

TOWN OF STALLINGS

North Carolina

Financial Statements

June 30, 2013

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, HR Director

TOWN OF STALLINGS
Table of Contents
June 30, 2013

FINANCIAL SECTION:	Pages
Independent Auditors' Report	
Management's Discussion and Analysis	1-10
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund.....	17
Statement of Fund Net Position - Proprietary Fund.....	18
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	19
Statement of Cash Flows - Proprietary Fund.....	20
Notes to Financial Statements.....	21-38

TOWN OF STALLINGS
Table of Contents (Continued)
June 30, 2013

Required Supplemental Financial Data:

Law Enforcement Officers' Special Separation Allowance -
Schedule of Funding Progress39

Law Enforcement Officers' Special Separation Allowance -
Schedule of Employer Contributions.....40

Individual Fund Statements and Schedules:

Statement of Revenues, Expenditures, and Changes in Fund
Balances - Budget and Actual - General Fund..... 41-43

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Stallings Municipal Park Capital Project Fund44

Schedules of Revenues, Expenditures, and Changes in Fund
Balances - Budget and Actual - Storm Water Fund.....45

Other Schedules:

Schedule of Ad Valorem Taxes Receivable46

Analysis of Current Tax Levy - City-wide Levy47

Compliance Section:

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

Report on Compliance for Each Major State Program; Report on Internal Control Over
Compliance; In accordance with OMB Circular A-133; and the State Single Audit
Implementation Act

Schedule of State Awards

Schedule of Finding and Questioned Costs

Financial Section

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stallings, North Carolina as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stallings, North Carolina, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

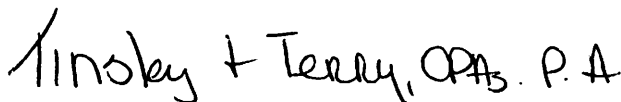
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Stallings, North Carolina's basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013, on our consideration of the Town of Stallings, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Stallings, North Carolina's internal control over financial reporting and compliance.



Tinsley & Terry, CPAs, PA
Cornelius, North Carolina
December 9, 2013

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Stallings, we offer readers of the Town of Stallings' financial statements this narrative overview and analysis of the financial activities of the Town of Stallings for the fiscal year ended June 30, 2013. 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 and deferred outflows of resources of the Town of Stallings exceeded its liabilities and deferred inflows of resources at the close of the year by \$27,293,176 (net position).
- The government's total net position decreased by \$1,353,494 due to completion of the Stallings Park renovation and depreciation of Town assets.
- As of the close of the current fiscal year, the Town of Stallings' governmental funds reported an ending fund balance of \$6,124,065, which is a net increase of \$440,317. Approximately 70 percent of this total amount, or \$4,253,239, 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 \$4,253,239, or 86 percent of total general fund expenditures for the fiscal year.
- The Town's long-term liabilities decreased by \$2,198 during the fiscal year.

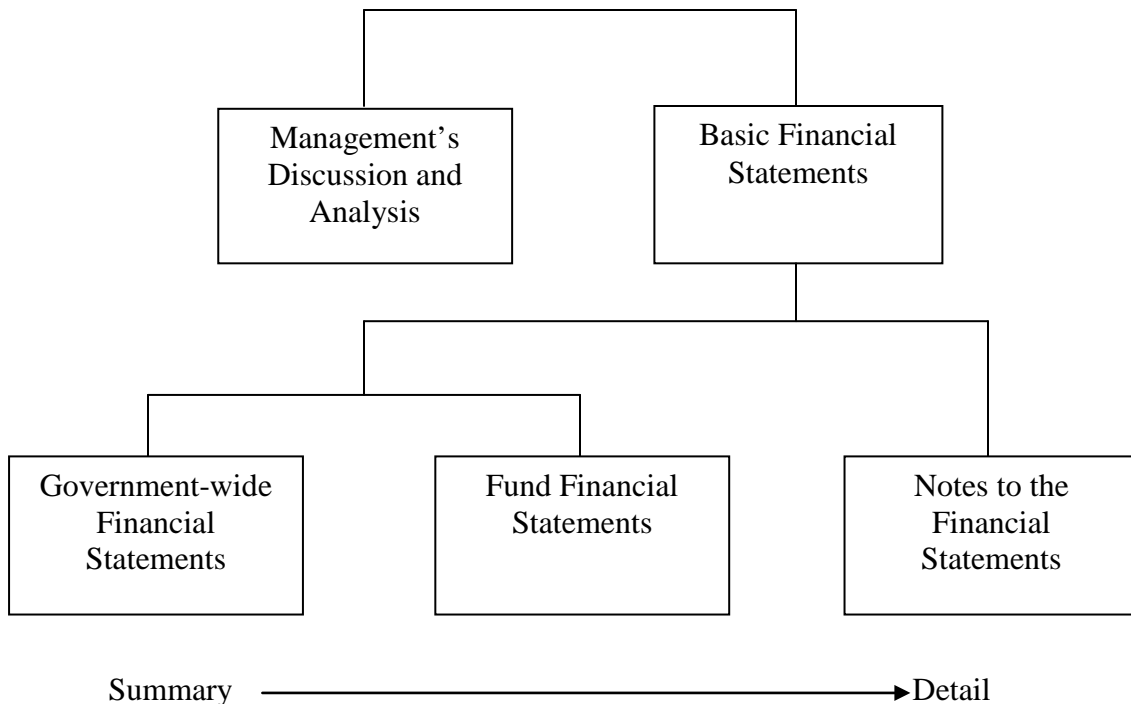
Overview of the Financial Statements

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

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2013

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements 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 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 part of the statements.

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2013

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

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Stallings, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes of the Town's budget ordinance. All of the funds of the Town of Stallings can be divided into two categories: governmental funds and proprietary funds.

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

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2013

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 Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 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, 2013

Government-Wide Financial Analysis

	Town of Stallings' Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 6,507,661	\$ 6,098,631	\$ 395,880	\$ 324,191	\$ 6,903,541	\$ 6,422,822
Capital assets	21,382,155	23,163,663	-	-	21,382,155	23,163,663
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	<u>27,889,816</u>	<u>29,262,294</u>	<u>395,880</u>	<u>324,191</u>	<u>28,285,696</u>	<u>29,586,485</u>
Long-term liabilities	281,948	279,750	-	-	281,948	279,750
Other liabilities	276,153	335,874	2,000	2,000	278,153	337,874
Deferred inflows of resources	<u>38,539</u>	-	-	-	<u>38,539</u>	-
Total liabilities and deferred inflows of resources	<u>596,640</u>	<u>615,624</u>	<u>2,000</u>	<u>2,000</u>	<u>598,640</u>	<u>617,624</u>
Net position:						
Net investment in capital assets	21,382,155	23,143,705	-	-	21,382,155	23,143,705
Restricted	399,027	544,028	-	-	399,027	544,028
Unrestricted	<u>5,511,994</u>	<u>4,958,937</u>	<u>393,880</u>	<u>322,191</u>	<u>5,905,874</u>	<u>5,281,128</u>
Total net position	<u>\$ 27,293,176</u>	<u>\$ 28,646,670</u>	<u>\$ 393,880</u>	<u>\$ 322,191</u>	<u>\$ 27,687,056</u>	<u>\$ 28,968,861</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Stallings exceeded liabilities and deferred inflows by \$27,687,056 as of June 30, 2013. The Town's net position decreased by \$1,281,805 for the fiscal year ended June 30, 2013. However, the largest portion (77.23%) reflects the Town's net investment in capital assets (e.g. land, streets, buildings and equipment). The Town of Stallings uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town of Stallings' net position, \$399,027, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,905,874 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.09%, which is comparable to the statewide average of 98.39%.

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2013

	Town of Stallings' Changes in Net Position					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 57,826	\$ 29,072	\$ 236,244	\$ 235,087	\$ 294,070	\$ 264,159
Operating grants and contributions	432,705	357,034	-	-	432,705	357,034
Capital grants and contributions	98,669	-	-	-	98,669	-
General revenues:						
Property taxes	3,534,525	3,504,671	-	-	3,534,525	3,504,671
Other taxes	1,673,985	1,609,637	-	-	1,673,985	1,609,637
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	<u>60,513</u>	<u>(1,256)</u>	<u>145</u>	<u>197</u>	<u>60,658</u>	<u>(1,059)</u>
Total revenues	<u>5,858,223</u>	<u>5,499,158</u>	<u>236,389</u>	<u>235,284</u>	<u>6,094,612</u>	<u>5,734,442</u>
Expenses:						
General government	424,898	934,876	-	-	424,898	934,876
Economic and physical development	219,862	225,086	-	-	219,862	225,086
Public safety	2,001,411	1,787,983	-	-	2,001,411	1,787,983
Transportation	2,954,697	2,774,386	-	-	2,954,697	2,774,386
Environmental protection	832,879	808,458	-	-	832,879	808,458
Cultural and recreation	776,752	120,499	-	-	776,752	120,499
Interest on long-term debt	1,218	23,123	-	-	1,218	23,123
Storm water	-	-	<u>164,700</u>	<u>212,827</u>	<u>164,700</u>	<u>212,827</u>
Total expenses	<u>7,211,717</u>	<u>6,674,411</u>	<u>164,700</u>	<u>212,827</u>	<u>7,376,417</u>	<u>6,887,238</u>
Increase in net position before transfers	(1,353,494)	(1,175,253)	71,689	22,457	(1,281,805)	(1,152,796)
Net position, July 1	<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>
Net position, June 30	<u>\$ 27,293,176</u>	<u>\$28,646,670</u>	<u>\$ 393,880</u>	<u>\$ 322,191</u>	<u>\$ 27,687,056</u>	<u>\$28,968,861</u>

Governmental Activities. Governmental activities decreased the Town's net position by \$1,353,494. Key elements of this decrease are as follows:

- Completion of the Stallings Park renovation project.
- Continued depreciation of Town assets (especially Town-maintained roads).

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2013

Business-type Activities. Business-type activities increased the Town of Stallings' net position by \$71,689. Key elements of this increase are as follows:

- Tax revenues were steady due to continued excellent collection rates.
- Repair costs were lower due to the Town's desire to complete a full system inventory, which will determine future priorities.

Financial Analysis of the Town's Funds

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

Governmental Funds

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

The general fund is the chief operating fund of the Town of Stallings. At the end of the current fiscal year, the Town of Stallings' fund balance available in the General Fund was \$4,253,239, while total fund balance reached \$6,124,065. The Town Council has determined that the Town should maintain an available fund balance of thirty percent of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 86.03% of general fund expenditures, while total fund balance represents 123.87% of the same amount.

At June 30, 2013, the governmental funds of the Town of Stallings reported a combined fund balance of \$6,124,065 with a net increase in fund balance of \$440,317. Included in this change in fund balance are increases in both the General and Capital Projects Funds.

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. Most notable was an increase in sales and use tax due to improved economic conditions in the area. An additional transfer was made to the Capital Projects Fund to pay for Phase 2 of the park renovation project.

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2013

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 position of the Storm Water Fund at the end of the fiscal year amounted to \$393,880. The total change in net position was an increase of \$71,689. The change in net assets is a result of lower than expected expenses in repairs and maintenance. An inventory of the Town's storm water system was in process as of June 30, 2013. No cost for this project was included in the financial statements.

Capital Assets. The Town of Stallings' investments in capital assets for its governmental activities as of June 30, 2013, totals \$21,382,155 (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:

- Completion of Phase 2 of the Stallings Park renovation project.
- Construction in progress of \$94,919.
- Purchases of public safety vehicles and equipment of \$83,587.

	<u>Town of Stallings Capital Assets</u> <u>(Net of Depreciation)</u>	
	<u>Governmental</u> <u>Activities</u> <u>2013</u>	<u>Governmental</u> <u>Activities</u> <u>2012</u>
Infrastructure	\$ 16,302,310	\$ 18,433,425
Land Improvement	2,588,858	68,235
Buildings and improvements	1,402,316	1,307,105
Land	791,342	791,342
Vehicles	157,606	157,905
Construction in Progress	94,919	2,353,877
Computer Software	22,484	23,194
Equipment	22,320	28,579
Total	<u>\$ 21,382,155</u>	<u>\$ 23,163,662</u>

Additional information on the Town's capital assets can be found on page 30 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2013, the Town of Stallings had no bonded debt outstanding.

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2013

Town of Stallings' Outstanding Debt

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Net pension obligation	\$ 164,203	\$ 144,573
Compensated absences	117,745	115,218
Capital leases	-	19,958
Total	<u>\$ 281,948</u>	<u>\$ 279,749</u>

The Town of Stallings' total debt increased by \$2,198 (0.79%) during the past fiscal year. Capital lease debt was eliminated when the final vehicle lease payments were made. Net pension obligation and compensated absences increased slightly.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal margin for the Town of Stallings is \$131,479,405.

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

Economic Factors and Next Year's Budgets and Rates

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

- The Town's tax rate remained at \$0.215 per \$100. Grants, gains in sales tax revenue, and increased franchise tax revenue have allowed the Town to hold the tax rate constant.
- The Town's adoption of a formal Capital Improvement Plan ensures that all major projects are accounted for and that funding sources are available in all instances.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities: Property tax rates are unchanged. The road improvement project at Pleasant Plains Road and Potter Road will begin during 2013-2014. The project will be funded by a combination of state and county grants, transfers from current year revenues, and a general fund allocation. Increased revenues are expected from sales and use tax and motor vehicle taxes.

Business-type Activities: The storm water fees are unchanged for 2013-2014. Operating expenses are expected to exceed revenues by \$65,000 due to increased compliance requirements from Federal storm water programs. The difference will be paid out of the existing fund balance.

TOWN OF STALLINGS
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2013

Request for Information

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

Basic Financial Statements

Town of Stallings
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,031,575	\$ 403,175	\$ 6,434,750
Taxes receivable (net)	68,904	-	68,904
Accounts receivable (net)	-	1,404	1,404
Due from other governments	195,319	-	195,319
Due from Council member	24,742	-	24,742
Prepaid items	196	206	402
Restricted cash and cash equivalents	178,020	-	178,020
Due from Storm Water Fund	8,905	(8,905)	-
Total current assets	<u>6,507,661</u>	<u>395,880</u>	<u>6,903,541</u>
Capital assets:			
Land, non-depreciable improvements, and construction in progress	886,261	-	886,261
Other capital assets, net of depreciation	20,495,894	-	20,495,894
Total capital assets	<u>21,382,155</u>	<u>-</u>	<u>21,382,155</u>
Total assets	<u>\$ 27,889,816</u>	<u>\$ 395,880</u>	<u>\$ 28,285,696</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 268,194	\$ 2,000	\$ 270,194
Deposits in escrow	7,959	-	7,959
Current portion long-term liabilities	137,611	-	137,611
Total current liabilities	<u>413,764</u>	<u>2,000</u>	<u>415,764</u>
Long-term liabilities:			
Long-term liabilities	144,337	-	144,337
Total liabilities	<u>558,101</u>	<u>2,000</u>	<u>560,101</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	38,539	-	38,539
Total deferred inflows of resources	<u>38,539</u>	<u>-</u>	<u>38,539</u>
NET POSITION			
Net investment in capital assets	21,382,155	-	21,382,155
Restricted for:			
Stabilization by State Statute	228,966	-	228,966
Streets	170,061	-	170,061
Unrestricted	5,511,994	393,880	5,905,874
Total net position	<u>\$ 27,293,176</u>	<u>\$ 393,880</u>	<u>\$ 27,687,056</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, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 424,898	\$ -	\$ -	\$ -	\$ (424,898)	\$ -	\$ (424,898)
Public safety	2,001,411	8,693	63,962	-	(1,928,756)	-	(1,928,756)
Transportation	2,954,697	-	360,731	94,919	(2,499,047)	-	(2,499,047)
Environmental protection	832,879	-	8,012	-	(824,867)	-	(824,867)
Economic and physical development	219,862	31,499	-	-	(188,363)	-	(188,363)
Cultural and recreational	776,752	17,634	-	3,750	(755,368)	-	(755,368)
Interest on long-term debt	1,218	-	-	-	(1,218)	-	(1,218)
Total governmental activities	<u>7,211,717</u>	<u>57,826</u>	<u>432,705</u>	<u>98,669</u>	<u>(6,622,517)</u>	<u>-</u>	<u>(6,622,517)</u>
Business-type activities:							
Storm water	<u>164,700</u>	<u>236,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,544</u>	<u>71,544</u>
Total business-type activities	<u>164,700</u>	<u>236,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,544</u>	<u>71,544</u>
Total primary government	<u>\$ 7,376,417</u>	<u>\$ 294,070</u>	<u>\$ 432,705</u>	<u>\$ 98,669</u>	<u>\$ (6,622,517)</u>	<u>\$ 71,544</u>	<u>\$ (6,550,973)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					3,534,525	-	3,534,525
Other taxes and licenses					1,673,985	-	1,673,985
Grants and contributions not restricted to specific programs					-	-	-
Unrestricted investment earnings					10,175	145	10,320
Restricted investment earnings					450	-	450
Gain on disposal of assets					2,317	-	2,317
Miscellaneous					47,571	-	47,571
Total general revenues and transfers					<u>5,269,023</u>	<u>145</u>	<u>5,269,168</u>
Change in net position					(1,353,494)	71,689	(1,281,805)
Net position, beginning					28,646,670	322,191	28,968,861
Net position, ending					<u>\$ 27,293,176</u>	<u>\$ 393,880</u>	<u>\$ 27,687,056</u>

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

**Town of Stallings
Balance Sheet
Governmental Funds
June 30, 2013**

	Major Fund		Total Governmental Funds
	General Fund	Non-Major Fund	
ASSETS			
Cash and cash equivalents	\$ 6,031,575	\$ -	\$ 6,031,575
Restricted cash	178,020	-	178,020
Receivables, net:			
Taxes	68,904	-	68,904
Due from other governments	191,056	4,263	195,319
Due from Council member	24,742	-	24,742
Due from other funds	13,168	-	13,168
Prepaid expenses	196	-	196
Total assets	<u>\$ 6,507,661</u>	<u>\$ 4,263</u>	<u>\$ 6,511,924</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 268,194	\$ -	\$ 268,194
Deposits in escrow	7,959	-	7,959
Due to other funds	-	4,263	4,263
Total liabilities	<u>276,153</u>	<u>4,263</u>	<u>280,416</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	68,904	-	68,904
Prepaid taxes	38,539	-	38,539
Total deferred inflows of resources	<u>107,443</u>	<u>-</u>	<u>107,443</u>
FUND BALANCES			
Non-Spendable			
Prepaid expenses	196	-	196
Restricted			
Stabilization by State Statute	228,966	-	228,966
Streets - Powell Bill	170,061	-	170,061
Committed			
Law Enforcement Separation Allowance	164,203	-	164,203
Capital Projects Fund	68,200	-	68,200
Assigned			
Subsequent year expenditures	1,239,200	-	1,239,200
Unassigned	4,253,239	-	4,253,239
Total fund balances	<u>6,124,065</u>	<u>-</u>	<u>6,124,065</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,507,661</u>	<u>\$ 4,263</u>	<u>\$ 6,511,924</u>

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

**Town of Stallings
Balance Sheet
Governmental Funds
June 30, 2013**

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

Total fund balance - Governmental Funds		\$ 6,124,065
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 30,946,826	
Accumulated depreciation	<u>(9,564,671)</u>	
		21,382,155
Some liabilities, including debt and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
		(281,948)
Liabilities for earned revenues considered deferred inflows of resources in fund statements		
		<u>68,904</u>
Net position of governmental activities		<u><u>\$ 27,293,176</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, 2013

	<u>Major Fund</u>	<u>Non-Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Stallings Park Capital Project</u>	<u>Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 3,544,630	\$ -	\$ 3,544,630
Other taxes and licenses	934,963	-	934,963
Unrestricted intergovernmental	739,022	-	739,022
Restricted intergovernmental	432,705	-	432,705
Permits and fees	40,192	-	40,192
Investment earnings	10,625	-	10,625
Miscellaneous	67,522	3,750	71,272
Total revenues	<u>5,769,659</u>	<u>3,750</u>	<u>5,773,409</u>
EXPENDITURES			
Current:			
General government	825,843	-	825,843
Public safety	1,976,086	-	1,976,086
Transportation	823,553	-	823,553
Environmental protection	832,879	-	832,879
Economic and physical development	219,862	-	219,862
Cultural and recreational	244,805	388,888	633,693
Debt service:			
Principal	19,958	-	19,958
Interest	1,218	-	1,218
Total expenditures	<u>4,944,204</u>	<u>388,888</u>	<u>5,333,092</u>
Excess (deficiency) of revenues over expenditures	<u>825,455</u>	<u>(385,138)</u>	<u>440,317</u>
OTHER FINANCING SOURCES (USES)			
Transfer to/from other funds	<u>(551,045)</u>	<u>551,045</u>	<u>-</u>
Total other financing sources (uses)	<u>(551,045)</u>	<u>551,045</u>	<u>-</u>
Net change in fund balance	274,410	165,907	440,317
Fund balances, beginning	<u>5,849,655</u>	<u>(165,907)</u>	<u>5,683,748</u>
Fund balances, ending	<u>\$ 6,124,065</u>	<u>\$ -</u>	<u>\$ 6,124,065</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, 2013

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

Net changes in fund balances - total governmental funds	\$	440,317
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 822,187	
Depreciation expense for governmental assets	<u>(2,698,614)</u>	(1,876,427)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Donated assets	94,919	
Change in unavailable revenue for tax revenues	<u>(10,104)</u>	84,815
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Long-term debt		19,958
Compensated absences		(2,527)
Net pension obligation		<u>(19,630)</u>
Total changes in net position of governmental activities	\$	<u><u>(1,353,494)</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
Annual Budget and Actual - General Fund
For the Year Ended June 30, 2013

	General Fund			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 3,451,008	\$ 3,451,008	\$ 3,544,630	\$ 93,622
Other taxes and licenses	773,000	793,000	934,963	141,963
Unrestricted intergovernmental	692,000	692,000	739,022	47,022
Restricted intergovernmental	358,000	431,961	432,705	744
Permits and fees	12,500	12,500	40,192	27,692
Investment earnings	12,000	12,000	10,625	(1,375)
Miscellaneous	1,500	15,000	67,522	52,522
Total revenues	<u>5,300,008</u>	<u>5,407,469</u>	<u>5,769,659</u>	<u>362,190</u>
Expenditures:				
Current:				
General government	884,300	884,300	825,843	58,457
Public safety	1,959,300	2,023,261	1,997,262	25,999
Transportation	1,091,354	1,306,354	802,377	503,977
Economic and physical development	276,110	276,110	219,862	56,248
Environmental protection	825,000	835,000	832,879	2,121
Cultural and recreational	224,770	248,270	244,805	3,465
Debt service:				
Principal	19,958	19,958	19,958	-
Interest	1,218	1,218	1,218	-
Contingency	17,998	17,998	-	17,998
Total expenditures	<u>5,300,008</u>	<u>5,612,469</u>	<u>4,944,204</u>	<u>668,265</u>
Revenues over (under) expenditures	<u>-</u>	<u>(205,000)</u>	<u>825,455</u>	<u>1,030,455</u>
Other financing sources (uses):				
Transfer to capital projects fund	<u>-</u>	<u>(494,243)</u>	<u>(551,045)</u>	<u>(56,802)</u>
Total other financing sources (uses)	<u>-</u>	<u>(494,243)</u>	<u>(551,045)</u>	<u>(56,802)</u>
Fund balance appropriated	<u>-</u>	<u>699,243</u>	<u>-</u>	<u>(699,243)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	274,410	<u>\$ 274,410</u>
Fund balances, beginning			5,849,655	
Fund balances, ending			<u>\$ 6,124,065</u>	

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

**Town of Stallings
Statement of Fund Net Position
Proprietary Fund
June 30, 2013**

	Major Enterprise Fund	
	Storm Water Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 403,175	\$ 403,175
Accounts receivable	1,404	1,404
Prepaid items	206	206
Total current assets	404,785	404,785
Total assets	\$ 404,785	\$ 404,785
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 2,000	\$ 2,000
Due to General Fund	8,905	8,905
Total current liabilities	10,905	10,905
Total liabilities	\$ 10,905	\$ 10,905
NET POSITION		
Unrestricted	393,880	393,880
Total net position	\$ 393,880	\$ 393,880

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

Town of Stallings
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2013

	Major Enterprise Fund	
	Storm Water Fund	Total
OPERATING REVENUES		
Storm water fees and interest	\$ 236,244	\$ 236,244
Total operating revenues	236,244	236,244
OPERATING EXPENSES		
Salaries and employee benefits	1,023	1,023
Repairs and maintenance	20,382	20,382
Engineering	72,075	72,075
Consulting services	67,160	67,160
Miscellaneous expenses	4,060	4,060
Total operating expenses	164,700	164,700
Operating income (loss)	71,544	71,544
NON-OPERATING REVENUES (EXPENSES)		
Investment earnings	145	145
Total non-operating revenue (expenses)	145	145
Change in net position	71,689	71,689
Total net position, beginning	322,191	322,191
Total net position, ending	\$ 393,880	\$ 393,880

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, 2013**

	Major Enterprise Fund	
	Storm Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 236,244	\$ 236,244
Cash paid for goods and services	(164,627)	(164,627)
Cash paid to or on behalf of employees for services	(73)	(73)
Net cash provided (used) by operating activities	71,544	71,544
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Due to General Fund	8,925	8,925
Total cash flows from non-capital financing activities	8,925	8,925
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	145	145
Net increase (decrease) in cash and cash equivalents	80,614	80,614
Balances, beginning	322,561	322,561
Balances, ending	\$ 403,175	\$ 403,175
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 71,544	\$ 71,544
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	103	103
(Increase) in prepaid revenue	(103)	(103)
Total adjustments	-	-
Net cash provided by operating activities	\$ 71,544	\$ 71,544

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

Notes to the Financial Statements

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2013

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Stallings is a municipal corporation that is governed by an elected mayor and a six-member 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.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2013

I. Summary of Significant Accounting Policies (continued)

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

The Town reports the following non-major governmental funds:

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

The Town reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are taxes received from 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.

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2013

I. Summary of Significant Accounting Policies (continued)

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 a 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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

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

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2013

I. Summary of Significant Accounting Policies (continued)

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

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, 2012.

5. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. No allowance for doubtful accounts was required as of June 30, 2013.

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2013

I. Summary of Significant Accounting Policies (continued)

6. Prepaid Items

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

7. Capital Assets

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

The Town elected not to adopt retroactive capitalization of general infrastructure assets acquired prior to July 1, 2003, pursuant to GASB 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town had \$107,443 in deferred inflows as of June 30, 2013, which consisted of \$68,904 in property taxes receivable and \$38,539 in prepaid taxes.

9. Long-Term Obligations

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

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2013

I. Summary of Significant Accounting Policies (continued)

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2013

I. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

12. Management Estimates

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

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2013

I. Summary of Significant Accounting Policies (continued)

13. Total Governmental Fund Columns

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None

2. Contractual Violations

None

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

None

C. Excess of Expenditures of Appropriations

None

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town’s agents in these units’ names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town’s agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2013

III. Detail Notes on All Funds (continued)

1. Deposits (continued)

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

At June 30, 2013, the Town's deposits had a carrying amount of \$4,984,778 and a bank balance of \$4,982,154. Of the bank balance, \$277,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2013, the Town's petty cash fund totaled \$600.

2. Investments

At June 30, 2013, the Town had \$1,627,394 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. 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 called for eight payments of principal and interest to begin on August 1, 2009. Interest accrued annually at 2%. The final payment on the loan was received February 6, 2013.

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2013

III. Detail Notes on All Funds (continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2013 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 791,342	\$ -	\$ -	\$ 791,342
Construction in progress	<u>2,353,877</u>	<u>94,919</u>	<u>2,353,877</u>	<u>94,919</u>
Total capital assets not being depreciated	<u>3,145,219</u>	<u>94,919</u>	<u>2,353,877</u>	<u>886,261</u>
Capital assets being depreciated:				
Building and improvements	1,650,171	141,099	-	1,791,270
Land improvements	176,777	2,660,640	26,741	2,810,676
Equipment	99,476	19,273	19,713	99,036
Computer software	164,226	-	-	164,226
Vehicles	750,011	83,587	71,423	762,175
Infrastructure	<u>24,161,716</u>	<u>271,466</u>	<u>-</u>	<u>24,433,182</u>
Total capital assets being depreciated	<u>27,002,377</u>	<u>3,176,065</u>	<u>117,877</u>	<u>30,060,565</u>
Less accumulated depreciation for:				
Building and improvements	343,066	45,888	-	388,954
Land improvements	108,542	140,017	26,741	221,818
Equipment	70,897	25,532	19,713	76,716
Computer software	141,032	710	-	141,742
Vehicles	592,106	83,886	71,423	604,569
Infrastructure	<u>5,728,291</u>	<u>2,402,581</u>	<u>-</u>	<u>8,130,872</u>
Total accumulated depreciation	<u>6,983,934</u>	<u>2,698,614</u>	<u>117,877</u>	<u>9,564,671</u>
Total capital assets being depreciated, net	<u>20,018,443</u>			<u>20,495,894</u>
Governmental activities capital assets, net	<u>\$ 23,163,662</u>			<u>\$ 21,382,155</u>

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

Transportation	\$ 2,402,581
Cultural and recreational	143,059
Public safety	89,311
General government	<u>63,663</u>
Total depreciation expense	<u>\$ 2,698,614</u>

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2013

III. Detail Notes on All Funds (continued)

Donated Assets

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

Construction Commitments

The Town has active construction projects as of June 30, 2013. At year-end, the Town's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Sidewalk construction	\$ 94,919	\$ 123,081

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Stallings are established and may be amended by the North Carolina General Assembly. The Town's contribution to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$109,299, \$108,009, and \$97,589, respectively. The contributions made by the Town equaled the required contributions for each year.

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2013

III. Detail Notes on All Funds (continued)

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2012, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled but not receiving benefits	0
Active plan members	<u>25</u>
Total	<u>26</u>

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

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

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

3. Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include post-employment benefit increases.

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2013

III. Detail Notes on All Funds (continued)

3. *Contributions* (continued)

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

Annual required contribution	\$41,264
Interest on net pension obligation	7,229
Adjustment to annual required contribution	<u>(8,997)</u>
Annual pension cost	39,496
Contributions made	<u>19,866</u>
Increase (decrease) in net pension obligation	19,630
Net pension obligation, beginning of year	<u>144,573</u>
Net pension obligation, end of year	<u>\$164,203</u>

Three Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	40,008	49.66%	143,367
2012	19,417	45.93%	144,573
2013	39,496	50.30%	164,203

4. *Funded Status and Funding Progress*

As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$370,591. The covered payroll (annual payroll of active employees covered by the plan) was \$976,960, and the ratio of the UAAL to the covered payroll was 37.93 percent.

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2013

III. Detail Notes on All Funds (continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers (continued)

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, 2013 were \$78,986, which consisted of \$47,875 from the Town and \$31,111 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, 2013 were \$36,585, which consisted of \$19,990 from the Town and \$16,595 from non-law enforcement employees.

5. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees’ Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee’s 12 highest months’ salary in a row during the 24 months prior to the employee’s death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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 considers these contributions to be immaterial.

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

6. Deferred Outflows and Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
	<u> </u>	<u> </u>
Prepaid taxes		\$ 38,539
Taxes receivable, net	\$ 68,904	

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2013

III. Detail Notes on All Funds (continued)

7. Risk Management

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

General Liability	\$ 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 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.

8. Claims, Judgments and Contingent Liabilities

At June 30, 2013, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

9. Long-Term Obligations

a. Capital Leasing Agreements

The Town entered into an agreements in July and August 2010 to lease certain safety vehicles. These lease agreements qualified as capital leases for accounting purposes and were recorded at the present value of the future minimum lease payments as of the date of their inception. The final payments were made on both leases during the 2012-2013 fiscal year.

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2013

III. Detail Notes on All Funds (continued)

b. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Net pension obligation	\$ 144,573	\$ 19,630	\$ -	\$ 164,203	\$ 19,866
Compensated absences	115,218	117,745	115,218	117,745	117,745
Capitalized leases	19,958	-	19,958	-	-
Governmental activity long-term liabilities	<u>\$ 279,749</u>	<u>\$ 137,375</u>	<u>\$ 135,176</u>	<u>\$ 281,948</u>	<u>\$ 137,611</u>

c. Interfund Balance and Activity

Balances due to/from other funds at June 30, 2013 consist of the following:

Due from the Storm Water Fund for payments made through the Town's General Fund:

General Fund	\$ 8,905
Total	<u>\$ 8,905</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, 2013 consist of the following:

From the General Fund to the Capital Projects Fund \$ 551,045

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

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2013

III. Detail Notes on All Funds (continued)

D. Fund Balance

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

<u>Total Fund Balance - General Fund</u>	<u>\$ 6,124,065</u>
Less:	
Prepaid Expenses	196
Law Enforcement Separation Allowance	164,203
Stabilization by State Statute	228,966
Streets - Powell Bill	170,061
Capital Projects Fund	68,200
Subsequent year expenditures	1,239,200
Fund Balance Policy	<u>1,683,741</u>
Remaining Fund Balance	<u>\$ 2,569,498</u>

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

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. As of June 30, 2013, the Town had no encumbrances in the General Fund or the Capital Project Fund.

E. Related Party Transactions

The Town of Stallings had a receivable due from a Town Council member as a result of an accounting error which resulted in the discontinuation of the automatic insurance payments being made on a Town-sponsored insurance policy. The error was discovered before the end of the fiscal year, but as of June 30, 2013 the outstanding balance was \$24,742.

F. 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.

TOWN OF STALLINGS
Notes to the Financial Statements
For the Year Ended June 30, 2013

III. Detail Notes on All Funds (continued)

G. Summary Disclosure of Significant Contingencies

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

H. Significant Effects of Subsequent Events

Management has evaluated subsequent events through December 9, 2013, the date the financial statements were made available to be issued.

The receivable from the Town Council member was paid off in full on July 31, 2013.

I. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously Reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

Required Supplementary Financial Data

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

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

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

Schedule of Funding Progress

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

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

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

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

Notes to the Required Schedules

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

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 years
Asset valuation method	Market Value

Actuarial Assumptions:

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

**Individual Fund Statements
And Schedules**

Town of Stallings
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year		\$ 3,493,149	
Prior year		41,705	
Penalties and interest		9,776	
Total	<u>\$ 3,451,008</u>	<u>3,544,630</u>	<u>\$ 93,622</u>
Other taxes and licenses:			
Local option sales tax	730,000	865,685	
Gross receipts - vehicle rental	7,000	11,341	
Business licenses	56,000	57,937	
Total	<u>793,000</u>	<u>934,963</u>	<u>141,963</u>
Unrestricted intergovernmental:			
Utility franchise tax	620,000	652,413	
Cable franchise tax	20,000	29,180	
Beer and wine tax	52,000	57,429	
Total	<u>692,000</u>	<u>739,022</u>	<u>47,022</u>
Restricted intergovernmental:			
Powell Bill allocation	360,000	360,731	
Solid waste disposal tax	8,000	8,012	
Governor's Highway Safety Program grant	63,961	63,962	
Total	<u>431,961</u>	<u>432,705</u>	<u>744</u>
Permits and fees:			
Zoning fees	12,500	31,499	
Public safety fees	-	8,693	
Total	<u>12,500</u>	<u>40,192</u>	<u>27,692</u>
Investment earnings	<u>12,000</u>	<u>10,625</u>	<u>(1,375)</u>
Miscellaneous:			
Park fees and contributions	13,500	16,059	
Rental income	1,500	1,575	
Insurance reimbursements	-	4,619	
Sale of assets	-	2,317	
Miscellaneous revenues	-	42,952	
Total	<u>15,000</u>	<u>67,522</u>	<u>52,522</u>
Total revenues	<u>\$ 5,407,469</u>	<u>\$ 5,769,659</u>	<u>\$ 362,190</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries - elected officials		\$ 39,400	
Administration:			
Salaries and employee benefits		438,478	
Operating expenditures		300,028	
Professional services		47,937	
Total	<u>\$ 884,300</u>	<u>825,843</u>	<u>\$ 58,457</u>
Public safety:			
Police:			
Salaries and employee benefits		1,486,748	
Operating expenditures		426,927	
Capital outlay		83,587	
Total	<u>2,023,261</u>	<u>1,997,262</u>	<u>25,999</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		34,599	
Operating expenditures		496,312	
Capital outlay		271,466	
Total	<u>1,306,354</u>	<u>802,377</u>	<u>503,977</u>
Environmental protection:			
Contracted services	<u>835,000</u>	<u>832,879</u>	<u>2,121</u>
Economic and physical development:			
Salaries and employee benefits		148,246	
Operating expenditures		71,616	
Total	<u>276,110</u>	<u>219,862</u>	<u>56,248</u>
Cultural and recreational:			
Salaries and employee benefits		96,873	
Operating expenditures		147,932	
Total	<u>248,270</u>	<u>244,805</u>	<u>3,465</u>
Debt service:			
Principal		19,958	
Interest		1,218	
Total	<u>21,176</u>	<u>21,176</u>	<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 Balances
Budget and Actual - General Fund (Continued)
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Contingency		-	
Total	17,998	-	17,998
Total expenditures	5,612,469	4,944,204	668,265
Revenues over (under) expenditures	(205,000)	825,455	1,030,455
Other financing sources (uses):			
Transfer from General Fund	(494,243)	(551,045)	(56,802)
Total	(494,243)	(551,045)	(56,802)
Fund balance appropriated	699,243	-	(699,243)
Net change in fund balance	\$ -	274,410	\$ 274,410
Fund balances, beginning		5,849,655	
Fund balances, ending		\$ 6,124,065	

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, 2013

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Contributions	\$ -	\$ -	\$ 3,750	\$ 3,750	\$ 3,750
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,750</u>	<u>\$ 3,750</u>	<u>\$ 3,750</u>
Expenditures:					
Cultural and recreation	3,027,136	2,271,752	388,888	2,660,640	366,496
Total Expenditures	<u>3,027,136</u>	<u>2,271,752</u>	<u>388,888</u>	<u>2,660,640</u>	<u>366,496</u>
Revenues over (under) expenditures	<u>(3,027,136)</u>	<u>(2,271,752)</u>	<u>(385,138)</u>	<u>(2,656,890)</u>	<u>370,246</u>
Other financing sources:					
Transfer from General Fund	3,027,136	2,105,845	551,045	2,656,890	(370,246)
Total other financing sources	<u>3,027,136</u>	<u>2,105,845</u>	<u>551,045</u>	<u>2,656,890</u>	<u>(370,246)</u>
Revenue and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (165,907)</u>	\$ 165,907	<u>\$ -</u>	<u>\$ -</u>
Total fund balance:					
Beginning of year, July 1			<u>(165,907)</u>		
End of year, June 30			<u>\$ -</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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Residential and commercial fees		\$ 236,244	
Total		<u>236,244</u>	
Non-operating revenues:			
Interest earnings		<u>145</u>	
Total revenues	<u>\$ 232,000</u>	<u>236,389</u>	<u>\$ 4,389</u>
Expenditures:			
Salaries and employee benefits		1,023	
Professional fees		139,235	
Other operating expenditures		<u>24,442</u>	
Total expenditures	<u>432,000</u>	<u>164,700</u>	<u>267,300</u>
Revenues over (under) expenditures	<u>(200,000)</u>	<u>71,689</u>	<u>271,689</u>
Fund balance appropriated	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Revenues over expenditures	<u>\$ -</u>	<u>71,689</u>	<u>\$ 71,689</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Total reconciling items		<u>-</u>	
Change in net position		<u>\$ 71,689</u>	

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

Other Schedules

Town of Stallings
Schedule of Ad Valorem Taxes Receivable
June 30, 2013

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2012</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 3,535,481	\$ 3,503,286	\$ 32,195
2011-2012	44,662	-	37,442	7,220
2010-2011	6,338	-	3,695	2,643
2009-2010	2,296	-	259	2,037
2008-2009	20,360	-	212	20,148
2007-2008	2,478	-	241	2,237
2006-2007	1,489	-	31	1,458
2005-2006	1,034	-	68	966
2004-2005	352	-	352	-
	<u>\$ 79,009</u>	<u>\$ 3,535,481</u>	<u>\$ 3,545,586</u>	<u>\$ 68,904</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 3,544,630
Reconciling items:	
Interest and penalties collected	9,776
Adjustments	<u>(8,820)</u>
Subtotal	<u>956</u>
Total collections and credits	<u>\$ 3,545,586</u>

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

**Town of Stallings
Analysis of Current Tax Levy
Town-Wide Levy
June 30, 2013**

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 1,503,355,349	\$ 0.215	\$ 3,232,214	\$ 3,232,214	\$ -
Registered motor vehicles taxed at prior year's rate	135,764,186	0.215	291,893	-	291,893
Total	<u>1,639,119,535</u>		<u>3,524,107</u>	<u>3,232,214</u>	<u>291,893</u>
Discoveries:					
Current year taxes	5,290,233	0.215	11,374	9,402	1,972
Total property valuation	<u>\$ 1,644,409,767</u>				
Net levy			<u>3,535,481</u>	<u>3,241,616</u>	<u>293,865</u>
Uncollected taxes at June 30, 2013			<u>(32,195)</u>	<u>(17,093)</u>	<u>(15,102)</u>
Current year's taxes collected			<u>\$ 3,503,286</u>	<u>\$ 3,224,523</u>	<u>\$ 278,763</u>
Current levy collection percentage			<u>99.09%</u>	<u>99.47%</u>	<u>94.86%</u>

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

Compliance Section

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stallings, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the Town of Stallings's basic financial statements, and have issued our report thereon dated December 9, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Stallings' financial statements are free from material misstatement, we performed tests of its compliance with certain

provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Tinsley & Terry, CPAs, P.A.

Tinsley & Terry, CPAs, PA
Cornelius, North Carolina
December 9, 2013

**Report On Compliance For Each Major State Program; Report on Internal Control Over
Compliance; In accordance with OMB Circular A-133; and the State Single Audit
Implementation Act**

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Town of Stallings, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Stallings' major state programs for the year ended June 30, 2013. The Town of Stallings' major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Stallings' major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Stallings' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Stallings' compliance.

Opinion on Each Major State Program

In our opinion, the Town of Stallings' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town of Stallings is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Stallings' internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Tinsley & Terry, CPAs, P.A.

Tinsley & Terry, CPAs, PA
Cornelius, North Carolina
December 9, 2013

**Town of Stallings, North Carolina
Schedule of State Awards
For the Year Ended June 30, 2013**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Revenues</u>
State Grants:				
<u>N.C. Department of Transportation:</u>				
Powell Bill	DOT-4	-	\$ 539,098	360,731
Total assistance - State programs		<u>-</u>	<u>\$ 539,098</u>	<u>360,731</u>
Total assistance		<u>\$ -</u>	<u>\$ 539,098</u>	<u>\$ 360,731</u>

Notes to the Schedule of Expenditures of State Financial Awards:

1. The accompanying schedule of expenditures of State awards includes State grant activity of the Town of Stallings and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Section II – Financial Statement Findings

None.

Section III – State Award Findings and Questioned Costs

None reported.