by Wells Fargo. Through these pools, the Town has the following coverage:

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

In addition, the pools cover property up to the total insurance values of the property policy. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property liability in excess of \$500,000 and \$300,000 up to statutory limits for workers’ compensation. The pools are also reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial insurance for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three years. The Town also carries flood insurance through North Carolina League of Municipalities with a coverage amount of \$1,000,000.

In accordance with G.S. 159-29, the Town’s employees that have access to \$100 or more at any given time of the Town’s funds are performance bonded through a commercial surety bond. The Finance Officer and Tax Collector are each individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$5,000.

TOWN OF STALLINGS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE F – DEFERRED REVENUES

Deferred/Unearned Revenues

The balance in deferred/unearned revenues at year-end is composed primarily of the balance of property taxes as levied on July 1, 2011 that had not been received at June 30, 2012. There are also amounts from sales taxes collected by the North Carolina Department of Revenue that have not yet been received at June 30, 2012.

The balance in deferred revenues at year end is composed of the following:

	<u>Unearned Revenue</u>	<u>Deferred Revenue</u>
Ad valorem taxes receivable	\$ -	\$ 79,009
Deposits in escrow	7,959	-
Privilege license	39,794	-
Total	<u>\$ 47,753</u>	<u>\$ 79,009</u>

NOTE G – LONG-TERM OBLIGATIONS

Capital Leasing Agreements

The Town entered into an agreement in July 2010 to lease certain safety vehicles. These lease agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is an analysis of the assets recorded under capital leases at June 30, 2012:

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vehicles	\$ 40,106	\$ 15,559	\$ 24,547

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2013	<u>\$ 14,168</u>
Total minimum lease payments	14,168
Less: Amount representing interest	815
Present value of the minimum lease payments	<u>\$ 13,353</u>

TOWN OF STALLINGS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE G – LONG-TERM OBLIGATIONS (continued)

Capital Leasing Agreements (continued)

The Town entered into an agreement in August 2010 to lease certain safety vehicles. These lease agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is an analysis of the assets recorded under capital leases at June 30, 2012:

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vehicles	\$ 19,841	\$ 7,393	\$ 12,448

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2013	\$ 7,009
Total minimum lease payments	7,009
Less: Amount representing interest	403
Present value of the minimum lease payments	<u>\$ 6,606</u>

Installment Financing

In April of 2004, the Town entered into an installment financing agreement with a financial institution. The obligation was used to finance the construction of a new town hall and police station. The financing obligation required semi-annual principal payments of \$48,400, plus interest of 3.69%, through April of 2019. However, the remaining principal balance was paid off in September 2011, along with \$11,510 of accrued interest.

Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Net pension obligation	\$ 143,367	\$ 1,206	\$ -	\$ 144,573	\$ 17,000
Compensated absences	96,765	115,218	96,765	115,218	115,218
Capitalized leases	66,614	-	46,655	19,959	19,959
Installment purchase	<u>774,400</u>	<u>-</u>	<u>774,400</u>	<u>-</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 1,081,146</u>	<u>\$ 116,424</u>	<u>\$ 917,820</u>	<u>\$ 279,750</u>	<u>\$ 152,177</u>

TOWN OF STALLINGS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE G – LONG-TERM OBLIGATIONS (continued)

Interfund Balance and Activity

Balances due to/from other funds at June 30, 2012 consist of the following:

Due to the Storm Water Fund for the collection of revenue by the Town’s General Fund:

General Fund	\$ <u>21</u>
Total	\$ <u><u>21</u></u>

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

Transfers to/from other funds at June 30, 2012 consist of the following:

From the General Fund to the Capital Projects Fund	\$ 605,845
--	------------

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

NOTE H – 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>\$ 5,849,655</u>
Less:	
Prepaid Expenses	17,624
Law Enforcement Separation Allowance	144,573
Stabilization by State Statute	195,700
Streets - Powell Bill	348,328
Appropriated Fund Balance in 2013 Budget	494,243
Fund Balance Policy	<u>1,769,363</u>
Remaining Fund Balance	<u><u>\$ 2,879,824</u></u>

TOWN OF STALLINGS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE H – FUND BALANCE (Continued)

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

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, 2012, the Town had no encumbrances in the General Fund nor the Capital Project Fund.

NOTE I – 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 is effective for a period of five years, commencing on July 1, 2011 and ending June 30, 2016. The contract may be renewed for two consecutive one-year commitments.

NOTE J – 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.

Claims and Judgments

At June 30, 2012, there was no pending or threatened litigation, claims or assessments involving the Town of Stallings.

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 29, 2012, the date the financial statements were made available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

TOWN OF STALLINGS
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrues Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
12/31/2005	-	\$118,758	\$118,758	0%	\$702,039	16.92%
12/31/2007	-	169,994	169,994	0%	828,542	20.52%
12/31/2008	-	209,562	209,562	0%	890,467	23.53%
12/31/2009	-	326,681	326,681	0%	961,866	33.96%
12/31/2011	-	368,802	368,802	0%	955,585	38.59%

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

TOWN OF STALLINGS
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

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

Notes to the Required Schedules

The annual required contribution for fiscal year ended June 30, 2013 is calculated as of December 31, 2011 using the following information. The information presented in the required supplementary schedules was determined as part actuarial valuation as follows:

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market Value

Actuarial Assumptions:

Investment rate of return	5.00%
Projected salary increases	4.50 – 7.85%
Includes inflation at	3.00%
Cost of living adjustments	N/A

**Individual Fund Statements
And Schedules**

TOWN OF STALLINGS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year		\$ 3,453,475	
Prior year		37,552	
Penalties and interest		8,584	
Total	<u>\$ 3,419,765</u>	<u>3,499,611</u>	<u>\$ 79,846</u>
Other taxes and licenses			
Local option sales tax	698,312	827,475	
Gross receipts - vehicle rental	3,000	9,104	
Business licenses	<u>55,000</u>	<u>55,828</u>	
Total	<u>756,312</u>	<u>892,407</u>	<u>136,095</u>
Unrestricted intergovernmental:			
Franchise tax	604,000	633,088	
Cable franchise tax	20,000	23,826	
Beer and wine tax	<u>52,000</u>	<u>60,316</u>	
Total	<u>676,000</u>	<u>717,230</u>	<u>41,230</u>
Restricted intergovernmental:			
Powell Bill allocation	315,000	347,052	
Solid waste disposal tax	8,000	9,009	
Bulletproof Vest grant	<u>-</u>	<u>973</u>	
Total	<u>323,000</u>	<u>357,034</u>	<u>34,034</u>
Permits and fees:			
Zoning fees	7,500	21,508	
Public safety fees	<u>-</u>	<u>6,561</u>	
Total	<u>7,500</u>	<u>28,069</u>	<u>20,569</u>
Investment earnings	<u>12,000</u>	<u>14,683</u>	<u>2,683</u>
Miscellaneous:			
Rental income	1,000	1,350	
Sale of assets	-	979	
Insurance reimbursements	-	21,545	
Miscellaneous revenues	<u>-</u>	<u>11,689</u>	
Total	<u>1,000</u>	<u>35,563</u>	<u>34,563</u>
Total Revenues	<u>\$ 5,195,577</u>	<u>\$ 5,544,597</u>	<u>\$ 349,020</u>

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

TOWN OF STALLINGS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund (Continued)
For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries - elected officials		\$ 40,287	
Administration:			
Salaries and employee benefits		428,445	
Operating expenditures		327,908	
Capital outlay		-	
Professional Services		52,834	
Total general government	<u>\$ 882,177</u>	<u>849,474</u>	<u>\$ 32,703</u>
Public safety:			
Police:			
Salaries and employee benefits		1,416,331	
Operating expenditures		281,810	
Capital outlay		128,781	
Total public safety	<u>1,849,126</u>	<u>1,826,922</u>	<u>22,204</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		32,882	
Operating expenditures		363,764	
Capital outlay		-	
Total transportation	<u>1,048,030</u>	<u>396,646</u>	<u>651,384</u>
Environmental protection:			
Contracted services	<u>815,000</u>	<u>808,458</u>	<u>6,542</u>
Economic and physical development:			
Salaries and employee benefits		189,651	
Operating expenditures		35,435	
Total econ and physical development	<u>274,250</u>	<u>225,086</u>	<u>49,164</u>
Cultural and recreational:			
Salaries and employee benefits		50,025	
Operating expenditures		56,025	
Capital outlay		-	
Total cultural and recreational	<u>159,770</u>	<u>106,050</u>	<u>53,720</u>
Contingency	<u>25,000</u>	<u>-</u>	<u>25,000</u>

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

TOWN OF STALLINGS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund (Continued)
For the Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Debt Service:			
Principal retirement		\$ 821,055	
Interest expense		23,123	
Total Debt Service	\$ 844,524	844,178	\$ 346
Total Expenditures	5,897,877	5,056,814	841,063
 Revenues over (under) expenditures	 (702,300)	 487,783	 1,190,083
 Other financing sources (uses):			
Transfer from General Fund	(605,845)	(605,845)	-
Total other financing sources (uses)	(605,845)	(605,845)	-
 Appropriated fund balance	 1,308,145	 -	 (1,308,145)
 Net change in fund balance	 \$ -	 (118,062)	 \$ (118,062)
 Fund balances, beginning		 5,967,717	
Fund balances, ending		\$ 5,849,655	

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

TOWN OF STALLINGS
Stallings Municipal Park Capital Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Expenditures:					
Cultural and Recreation	\$ 2,532,893	\$ 190,719	\$ 2,081,033	\$ 2,271,752	\$ 261,141
Total Expenditures	<u>2,532,893</u>	<u>190,719</u>	<u>2,081,033</u>	<u>2,271,752</u>	<u>261,141</u>
Revenues over (under) expenditures	<u>(2,532,893)</u>	<u>(190,719)</u>	<u>(2,081,033)</u>	<u>(2,271,752)</u>	<u>261,141</u>
Other financing sources:					
Transfer from General Fund	2,532,893	1,500,000	605,845	2,105,845	(427,048)
Total other financing sources	<u>2,532,893</u>	<u>1,500,000</u>	<u>605,845</u>	<u>2,105,845</u>	<u>(427,048)</u>
Revenue and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 1,309,281</u>	<u>\$(1,475,188)</u>	<u>\$ (165,907)</u>	<u>\$ (165,907)</u>
Fund balances:					
Beginning of year, July 1			<u>1,309,281</u>		
End of year, June 30			<u>\$ (165,907)</u>		

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

TOWN OF STALLINGS
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP) - Storm Water Fund
For the Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Residential and commercial fees		\$ 235,087	
Total operating revenues		235,087	
Non-operating revenues:			
Interest earnings		197	
Total revenues	\$ 233,071	235,284	\$ 2,213
Expenditures:			
Salaries and employee benefits		488	
Professional fees		102,488	
Other operating expenditures		109,851	
Total expenditures	233,071	212,827	20,244
Revenues over expenditures	\$ -	22,457	\$ 22,457
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Total reconciling items		-	
Net income		\$ 22,457	

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

Other Schedules

TOWN OF STALLINGS
Schedule of Ad Valorem Taxes Receivable
General Fund
For the Fiscal Year Ended June 30, 2012

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2011</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ -	\$ 3,496,678	\$ 3,452,016	\$ 44,662
2010-2011	42,749	-	36,411	6,338
2009-2010	4,272	-	1,976	2,296
2008-2009	20,739	-	379	20,360
2007-2008	3,017	-	539	2,478
2006-2007	1,537	-	48	1,489
2005-2006	1,283	-	249	1,034
2004-2005	352	-	-	352
	<u>\$ 73,949</u>	<u>\$ 3,496,678</u>	<u>\$ 3,491,618</u>	<u>\$ 79,009</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 3,499,611
Reconciling items:	
Interest and penalties collected	8,584
Adjustments	<u>(16,577)</u>
Subtotal	<u>(7,993)</u>
Total collections and credits	<u>\$ 3,491,618</u>

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

TOWN OF STALLINGS
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2012

	Town - Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 1,496,146,512	\$ 0.215	\$ 3,216,715	\$ 3,216,715	\$ -
Registered motor vehicles taxed at prior year's rate	125,389,767	0.215	269,588	-	269,588
Total	1,621,536,279		3,486,303	3,216,715	269,588
Discoveries:					
Current year taxes	4,825,581	0.215	10,375	10,375	-
Total property valuation	\$ 1,626,361,860				
Net levy			3,496,678	3,227,090	269,588
Uncollected taxes at June 30, 2012			44,662	28,274	16,388
Current year's taxes collected			\$ 3,452,016	\$ 3,198,816	\$ 253,200
Current levy collection percentage			98.72%	99.12%	93.92%

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

Compliance Section

TINSLEY & TERRY, CPAs, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

**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***

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Stallings, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Town of Stallings's basic financial statements and have issued our report thereon dated October 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Town of Stallings is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Stallings's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town of Stallings, in a separate letter dated October 29, 2012.

This report is intended solely for the information and use of management, others within the entity, members of the Town Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Tinsley & Terry, CPAs, P.A

Cornelius, North Carolina
October 29, 2012