

Town of Red Springs  
Red Springs, North Carolina  
Financial Statements  
June 30, 2019

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June 30, 2019

Mayor

Edward Henderson

Town Commissioners

Murray McKeithan

Elma Patterson

Duron Burney

Shearlie McBryde

Carolina Sumpter

Neil Lea'kes

Town Manager

David Ashburn

Attorney

Timothy Smith

Finance Director

Sharon McFarland

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## FINANCIAL SECTION



***Thompson, Price, Scott, Adams & Co, P.A.***

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**Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
Gregory S. Adams, CPA**

### Independent Auditors' Report

To the Honorable Mayor and  
Members of the Board of Town Commissioners  
Red Springs, North Carolina

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Red Springs, North Carolina, as of and for the year then ended June 30, 2019, 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 did not audit the financial statements of the Red Springs ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Red Springs ABC Board, is based solely on the report of another auditor. 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 of material misstatement. The financial statements of the Red Springs ABC Board were not audited in accordance with *Governmental Auditing Standards*.

**Members**

**American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms**

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 financial statement presentation of the financial statements.

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

### **Opinions**

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Red Springs, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10, the Other Postemployment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 50, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 46 through 47, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 48 through 49, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



## Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Red Springs' basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund financial statements, budgetary schedules, Schedule of Expenditures of Federal and 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 October 24, 2019 on our consideration of the Town of Red Springs' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Red Springs' internal control over financial reporting and compliance.

*Thompson, Rice, Scott, Adams & Co., P.A.*

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Whiteville, NC  
October 24, 2019

## Management's Discussion and Analysis

As management of the Town of Red Springs, we offer readers of the Town of Red Springs' financial statements this narrative overview and analysis of the financial activities of the Town of Red Springs for the fiscal year ended June 30, 2019. 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

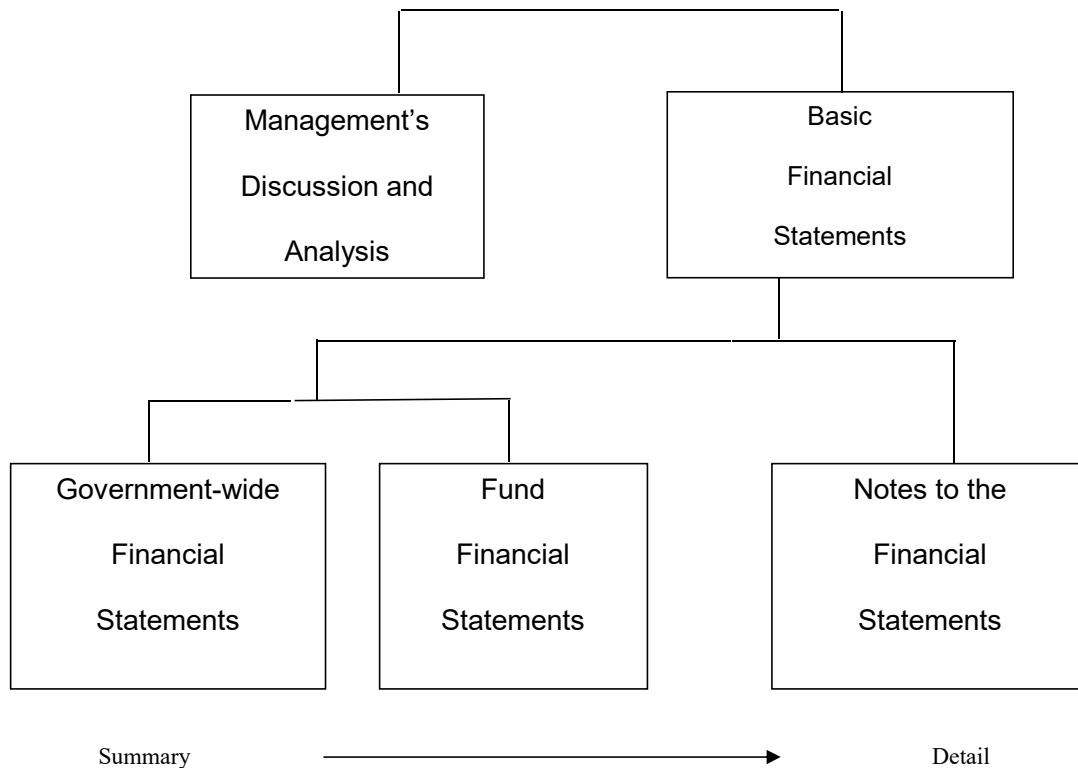
- The assets and deferred outflows of the Town of Red Springs exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,378,721 (*net position*).
- The government's total net position increased by \$1,787,948, primarily due to a net current year increase of \$1,444,775 in governmental activities and a net increase of \$343,173 in business-type activities.
- As of the close of the current fiscal year, the Town of Red Springs' governmental funds reported combined ending fund balances of \$1,348,020, an increase of \$943,825 in comparison with the prior year. The Town currently has an unassigned fund balance of \$513,805.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$613,907.
- The Town of Red Springs' net debt decreased by \$110,602 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Red Springs' basic financial statements. The Town of Red Springs' 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 Red Springs.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

## Government-Wide Financial Statements

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

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and 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 three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, 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. These include the water and sewer and electric services offered by the Town of Red Springs. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Red Springs, 217 South Main Street, Red Springs, NC 28384.

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

## Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Red Springs, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Red Springs can be divided into two categories: governmental funds and proprietary funds.

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

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

**Proprietary Funds** – The Town of Red Springs has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Red Springs uses enterprise funds to account for its water and sewer activity, electric operations, and sanitation activity. 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 are included in this report after Exhibit 9.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Red Springs.

Town of Red Springs' Net Position  
Figure 2

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,672,743	\$ 723,975	\$ 2,821,646	\$ 3,007,486	\$ 4,494,389	\$ 3,731,461
Capital assets	3,563,614	3,134,537	10,764,121	10,214,575	14,327,735	13,349,112
Deferred outflows of resources	645,865	488,908	420,717	294,311	1,066,582	783,219
Total assets	5,882,222	4,347,420	14,006,484	13,516,372	19,888,706	17,863,792
Long-term liabilities outstanding	2,922,028	2,821,293	2,590,980	2,507,272	5,513,008	5,328,565
Other liabilities	155,131	169,083	545,020	487,558	700,151	656,641
Deferred inflows of resources	233,335	230,091	63,491	57,722	296,826	287,813
Total liabilities	3,310,494	3,220,467	3,199,491	3,052,552	6,509,985	6,273,019
Net position:						
Net investment in capital assets	2,743,864	2,223,363	9,038,556	8,469,831	11,782,420	10,693,194
Restricted	812,030	756,771	-	-	812,030	756,771
Unrestricted	(984,166)	(1,853,181)	1,768,437	1,993,989	784,271	140,808
Total net position	\$ 2,571,728	\$ 1,126,953	\$ 10,806,993	\$ 10,463,820	\$ 13,378,721	\$ 11,590,773

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 Red Springs exceeded its liabilities and deferred inflows of resources by \$13,378,721 as of June 30, 2019. The Town's net position increased by \$1,787,948 for the fiscal year ended June 30, 2019. The largest portion, 88.07%, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Red Springs 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 Red Springs net position \$812,030 (6.07%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$784,271 is unrestricted.

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

- Property tax collections for the year ended June 30, 2019 were 93.48%, which is an increase from the prior year's collection percentage of 92.99%, and is significantly lower than the statewide average of 99.23%.

**Town of Red Springs' Changes in Net Position**

**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 354,871	\$ 222,154	\$ 5,985,388	\$ 5,586,455	\$ 6,340,259	\$ 5,808,609
Operating grants and contributions	1,305,930	265,405	2,355	2,333	1,308,285	267,738
Capital grants and contributions	-	-	215,677	1,517,593	215,677	1,517,593
General revenues:						
Property taxes	1,106,391	1,165,886	-	-	1,106,391	1,165,886
Other taxes	92,192	51,133	-	-	92,192	51,133
Grants and contributions not restricted to specific programs	1,153,374	1,097,398	-	-	1,153,374	1,097,398
Other	814,295	59,297	7,962	41,318	822,257	100,615
Total revenues	4,827,053	2,861,273	6,211,382	7,147,699	11,038,435	10,008,972
Expenses:						
General government	800,886	951,544	-	-	800,886	951,544
Public safety	1,758,687	1,713,356	-	-	1,758,687	1,713,356
Transportation	632,472	521,206	-	-	632,472	521,206
Environmental protection	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	112,628	188,477	-	-	112,628	188,477
Interest on long-term debt	32,346	37,656	-	-	32,346	37,656
Water and sewer	-	-	1,340,586	1,534,599	1,340,586	1,534,599
Sanitation	-	-	296,141	316,039	296,141	316,039
Electric	-	-	4,276,741	3,747,949	4,276,741	3,747,949
Total expenses	3,337,019	3,412,239	5,913,468	5,598,587	9,250,487	9,010,826
Increase in net position before transfers	1,490,034	(550,966)	297,914	1,549,112	1,787,948	998,146
Transfers	(45,259)	(43,405)	45,259	43,405	-	-
Increase in net position	1,444,775	(594,371)	343,173	1,592,517	1,787,948	998,146
Net position, July 1, restated	1,126,953	1,721,324	10,463,820	8,871,303	11,590,773	10,592,627
Net position, June 30	\$ 2,571,728	\$ 1,126,953	\$ 10,806,993	\$ 10,463,820	\$ 13,378,721	\$ 11,590,773

**Governmental activities.** Governmental activities increased the Town's net position by \$1,444,775. Key elements of this increase are as follows:

Substantial increase in revenues as a result of the receipt of FEMA proceeds and Insurance reimbursements related to Hurricane damage from prior years. In addition, there was an overall decrease in expenditures from the prior year.

**Business-type activities:** Business-type activities increased the Town of Red Spring's net position by \$343,173. This increase is a combination of a decrease in net position of the Electric Fund of \$173,466, offset by an increase in the Water Fund of \$455,866 and the Sanitation Fund of \$60,773.

### **Financial Analysis of the Town's Funds**

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

**Governmental Funds.** The focus of the Town of Red Springs' 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 Red Springs' financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Red Springs. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$613,907, while total fund balance reached \$1,433,366. The Town currently has an available fund balance of 16.36% of total General Fund expenditures, while total fund balance represents 38.21% of that same amount.

At June 30, 2019, the governmental funds of Town of Red Springs reported a combined fund balance of \$1,348,020, an increase of \$943,825 over last year.

**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.

**Proprietary Funds.** The Town of Red Springs' proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund, the Electric Fund, and the Sanitation Fund at the end of the fiscal year amounted to \$1,768,437. The total increase in net position for all proprietary funds was \$343,173. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Red Springs' business-type activities.

## Capital Asset and Debt Administration

**Capital assets.** The Town of Red Springs' investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$14,327,735 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions:

- Construction in progress for water and sewer capital assets.
- Purchase of vehicles and equipment

**Town of Red Springs' Capital Assets**  
(Net of depreciation)  
**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 724,639	\$ 724,639	\$ 120,034	\$ 120,034	\$ 844,673	\$ 844,673
Buildings	1,918,586	1,564,173	-	-	1,918,586	1,564,173
Other improvements	-	-	-	-	-	-
Substations, lines, and related equipment	-	-	7,403,376	6,383,620	7,403,376	6,383,620
Equipment	148,596	152,310	174,788	191,073	323,384	343,383
Vehicles and motorized equipment	622,525	693,415	77,964	135,285	700,489	828,700
Construction in progress	149,268	-	2,987,959	3,384,563	3,137,227	3,384,563
<b>Total</b>	<b>\$ 3,563,614</b>	<b>\$ 3,134,537</b>	<b>\$ 10,764,121</b>	<b>\$ 10,214,575</b>	<b>\$ 14,327,735</b>	<b>\$ 13,349,112</b>

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

**Long-term Debt.** As of June 30, 2019, the Town of Red Springs had a Water and Sewer Revenue Bond outstanding in the amount of \$635,000. Other debt of the Town totaled \$1,910,316, which consists of notes and lease purchase agreements with various parties and a revolving loan. A complete summary of these notes can be found in the financial statements.

The Town of Red Spring's debt decreased by a net amount of \$110,602 during the fiscal year.

### Budget Highlights for the Fiscal Year Ending June 30, 2020

**Governmental Activities:** The tax rate will remain steady at .64. Other revenues and expenses are expected to remain steady.

**Proprietary Activities:** Rates for the electric, water/sewer, and sanitation services remained the same as in the previous year's budget.

### Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Red Springs, 217 South Main Street, Red Springs, NC 28377.



## BASIC FINANCIAL STATEMENTS

**Town of Red Springs, North Carolina**  
**Statement of Net Position**  
**June 30, 2019**

	Primary Government			Red Spring ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,227,311	\$ 445,340	\$ 1,672,651	\$ 35,732
Taxes receivables (net)	113,809	-	113,809	-
Accrued interest receivable on taxes	17,422	-	17,422	-
Accounts receivable (net)	5,000	930,958	935,958	-
Note receivable	125,598	-	125,598	-
Due from other governments	363,309	90,380	453,689	-
Internal balances	(301,458)	301,458	-	-
Inventories	-	591,375	591,375	158,747
Prepaid expenses	-	-	-	1,432
Interest receivable	21,974	776	22,750	-
Restricted cash and cash equivalents	99,778	461,359	561,137	-
Total current assets	1,672,743	2,821,646	4,494,389	195,911
Non-Current assets:				
Capital assets:				
Land, non-depreciable improvements, and construction in progress	873,907	3,107,993	3,981,900	-
Other capital assets, net of depreciation	2,689,707	7,656,128	10,345,835	56,334
Total capital assets	3,563,614	10,764,121	14,327,735	56,334
Total assets	5,236,357	13,585,767	18,822,124	252,245
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	607,091	380,337	987,428	9,333
OPEB deferrals	38,774	40,380	79,154	-
Total Deferred Outflows of Resources	645,865	420,717	1,066,582	9,333
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	67,119	335,672	402,791	527
Customer deposits	-	104,038	104,038	-
Accrued liabilities	-	-	-	746
Other payables	-	-	-	22,035
Due within one year	88,012	105,310	193,322	-
Total current liabilities	155,131	545,020	700,151	23,308
Long-term liabilities:				
Net pension liability	450,668	286,655	737,323	4,270
Total pension liability	178,613	-	178,613	-
Total OPEB liability	1,447,041	600,117	2,047,158	-
Due in more than one year	845,706	1,704,208	2,549,914	-
Total liabilities	3,077,159	3,136,000	6,213,159	27,578
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid Taxes and Licenses	775	-	775	-
OPEB deferrals	149,514	62,007	211,521	-
Pension deferrals	83,046	1,484	84,530	22
Total deferred inflows of resources	233,335	63,491	296,826	22
<b>NET POSITION</b>				
Net investment in capital assets	2,743,864	9,038,556	11,782,420	56,334
Restricted for:				
Capital Projects	-	-	-	-
Stabilization by State Statute	733,901	-	733,901	-
Streets	63,373	-	63,373	-
Debt service	-	-	-	-
Economic and Physical Development	14,756	-	14,756	-
Working Capital	-	-	-	24,178
Unrestricted	(984,166)	1,768,437	784,271	153,466
Total net position	\$ 2,571,728	\$ 10,806,993	\$ 13,378,721	\$ 233,978

**Town of Red Springs, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

Program Revenues					Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	Red Springs ABC Board
Primary government:								
Governmental Activities:								
General government	\$ 800,886	\$ 325,679	\$ -	\$ -	\$ (475,207)	\$ -	\$ (475,207)	\$ -
Public safety	1,758,687	4,241	1,156,632	-	(597,814)	-	(597,814)	-
Transportation	632,472	-	98,930	-	(533,542)	-	(533,542)	-
Economic and physical development	-	-	50,368	-	50,368	-	50,368	-
Environmental protection	-	11,779	-	-	11,779	-	11,779	-
Cultural and recreation	112,628	13,172	-	-	(99,456)	-	(99,456)	-
Interest on long-term debt	32,346	-	-	-	(32,346)	-	(32,346)	-
Total governmental activities	3,337,019	354,871	1,305,930	-	(1,676,218)	-	(1,676,218)	-
Business-type activities:								
Water and sewer	1,340,586	1,526,010	-	215,677	-	401,101	401,101	-
Electric	4,276,741	4,105,504	-	-	-	(171,237)	(171,237)	-
Sanitation	296,141	353,874	2,355	-	-	60,088	60,088	-
Total business-type activities	5,913,468	5,985,388	2,355	215,677	-	289,952	289,952	-
Total primary government	\$ 9,250,487	\$ 6,340,259	\$ 1,308,285	\$ 215,677	(1,676,218)	289,952	(1,386,266)	-
Component units:								
ABC Board	\$ 814,407	\$ 843,326	\$ -	\$ -	-	-	-	28,919
Total component units	\$ 814,407	\$ 843,326	\$ -	\$ -	-	-	-	28,919
General revenues:								
Taxes:								
Property taxes, levied for general purposes					1,106,391	-	1,106,391	-
Other taxes					92,192	-	92,192	-
Grants and contributions not restricted to specific programs					1,153,374	-	1,153,374	-
Unrestricted investment earnings					8,559	7,962	16,521	-
Miscellaneous					805,629	-	805,629	-
Gain (Loss) on Sale of Assets					107		107	-
Transfers					(45,259)	45,259	-	-
Total general revenues, special items, and transfers:					3,120,993	53,221	3,174,214	-
Change in net position					1,444,775	343,173	1,787,948	28,919
Net position, beginning					1,126,953	10,463,820	11,590,773	205,059
Net position, ending					\$ 2,571,728	\$ 10,806,993	\$ 13,378,721	\$ 233,978

**Town of Red Springs  
Balance Sheet  
Governmental Funds  
June 30, 2019**

	<b>Major Funds</b>		<b>Total Non-Major Funds</b>		<b>Total Governmental Funds</b>
	<b>General</b>				
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,227,311	\$ -		\$ 1,227,311	
Restricted Cash	85,557	14,221		99,778	
Receivables, net:					
Taxes	113,809	-		113,809	
Accounts	5,000	-		5,000	
Due from other funds	343,814	14,557		358,371	
Accrued interest	21,974	-		21,974	
Due from other governments	363,113	196		363,309	
Notes receivable	125,598	-		125,598	
Inventories	-	-		-	
Total assets	<u>\$ 2,286,176</u>	<u>\$ 28,974</u>		<u>\$ 2,315,150</u>	
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 67,119	\$ -		\$ 67,119	
Due to other funds	545,509	114,320		659,829	
Total liabilities	<u>612,628</u>	<u>114,320</u>		<u>726,948</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes receivable	113,809	-		113,809	
Other receivables	125,598	-		125,598	
Prepaid Licenses	775	-		775	
Total deferred inflows of resources	<u>240,182</u>	<u>-</u>		<u>240,182</u>	
<b>Fund balances:</b>					
Restricted:					
State statute	733,901	-		733,901	
Streets	63,373	-		63,373	
Debt service	-	-		-	
Capital reserves	22,185	-		22,185	
Economic and Physical Development	-	14,756		14,756	
Assigned:					
Subsequent year's expenditures	-	-		-	
Unassigned	613,907	(100,102)		513,805	
Total fund balances	<u>1,433,366</u>	<u>(85,346)</u>		<u>1,348,020</u>	
Total liabilities and fund balances	<u>\$ 2,286,176</u>	<u>\$ 28,974</u>		<u>\$ 2,315,150</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,563,614
Net Pension asset (liability)	(450,668)
Total Pension Liability	(178,613)
Deferred outflows related to pensions	419,304
Deferred outflows of resources related to OPEB are not reported in the funds	38,774
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	187,787
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	17,422
Liabilities for earned but deferred revenues in fund statements.	239,407
Pension related deferrals	(83,046)
OPEB related deferrals	(149,514)
OPEB Liability	(1,447,041)
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	<u>(933,718)</u>
Net position of governmental activities	<u>\$ 2,571,728</u>

**Town of Red Springs**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	Major Funds		
	General Fund	Total Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>			
Ad valorem taxes	\$ 1,090,897	\$ -	\$ 1,090,897
Other taxes and licenses	92,192	-	92,192
Unrestricted intergovernmental	1,153,374	-	1,153,374
Restricted intergovernmental	1,255,562	50,368	1,305,930
Permits and fees	30,384	-	30,384
Sales and services	324,487	-	324,487
Investment earnings	8,559	-	8,559
Miscellaneous	805,736	-	805,736
Total revenues	4,761,191	50,368	4,811,559
<b>EXPENDITURES</b>			
Current:			
General government	1,155,180	-	1,155,180
Public safety	1,692,916	-	1,692,916
Transportation	581,946	-	581,946
Economic and physical development	-	149,268	149,268
Environmental protection	-	-	-
Cultural and recreation	119,395	-	119,395
Debt service:			-
Principal	91,424	-	91,424
Interest and other charges	32,346	-	32,346
Total expenditures	3,673,207	149,268	3,822,475
Excess (deficiency) of revenues over expenditures	1,087,984	(98,900)	989,084
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from (to) other funds	(78,259)	33,000	(45,259)
Installment purchase obligations issued	-	-	-
Total other financing sources (uses)	(78,259)	33,000	(45,259)
Net change in fund balance	1,009,725	(65,900)	943,825
Fund balances-beginning	423,641	(19,446)	404,195
Fund balances-ending	\$ 1,433,366	\$ (85,346)	\$ 1,348,020

**Town of Red Springs**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2019**

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

Net changes in fund balances - total governmental funds	\$	943,825
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period		
Capital outlay expenditures which were capitalized	602,563	
Depreciation expense for governmental assets	<u>(173,486)</u>	429,077
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		187,787
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		28,074
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in accrued interest receivable on taxes		3,382
Change in deferred revenue for tax revenues		12,112
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
New long-term debt issued	-	
Principal payments on long-term debt	<u>91,424</u>	91,424
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.		
Town's portion of collective pension expense		(192,859)
Compensated absences		(38,657)
OPEB plan expense		<u>(19,390)</u>
Total changes in net position of governmental activities	<u>\$</u>	<u>1,444,775</u>

**Town of Red Springs**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Annual Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2019**

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,176,000	\$ 1,176,000	\$ 1,090,897	\$ (85,103)
Other taxes and licenses	95,250	95,250	92,192	(3,058)
Unrestricted intergovernmental	962,060	995,760	1,153,374	157,614
Restricted intergovernmental	330,150	291,000	1,255,562	964,562
Permits and fees	46,500	46,500	30,384	(16,116)
Sales and services	468,701	481,083	324,487	(156,596)
Investment earnings	1,000	1,150	8,559	7,409
Miscellaneous	62,563	683,839	805,736	121,897
Total revenues	3,142,224	3,770,582	4,761,191	990,609
Expenditures:				
Current:				
General government	977,204	1,307,305	1,155,180	152,125
Public safety	1,541,553	1,877,824	1,692,916	184,908
Transportation	713,983	665,767	581,946	83,821
Cultural and recreation	190,417	198,217	119,395	78,822
Debt service:				
Principal retirement	81,107	81,107	91,424	(10,317)
Interest and other charges	33,960	33,960	32,346	1,614
Total expenditures	3,538,224	4,164,180	3,673,207	490,973
Revenues over (under) expenditures	(396,000)	(393,598)	1,087,984	1,481,582
Other financing sources (uses):				
Transfers from other funds	-	-	9,345	9,345
Transfers to other funds		(54,511)	(87,604)	(33,093)
Fund Balance Appropriated	-	52,109	-	(52,109)
Loan Proceeds	396,000	396,000	-	(396,000)
Total other financing sources (uses)	396,000	393,598	(78,259)	(471,857)
Net Change in Fund Balance	\$ -	\$ -	1,009,725	\$ 1,009,725
Fund balances, beginning of year			423,641	
Fund balances, end of year			\$ 1,433,366	

**Town of Red Springs  
Statement of Net Position  
Proprietary Funds  
June 30, 2019**

	<b>Major</b>		<b>Sanitation</b>	
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 211,064	\$ 150,333	\$ 83,943	\$ 445,340
Restricted cash and cash equivalents	418,288	21,753	21,318	461,359
Accounts receivable, net - billed	119,256	53,703	29,125	202,084
Accounts receivable, net - unbilled	508,992	176,669	43,213	728,874
Due from other governments	22,822	64,215	3,343	90,380
Due from other funds	320,546	280,410	-	600,956
Inventories	343,513	247,862	-	591,375
Prepaid	776	-	-	776
Total current assets	<u>1,945,257</u>	<u>994,945</u>	<u>180,942</u>	<u>3,121,144</u>
Non-current assets:				
Capital assets:				
Land and construction in progress	446,884	2,661,109	-	3,107,993
Other capital assets, net of depreciation	315,308	7,316,392	24,428	7,656,128
Total capital assets	<u>762,192</u>	<u>9,977,501</u>	<u>24,428</u>	<u>10,764,121</u>
Total assets	<u>2,707,449</u>	<u>10,972,446</u>	<u>205,370</u>	<u>13,885,265</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	142,142	173,105	65,090	380,337
OPEB deferrals	21,009	11,177	8,194	40,380
Total Deferred Outflows of Resources	<u>163,151</u>	<u>184,282</u>	<u>73,284</u>	<u>420,717</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	293,191	41,692	789	335,672
Due to other funds	7,080	286,203	6,215	299,498
Customer deposits	101,273	2,765	-	104,038
Bonds and notes payable	34,030	71,280	-	105,310
Total current liabilities	<u>435,574</u>	<u>401,940</u>	<u>7,004</u>	<u>844,518</u>
Noncurrent liabilities:				
Compensated absences	29,889	34,322	19,742	83,953
Net Pension Liability	107,131	130,467	49,057	286,655
Total OPEB liability	218,166	283,696	98,255	600,117
Bonds and notes payable	347,053	1,273,202	-	1,620,255
Total noncurrent liabilities	<u>702,239</u>	<u>1,721,687</u>	<u>167,054</u>	<u>2,590,980</u>
Total liabilities	<u>1,137,813</u>	<u>2,123,627</u>	<u>174,058</u>	<u>3,435,498</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	555	675	254	1,484
OPEB deferrals	22,542	29,313	10,152	62,007
Total Deferred Inflows of Resources	<u>23,097</u>	<u>29,988</u>	<u>10,406</u>	<u>63,491</u>
<b>NET POSITION</b>				
Net Investment in capital assets	381,109	8,633,019	24,428	9,038,556
Unrestricted	1,328,581	370,094	69,762	1,768,437
Total net position	<u>\$ 1,709,690</u>	<u>\$ 9,003,113</u>	<u>\$ 94,190</u>	<u>\$ 10,806,993</u>



**Town of Red Springs**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

	<b>Major</b>			
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,088,293	\$ 1,261,762	\$ 353,874	\$ 5,703,929
Water and sewer taps	-	5,300	-	5,300
Other operating revenues	17,211	258,949	-	276,160
Total operating revenues	<u>4,105,504</u>	<u>1,526,010</u>	<u>353,874</u>	<u>5,985,388</u>
<b>OPERATING EXPENSES</b>				
Electric operations	1,354,538	-	-	1,354,538
Electric power purchases	2,857,226	-	-	2,857,226
Water treatment and distribution	-	497,157	-	497,157
Waste collection and treatment	-	490,730	-	490,730
Environmental Protection	-	-	269,091	269,091
Depreciation	56,205	311,967	26,734	394,906
Total operating expenses	<u>4,267,969</u>	<u>1,299,854</u>	<u>295,825</u>	<u>5,863,648</u>
Operating income (loss)	<u>(162,465)</u>	<u>226,156</u>	<u>58,049</u>	<u>121,740</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	7,116	161	685	7,962
Miscellaneous	-	-	-	-
Solid Waste Disposal Tax	-	-	2,355	2,355
Sales Tax Refund	-	-	-	-
Interest and other charges	(8,772)	(40,732)	(316)	(49,820)
Total nonoperating revenues (expenses)	<u>(1,656)</u>	<u>(40,571)</u>	<u>2,724</u>	<u>(39,503)</u>
Income (loss) before contributions and transfers	(164,121)	185,585	60,773	82,237
Capital contributions	-	215,677	-	215,677
Transfers from other funds	-	54,604	-	54,604
Transfers to other funds	<u>(9,345)</u>	<u>-</u>	<u>-</u>	<u>(9,345)</u>
Change in net position	(173,466)	455,866	60,773	343,173
Total net position, beginning	<u>1,883,156</u>	<u>8,547,247</u>	<u>33,417</u>	<u>10,463,820</u>
Total net position, ending	<u>\$ 1,709,690</u>	<u>\$ 9,003,113</u>	<u>\$ 94,190</u>	<u>\$ 10,806,993</u>

**Town of Red Springs**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2019**

	<b>Major</b>		<b>Non-Major</b>	
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 3,954,754	\$ 1,194,723	\$ 326,281	\$ 5,475,758
Cash paid for goods and services	(3,789,643)	(392,794)	(94,923)	(4,277,360)
Cash paid to or on behalf of employees for services	(388,119)	(597,214)	(171,150)	(1,156,483)
Customer deposits received (returned)	(1,435)	(270)	-	(1,705)
Other operating revenues	17,211	258,949	-	276,160
Net cash provided (used) by operating activities	(207,232)	463,393	60,208	316,369
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Due to / (from) other funds	(36,243)	(10,539)	(6,943)	(53,725)
Transfers (to) / from other funds	(9,345)	54,604	-	45,259
Net cash provided (used) by noncapital financing activities	(45,588)	44,065	(6,943)	(8,466)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(69,885)	(874,568)	-	(944,453)
Principal paid on bond maturities and equipment contracts	(33,139)	(66,788)	-	(99,927)
Interest paid on bond maturities and equipment contracts	(8,772)	(40,732)	(316)	(49,820)
Miscellaneous income	-	-	2,355	2,355
Capital contributions	-	586,639	-	586,639
Loan Proceeds	42,749	37,999	-	-
Net cash provided (used) by capital and related financing activities	(69,047)	(357,450)	2,039	(505,206)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	7,116	161	685	7,962
Net increase (decrease) in cash and cash equivalents	(314,751)	150,170	55,989	(108,592)
Cash and cash equivalents, beginning	944,103	21,915	49,272	1,015,290
Cash and cash equivalents, ending	\$ 629,352	\$ 172,085	\$ 105,261	\$ 906,698
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (162,465)	\$ 226,156	\$ 58,049	\$ 121,740
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	56,205	311,967	26,734	394,906
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(133,539)	(72,339)	(27,593)	(233,471)
Due from other governments	(16,962)	(20,259)	(1,494)	(38,715)
Inventories	42,882	(9,908)	-	32,974
Prepaid Expenses	(776)	-	-	(776)
Deferred outflows of resources for pensions	(37,911)	(46,169)	(17,361)	(101,441)
Deferred outflows of resources-OPEB	(15,929)	(842)	(8,194)	(24,965)
Increase (decrease) in:				
Accounts payable and accrued liabilities	17,784	31,670	4,337	53,791
Net Pension Liability	40,694	49,558	18,634	108,886
Deferred inflows of resources for pensions	(1,326)	(1,615)	(607)	(3,548)
Deferred inflows of resources-OPEB	3,387	4,405	1,525	9,317
Customer deposits	(1,435)	(270)	-	(1,705)
Net OPEB liability	(5,213)	(6,778)	(2,348)	(14,339)
Compensated absences	7,372	(2,182)	8,526	13,716
Total adjustments	(44,767)	237,238	2,159	194,630
Net cash provided by operating activities	\$ (207,232)	\$ 463,394	\$ 60,208	\$ 316,370

Town of Red Springs, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Red Springs and its discretely presented component unit 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 Red Springs is a municipal corporation that is governed by an elected mayor and a six-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Red Springs ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Red Springs, 217 South Main Street, Red Springs, NC 28384.

B. Basis of Presentation

*Government-wide Statements* : The statement of net position and the statement of activities display information about the primary government and its component unit. 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. Nonoperating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental funds:

**Special Revenue Fund – North Carolina Step Planning Investment Phase Project.** This fund is used to account for grant funds that are restricted for use for a particular purpose.

**Special Revenue Fund – Farmers Market Rural Development Grant.** This fund is used to account for grant funds that are restricted for use for a particular purpose.

**Capital Project Fund – Farmers Market Phase II Grant.** This fund is used to account for grant funds that are restricted for use for a particular purpose.

The Town reports the following major enterprise funds:

**Electric Fund.** This fund is used to account for the Town's electric fund operations.

**Water and Sewer Fund.** This fund is used to account for the Town's water and sewer operations.

The Town reports the following non-major enterprise funds:

**Sanitation Fund.** This fund is used to account for the Town's garbage collections 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. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

#### 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 Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Project Special Revenue Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. 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 object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

##### 1. Deposits and Investments

All deposits of the Town and of the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board 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 and the ABC Board 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 and the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. The NCCMT Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

In accordance with State law, the City has invested in securities which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

##### 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. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

### 3. Restricted Assets

Balances of cash received for projects from various grantor agencies or from loan proceeds that are unspent at year end are presented as restricted cash.

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

Restricted Cash	
Governmental Activities	
General Fund	
Streets	\$ 63,373
Debt Service	-
Capital Reserves	22,184
Special Revenue Funds	14,221
Total Governmental Activities	<u>99,778</u>
Business-Type Activities	
Electric Fund	
Customer Deposits	101,273
Capital Reserves	317,015
Water/Sewer Fund	
Customer Deposits	2,765
Capital Reserves/Grants	18,988
Sanitation Fund	
Capital Reserves	21,318
Total Business-Type Activities	<u>\$ 461,359</u>
Total Restricted Cash	<u>\$ 561,137</u>

### 4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

### 5. Allowances 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.

## 6. Inventory and Prepaid Items

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased, with the exception of postage purchased.

The inventories of the Town's enterprise funds and those of the Town of Red Spring ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when held for resale rather than when purchased.

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

## 7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated life in excess of two years. The Town's capitalization policy is to capitalize any regular asset purchase of \$2,000 or more, effective June 2005. Prior to this date, the Town's capitalization policy was \$250. The Town's capitalization policy is to capitalize any infrastructure of \$5,000 or more, effective June 2005. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture & Equipment	10
Computer Equipment	3

Property, plant and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	15-25 yrs.
Parking Lot Improvements	20 yrs.
Equipment	5-10 yrs.

## 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 one item that meets this criterion; contributions made to the pension plan in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has five items that meet the criterion for this category - prepaid license, property taxes receivable, other receivables, deferrals of pension expense that result from the implementation of GASB Statements 68, and deferrals of OPEB expense that result from the implementation of GASB 75.

## 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## 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. The ABC Board allows a maximum of ten days earned vacation leave per year. The leave is considered earned at the beginning of the year, but does not accumulate from year to year. For the Town's government-wide, proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded within the funds 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. The ABC Board provides for an accumulation of up to thirty days per employee. 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 neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave 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.

Inventories - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not spendable resources.



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

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

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

Restricted for Debt Service - portion of fund balance that is restricted for debt service.

Restricted for Public Safety - portion of fund balance that is restricted for public safety.

Restricted for Capital Reserves - portion of fund balance that is restricted for capital projects.

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

Assigned Fund Balance - portion of fund balance that the Town of Red Springs' intends to use for specific purposes.

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

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

## 12. Pensions

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

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## II. Stewardship, Compliance, and Accountability

### Noncompliance with North Carolina General Statutes

#### Deficit Fund Balance or Net Position of Individual Funds

The Town presented a deficit fund balance in the Farmers Market Rural Development Grant Fund in the amount of \$34,202 and the Farmers Market Phase II Project in the amount of \$65,900. These were grant funded projects, and expenditures exceeded reimbursement request for these funds. The Town provided resources to cover the expenditures until the reimbursements are received. The Town will review this grant program to determine what steps are necessary to correct the negative fund balance.

#### Expenditures Exceeding Appropriations

The Town made the following nonbudgeted transfers:

From the General Fund to the Water/Sewer Fund	\$	34,604
From the Electric Fund to the General Fund		9,345

These nonbudgeted expenditures were as a result of incorrect postings in the general ledger. The budget as a whole was not overspent as a result of these nonbudgeted transfers, but the budget was not amended to reflect the reclassifications. The Town experienced significant turnover, so this was an oversight.

## III. Detail Notes on All Funds

### A. Assets

#### 1. Deposits

All the deposits of the Town and the ABC Board 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 or the ABC Board'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 and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board'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, the ABC Board or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town and the ABC Board have 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, 2019, the Town's deposits had a carrying amount of \$1,794,390 and a bank balance of \$1,940,966. Of the bank balance, \$429,099 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$34,777 and the bank balance was \$118,549. The ABC Board had \$955 cash on hand. All of the bank balance was covered by federal depository insurance. At June 30, 2019, the Town's petty cash fund totaled \$50.

#### 2. Investments

At June 30, 2019, The Town of Red Springs had \$439,398 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk. The ABC Board has no such investments.

### 3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Statement of Net Position are net of the following allowance for doubtful accounts:

<u>Fund</u>	<u>6/30/19</u>
General Fund:	
Taxes Receivable	\$ 283,003
Total	<u>\$ 283,003</u>
Enterprise Fund:	
Water	\$ 213,135
Sanitation	56,735
Electric	538,257
Total Accounts Receivable	<u>\$ 808,127</u>

### 4. Capital Assets

#### **Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2019 was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending</u> <u>Balances</u>
<b>Governmental activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 724,639	\$ -	\$ -	\$ -	\$ 724,639
Construction in Progress	-	149,268	-	-	149,268
Total capital assets not being depreciated	<u>724,639</u>	<u>149,268</u>	<u>-</u>	<u>-</u>	<u>873,907</u>
<b>Capital assets being depreciated:</b>					
Buildings	2,359,580	405,145	-	-	2,764,725
Equipment	815,557	20,662	-	-	836,219
Vehicles and motorized equipment	2,702,184	27,488	-	-	2,729,672
Total capital assets being depreciated	<u>5,877,321</u>	<u>453,295</u>	<u>-</u>	<u>-</u>	<u>6,330,616</u>
<b>Less accumulated depreciation for:</b>					
Buildings	795,407	50,732	-	-	846,139
Equipment	663,247	24,376	-	-	687,623
Vehicles and motorized equipment	2,008,769	98,378	-	-	2,107,147
Total accumulated depreciation	<u>3,467,423</u>	<u>\$ 173,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,640,909</u>
Total capital assets being depreciated, net	<u>2,409,898</u>				<u>2,689,707</u>
Governmental activity capital assets, net	<u>\$ 3,134,537</u>				<u>\$ 3,563,614</u>

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

General government	\$ 53,464
Public safety	46,169
Transportation	70,986
Cultural and Recreational	2,867
	<u>\$ 173,486</u>

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending</u> <u>Balances</u>
<b>Business-type activities:</b>					
<b>Electric Fund</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in Progress	404,134	42,750	-	-	446,884
Total capital assets not being depreciated	404,134	42,750	-	-	446,884
<b>Capital assets being depreciated:</b>					
Substations, lines, and related equipment	3,872,894	27,135	-	-	3,900,029
Furniture and maintenance equipment	229,423	-	-	-	229,423
Vehicles	359,226	-	-	-	359,226
Total capital assets being depreciated	4,461,543	27,135	-	-	4,488,678
<b>Less accumulated depreciation for:</b>					
Substations, lines, and related equipment	3,630,499	38,753	-	-	3,669,252
Furniture and maintenance equipment	207,649	4,411	-	-	212,060
Vehicles	279,016	13,042	-	-	292,058
Total accumulated depreciation	4,117,164	\$ 56,206	\$ -	\$ -	4,173,370
Total capital assets being depreciated, net	344,379				315,308
Electric fund capital assets, net	<u>\$ 748,513</u>				<u>\$ 762,192</u>
<b>Water and Sewer Fund</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 120,034	\$ -	\$ -	\$ -	\$ 120,034
Construction in progress	2,980,429	798,016	1,237,370	-	2,541,075
Total capital assets not being depreciated	3,100,463	798,016	1,237,370	-	2,661,109
<b>Capital assets being depreciated:</b>					
Plant and distribution systems	15,015,502	1,313,922	-	-	16,329,424
Furniture and maintenance equipment	523,042	-	-	-	523,042
Vehicles	148,948	-	-	-	148,948
Total capital assets being depreciated	15,687,492	1,313,922	-	-	17,001,414
<b>Less accumulated depreciation for:</b>					
Plant and distribution systems	8,874,277	282,548	-	-	9,156,825
Furniture and maintenance equipment	353,841	11,782	-	-	365,623
Vehicles	144,937	17,637	-	-	162,574
Total accumulated depreciation	9,373,055	\$ 311,967	\$ -	\$ -	9,685,022
Total capital assets being depreciated, net	6,314,437				7,316,392
Water and Sewer fund capital assets, net	<u>\$ 9,414,900</u>				<u>\$ 9,977,501</u>
<b>Sanitation Fund</b>					
<b>Capital assets being depreciated:</b>					
Furniture and maintenance equipment	\$ 944	\$ -	\$ -	\$ -	\$ 944
Vehicles	159,850	-	-	-	159,850
Total capital assets being depreciated	160,794	-	-	-	160,794
<b>Less accumulated depreciation for:</b>					
Furniture and maintenance equipment	846	92	-	-	938
Vehicles	108,786	26,642	-	-	135,428
Total accumulated depreciation	109,632	\$ 26,734	\$ -	\$ -	136,366
Total capital assets being depreciated, net	51,162				24,428
Sanitation fund capital assets, net	<u>\$ 77,967</u>				<u>\$ 24,428</u>
Business-type activities capital assets, net	<u>\$ 10,241,380</u>				<u>\$ 10,764,121</u>

**Construction commitments**

The government has an active construction projects as of June 30, 2019. Remaining commitments with contractors are as follows:

<u>Project</u>	<u>Spent to date</u>	<u>Remaining Commitment</u>
CDBG Water Infrastructure	\$ 1,970,468	\$ 54,532

**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2019, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Land	\$ 6,422	\$ -	\$ -	\$ 6,422
Buildings and improvements	135,344		-	135,344
Parking lot improvements	8,512		-	8,512
Equipment	120,327	4,740	-	125,067
Total capital assets being depreciated:	<u>270,605</u>	<u>4,740</u>	<u>-</u>	<u>275,345</u>
Less accumulated depreciation for:				
Buildings and improvements	109,812	900	-	110,712
Parking lot improvements	6,173	500	-	6,673
Equipment	99,126	2,500	-	101,626
Total accumulated depreciation	<u>215,111</u>	<u>\$ 3,900</u>	<u>\$ -</u>	<u>219,011</u>
ABC capital assets, net	<u>\$ 55,494</u>			<u>\$ 56,334</u>

## B. Liabilities

### 1. Pension Plan Obligations

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

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

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Red Springs employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Red Springs contractually required contribution rate for the year ended June 30, 2018, was 15.09% of compensation for law enforcement officers and 14.45% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Red Springs were \$307,233 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$737,324 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.03108%, which was a decrease of 0.00115% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$317,260. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 113,752	\$ 3,817
Changes of assumptions	195,657	-
Net difference between projected and actual earnings on pension plan investments	101,213	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	260,432	-
Town contributions subsequent to the measurement date	307,233	-
Total	<u>\$ 978,287</u>	<u>\$ 3,817</u>

\$307,233 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2019	\$ 294,843
2020	204,315
2021	78,657
2022	89,422
2023	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income expectations of forward yields projected and interpolated for multiple tenor and over multiple year horizons. global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates for each major asset class as of June 30, 2019 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real</b>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate* . The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate*. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 1,771,116	\$ 737,324	\$ (126,529)

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



b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Red Springs administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more year of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	13
Total	<u>14</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. Benefits are recognized when due and payable in accordance with the terms of the plan.

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

*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. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based in the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. *Contributions.*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the 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.

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

At June 30, 2019, the Town reported a total pension liability of \$178,613. The total pension liability was measured as of December 31, 2018 based on December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension revenue of \$1,057.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,429	\$ 73,561
Changes of assumptions	6,712	7,152
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 9,141</u>	<u>\$ 80,713</u>

There were no deferred outflows of resources related to pensions resulting from no benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized as follows:

Year ended June 30:	
2020	\$ (16,403)
2021	(16,403)
2022	(16,403)
2023	(16,211)
2024	(6,152)
Thereafter	-

\$0 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 188,778	\$ 178,613	\$ 169,001

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

	2019
Beginning balance	\$ 165,127
Service Cost	11,964
Interest on the total pension liability	5,189
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	2,950
Changes of assumptions or other inputs	(4,810)
Benefit payments	(1,807)
Other changes	-
Ending balance of the total pension liability	<u>\$ 178,613</u>

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	<u><b>LGERS</b></u>	<u><b>LEOSSA</b></u>	<u><b>Total</b></u>
Pension Expense	\$ 317,260	\$ (1,057)	\$ 316,203
Pension Liability	737,324	178,613	915,937
Proportionate share of the net pension liability	0.03108%	N/A	
<b>Deferred of Outflows of Resources</b>			
Difference between expected and actual experience	113,752	2,429	116,181
Change in assumptions	195,657	6,712	202,369
Net difference between projected and actual earnings on plan investments	101,213	-	101,213
Changes in proportion and differences between contributions and proportionate share of contributions	260,432	-	260,432
Benefit payments administrative costs paid subsequent to measurement date	307,233	-	307,233
<b>Deferred of Inflows of Resources</b>			
Difference between expected and actual experience	3,817	73,561	77,378
Change in assumptions	-	7,152	7,152
Net difference between projected and actual earnings	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments administrative costs paid subsequent to measurement date	-	-	-

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

*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, 2019 were \$49,904, which consisted of \$33,019 from the Town and \$16,885 from the law enforcement officers. No amounts were forfeited.

**d. Supplemental Retirement Income Plan for Employees not Engaged in Law Enforcement**

*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 Town employees not engaged in law enforcement. 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 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 Employees not Engaged in Law Enforcement. 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.* The Town's employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$56,787, which consisted of \$30,040 from employees, and \$26,747 from the Town.

c. Other Postemployment Benefits

Healthcare Benefits

*Plan Description.* Under the terms of a Town resolution, the Town's policy provides that retirees may participate in the Town's healthcare plan upon retirement, provided they meet the requirements of North Carolina Local Governmental Employees' Retirement System (System) and are age 55 or older. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

*Benefits Provided.* Employees hired on or before July 12, 2012, who retire under the North Carolina Local Governmental Employees' Retirement System (NCLGERS) with five consecutive years of creditable service and have attained age 55, who are actively employed with the Town at the time of retirement are eligible to remain on the Town's group plans for the remainder of their life. Employees hired after July 12, 2012 who have attained age 55 or have worked a minimum of 30 years with the Town can remain on the Town's group plans.

Employees hired before July 12, 2012, The Town will contribute to the cost of retiree insurance premiums based on the years of service with the Town using the following schedule:

<u>Years of Service at Retirement</u>	<u>Town Contribution</u>
30 or more	100%
25 - 29	75%
20 - 24	50%
0-23	0%

When the retiree becomes eligible for Medicare, coverage in the Town's group medical plan ceases. Retirees must select an individual Medicare Supplement and Part D prescription drug plan. The Town will reimburse the retiree based on the same percentages above. Employees hired after July 12, 2012 can stay on the Town's group plans at the cost of the retiree.

Membership of the HCB Plan consisted of the following at December 31, 2018, the date of the latest actuarial valuation:

	<u>Employees</u>
Retirees and dependents receiving benefits	12
Terminated plan members entitled to but not year receiving	0
Active plan members	48
Total	<u>60</u>

**Total OPEB Liability**

The Town's total OPEB liability of \$2,047,158 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real Wage Growth	1.00 percent
Wage inflation	3.50 percent
Salary Increases	
General Employees	3.50% - 7.75%, average, including
Law Enforcement Officers	3.50% - 7.35%, average, including inflation
Discount Rate	
Prior Measurement Date	3.56 percent
Measurement Date	3.89 percent
Healthcare cost trend rates	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2020

## Changes in the OPEB Liability

	<b>Total OPEB Liability</b>
<b>Balance at June 30, 2018</b>	\$ 2,096,074
<b>Changes for the year</b>	
Service Costs	41,702
Interest	73,347
Changes of benefit terms	-
Differences between expected and actual experience	19,682
Changes in assumptions or other inputs	(111,514)
Benefit payments	(72,133)
<b>Net changes</b>	<b>(48,916)</b>
<b>Total OPEB Liability as of June 30, 2019</b>	<b>\$ 2,047,158</b>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-point-percentage higher (4.89 percent) than the current discount rate.

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
<b>Total OPEB Liability</b>	\$ 2,413,802	\$ 2,047,158	\$ 1,756,518

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the Town, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
<b>Total OPEB liability</b>	\$ 1,726,972	\$ 2,047,158	\$ 2,455,249

## OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Town recognized OPEB expense of \$25,346. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,137	\$ 16,074
Changes of assumptions	-	195,447
Benefit payments and administrative costs made subsequent to the measurement date	64,016	-
<b>Total</b>	<b>\$ 79,153</b>	<b>\$ 211,521</b>

\$64,016 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

### Year ended June 30:

2019	\$ (75,184)
2020	(75,184)
2021	(39,020)
2022	(6,996)
2023	-
Thereafter	-

#### f. Other Employment Benefit

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental 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 from 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.

#### 2. Deferred Outflows and Inflows of Resources

Deferred Outflows of resources at year end is comprised of the following:

Contributions to the pension plan in current fiscal year	\$	307,233
Benefit payments made and administrative expenses for LEOSSA		-
Benefit payments and administrative expenses for OPEB made subsequent to measurement date		64,016
Difference between expected and actual experience		131,318
Changes of assumptions		202,369
Net difference between projected and actual		101,213
Changes in proportion and differences between Town contributions and proportionate share of contributions		260,432
Total deferred outflows	\$	<u>1,066,581</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 113,809
Other Receivables (General Fund)	-	125,598
Prepaid License	775	775
Difference between expected and actual experience	93,452	-
Changes of assumptions	202,599	-
Total deferred inflows	\$ <u>296,826</u>	\$ <u>240,182</u>

#### 3. 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 a self-funded risk-financing pool administered by the North Carolina League of Municipalities. These pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, police professionals liability and public officials liability in excess of \$1,000,000; property in excess of \$500,000 and \$1,000,000 up to statutory limits, for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial coverage 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 fiscal years.

The Town does not have any flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$75,000 and tax collector is individually bonded for \$10,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

The Town of Red Springs ABC Board 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 ABC Board has commercial property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability. 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 fiscal years.

#### 4. Claims, Judgments and Contingent Liabilities

At June 30, 2019, there were no outstanding suits against the Town. The Town attorney also stated they were not aware of any unasserted claims or assessments that must be disclosed.

#### 5. Long-Term Obligations

##### a. Installment Purchases

##### Governmental Activities:

The Town has a direct placement note payable to Lumbee River EMC for the purchase of Chavis/Locklear Park. The balance on the note at June 30, 2019 was \$21,084 to be paid in monthly installments of \$458, including interest at 0.00%. The land is listed as collateral.

The Town has a direct placement note payable to Branch Banking & Trust Company for the purchase of a street sweeper. The balance on the note at June 30, 2019 was \$153,348 to be paid in quarterly installments of \$7,836, including interest at 2.60%. The street sweeper is listed as collateral.

The Town has a direct placement note payable (\$25,000 - \$15,500 serviced by the General Fund) to Lumbee River EMC for the purchase of radio equipment. The balance on the note at June 30, 2019 was \$7,548 to be paid in monthly installments of \$219, including interest at 1.00%. The equipment is listed as collateral.

The Town had a direct placement note payable to Branch Banking & Trust Company for the purchase of a police vehicle. The balance on the note at June 30, 2019 was \$0.00. The vehicles are pledged as collateral.

The Town has a direct placement note payable to USDA for the construction of a building. The balance on the loan at June 30, 2019 was \$91,362 to be paid in annual installments of \$9,345, including interest at 4.625%. The building is pledged as collateral.

The Town has a direct placement note payable to USDA for the construction of a community center. The balance on the loan at June 30, 2019 was \$83,406 to be paid in annual installments of \$7,152, including interest at 4.25%. The property is listed as collateral.

The Town has a direct placement note payable to USDA for the construction of a community center. The balance on the loan at June 30, 2019 was \$51,058 to be paid in annual installments of \$4,292, including interest at 4.25%. The property is pledged as collateral.

The Town has a direct placement note payable to USDA for the construction of a community center. The balance on the loan at June 30, 2019 was \$69,213 to be paid in annual installments of \$6,020, including interest at 4.25%. The property is pledged as collateral.

The Town has a direct placement note payable to Southern Bank & Trust for the purchase of a building. The balance of the note at June 30, 2019 was \$128,974 to be paid in monthly installments of \$3,218, including interest at 6.06%. The building is listed as collateral.

The Town has a direct placement note payable to USDA for the installation of an elevator. The balance on the loan at June 30, 2019 was \$34,383 to be paid in annual installments of \$5,506, including interest at 4.125%. The elevator is pledged as collateral.

The Town has a direct placement note payable to USDA for the purchase of a fire truck. The balance on the loan at June 30, 2019 of \$179,374 to be paid in annual installments of \$15,114, including interest at 3.75%. The equipment is pledged as collateral.

Serviced by Enterprise Funds:

The Town has a direct placement note payable (\$25,000 - \$9,500 serviced by the Water Fund) to Lumbee River EMC for the purchase of radio equipment. The balance on the note at June 30, 2019 was \$4,639 to be paid in monthly installments of \$219, including interest at 1.00%. The equipment is listed as collateral.

The Town has an Electric Fund/Water Sewer Fund meter capital project loan to Branch Banking & Trust Company. The loan is a drawdown loan and was approved for \$850,000. The balance on the loan at June 30, 2019 was \$716,437. The loan is to be paid in annual installments of \$83,820, including interest of 2.69%.

In the event of a default the outstanding principal and interest may a) declared immediately due and payable; b) proceed by appropriate court action to enforce performance; and c) avail itself of all available remedies in the agreement.

Annual debt service payments of the installment purchase agreements as of June 30, 2019, including interest, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 88,012	\$ 29,587	\$ 105,310	\$ 47,436
2021	82,284	26,756	102,400	45,156
2022	84,169	24,057	105,176	42,943
2023	85,204	21,292	106,999	40,638
2024	82,641	18,460	109,871	38,285
2025-2029	192,826	61,906	495,493	153,345
2030-2034	166,099	27,769	269,316	105,481
2035-2039	38,515	1,886	105,000	85,531
2040-2044	-	-	130,000	60,375
Total	\$ 819,750	\$ 211,713	\$ 1,529,565	\$ 619,190

b. General Obligation Indebtedness

At June 30, 2019, the Town did not have any general obligation debt outstanding.

At June 30, 2019, the Town of Red Springs had a legal debt margin of \$13,143,801.

c. Revolving Loans

In August 2012, the Town was approved for a direct borrowing \$358,533 State Revolving Loan. The term of the loan is schedule for 20 years, with annual principal payments of \$17,165 due May 1st of each year. As of June 30, 2019, the Town had drawn a total of \$240,307. \$ 240,307

In August 2012, the Town was approved for a direct borrowing \$429,630 State Revolving Loan, which would include \$214,815 of principal forgiveness. The term of the loan is schedule for 20 years, with annual principal payments of \$10,741 due May 1st of each year. As of June 30, 2019, the Town had drawn a total of \$129,812. 129,182

Total Revolving Loans \$ 369,489

Current annual debt service requirements to maturity for the revolving loan is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>
2020	\$ 26,392
2021	26,392
2022	26,392
2023	26,392
2024	26,392
2025-2029	131,960
2030-2034	105,569
Total	\$ 369,489



d. Revenue Bond

\$694,000 Water and Sewer Revenue Bonds, Series 2012, issued to help finance wastewater treatment plant improvements. Principal installments are due annually on June 1, at an annual interest rate of 4.375 percent.

The future payments of the revenue bond for the years ending June 30, 2019 are as follows:

Year Ending June 30	Principal	Interest
2020	\$ 10,000	\$ 27,781
2021	10,000	27,344
2022	11,000	26,906
2023	11,000	26,425
2024	12,000	25,944
2025-2029	67,000	121,538
2030-2034	83,000	105,481
2035-2039	105,000	85,531
2040-2044	130,000	60,375
2045-2049	160,000	29,575
2050-2054	36,000	1,575
Total	<u>\$ 635,000</u>	<u>\$ 538,475</u>

The Town has been in compliance with the covenants as to rates, fees, rentals and charges in Section 3.04 of the Bond Order, authorizing the issue of the Water and Sewer Revenue Bonds, Series 2011, since its adoption in 2011. Section 3.04 of the Bond Order requires the debt service coverage ratio to be no less than 110%.

Operating revenues	\$ 1,526,010
Operating expenses*	<u>987,887</u>
Operating income	538,123
Nonoperating revenues (expenses)**	<u>161</u>
Income available for debt service	538,284
Debt service, principal and interest paid (Revenue bond only)	\$ 38,219
Debt service coverage ratio	1408.43%

\*Per rate covenants, this does not include the depreciation expense of \$311,967.

\*\*Per rate covenants, this does not include revenue bond interest paid of \$28,219.

e. Changes in Long-Term Liabilities

	Balance				Balance		Current Portion
	July 1, 2018	Increases	Adjustments	Decreases	June 30, 2019		of Balance
Governmental activities:							
Direct Placements							
Installment purchases/	\$ 911,174	\$ -	\$ -	\$ 91,424	\$ 819,750	\$ 88,012	
Compensated absences	75,311	38,657	-	-	113,968	-	
Net Pension Liability							
(LGRS)	279,479	171,189	-	-	450,668	-	
Total Pension Liability							
(LEO)	165,127	13,486	-	-	178,613	-	
Net OPEB Liability	1,481,618	-	-	34,577	1,447,041	-	
Governmental activity long-							
term liabilities	\$ 2,912,709	\$ 223,332	\$ -	\$ 126,001	\$ 3,010,040	\$ 88,012	
Business-type activities:							
Direct Placement							
Installment purchases -	\$ 332,390	\$ 37,999	\$ -	\$ 30,396	\$ 339,993	\$ 34,888	
Direct Borrowing							
Revolving Loan Fund	395,881	-	-	26,392	369,489	26,392	
Direct Placement							
Installment purchases -	371,473	42,749	-	33,139	381,083	34,030	
Revenue Bonds	645,000	-	-	10,000	635,000	10,000	
Net Pension Liability	177,769	108,886	-	-	286,655	-	
Compensated absences	70,237	15,898	-	2,182	83,953	-	
Net OPEB Liability	614,456	-	-	14,339	600,117	-	
Business-type activity long-							
term liabilities	\$ 2,607,206	\$ 205,532	\$ -	\$ 116,448	\$ 2,696,291	\$ 105,310	

Compensated absences typically have been liquidated in the general fund.

C. Interfund Balances and Activity

Balances Due to/from Other Funds

Balances due to/from other funds at June 30, 2019, consist of the following:

Water and Sewer Fund	\$ (5,793)
Electric Fund	313,466
Sanitation Fund	(6,215)
Special Revenue Funds	(99,763)
General Fund	(201,695)
Total	\$ -

The balances exist because of loans between funds to fund operations. We have mentioned in the findings and letter to governance concerning the importance of analyzing and adjusting these balances as necessary.

#### Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2019, consist of the following:

From the General Fund to the Water/Sewer Fund to transfer NCCMT reserve accounts from closed projects .	\$ 34,604
From the Electric Fund to the General Fund for debt payment and restriction of cash for debt service.	9,345
From the General Fund to the Farmer's Market Project Fund to provide resources for the project.	33,000
From the General Fund to the Water Treatment Plant Project Fund to provide resources for the project.	20,000
From the Water Fund to the Water Treatment Plant Project Fund to provide resources for the project.	200,000
Total Transfers	<u>\$ 296,949</u>

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.

#### Fund Balance

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

Total Fund Balance - General Fund	\$ 1,433,366
Stabilization by State Statute	733,901
Streets - Powell Bill	63,373
Debt Service	-
Capital Projects and Grants	22,185
Appropriated Fund Balance in 2020 Budget	-
Remaining Fund Balance	<u>\$ 613,907</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

	<u>General Fund</u>	<u>Non-Major Funds</u>
Encumbrances	\$ -	\$ -

#### IV. Jointly Governed Organization

The Town, in conjunction with twenty other local governments, is a member of the North Carolina Town Electric Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The twenty-one members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2019 were \$2,857,226.

The Town, in conjunction with several other municipalities and counties participates in the Lumber River Council of Governments (COG). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The Town paid \$955 to the Council during the fiscal year ended June 30, 2019.

## V. Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2019. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

## VI. Summary Disclosure of Significant Contingencies

### Federal and State Assisted Programs

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

## VII. Significant Effects of Subsequent Events

Management has evaluated subsequent events through October 24, 2019, the date on which the financial statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Proportionate Share of the Net Pension Liability for Local Government Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

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

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

Schedule of Changes in Total OPEB Liability and Related Ratios

**Town of Red Springs**  
**Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Six Fiscal Years\***

<b>Local Government Employees' Retirement System</b>						
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Red Springs' proportion of the net pension liability (asset) (%)	0.0311%	0.0299%	0.0315%	0.03153%	0.03212%	0.02900%
Red Springs' proportion of the net pension liability (asset) (\$)	\$ 737,324	\$ 457,247	\$ 668,536	\$ 141,505	\$ (189,426)	\$ 349,561
Red Springs' covered-employee payroll	\$ 2,070,244	\$ 1,951,780	\$ 1,854,529	\$ 1,854,529	\$ 1,775,143	\$ 1,680,542
Red Springs' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.62%	23.43%	36.05%	7.97%	-10.65%	20.80%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

**Town of Red Springs**  
**Schedule of Contributions**  
**Required Supplementary Information**  
**Last Six Fiscal Years**

<b>Local Government Employees' Retirement System</b>						
	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>
Contractually required contribution	\$ 307,233	\$ 297,558	\$ 276,313	\$ 250,548	\$ 247,240	\$ 244,397
Contributions in relation to the contractually required contribution	307,233	297,558	276,313	250,548	247,240	244,397
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Red Springs; covered-employee payroll	\$ 2,096,901	\$ 2,070,244	\$ 1,951,780	\$ 1,854,529	\$ 1,775,143	\$ 1,778,788
Contributions as a percentage of covered-employee payroll	14.65%	14.37%	14.16%	13.51%	13.93%	13.74%

**Town of Red Springs**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 165,127	\$ 241,793	\$ 222,727
Service cost	11,965	12,298	16,845
Interest on the total pension liability	5,189	9,314	7,951
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	2,950	(107,075)	-
Changes of assumptions or other inputs	(4,810)	9,770	(5,730)
Benefit payments	(1,807)	(973)	-
Other charges	-	-	-
Ending balance of the total pension liability	<u>\$ 178,614</u>	<u>\$ 165,127</u>	<u>\$ 241,793</u>

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



**Town of Red Springs**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**June 30, 2019**

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	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 178,613	\$ 165,127	\$ 241,793
Covered payroll	637,885	630,403	763,992
Total pension liability as a percentage of covered payroll	28.00%	26.19%	31.65%

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

**Town of Red Springs**  
**Other Postemployment Benefits**  
**Required Supplementary Information**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**June 30, 2019**

Total OPEB Liability	<u>2019</u>	<u>2018</u>
Service Cost	\$ 41,702	\$ 47,799
Interest	73,347	66,977
Changes in benefit terms	-	-
Difference between expected and actual experience	19,682	(29,872)
Changes of assumptions or other inputs	(111,514)	(203,839)
Benefit payments	(72,133)	(20,160)
Other	-	-
Net change in total OPEB liability	<u>\$ (48,916)</u>	<u>\$ (139,095)</u>
 Total OPEB Liability - beginning	 <u>\$ 2,096,074</u>	 <u>\$ 2,235,169</u>
Total OPEB Liability - ending	<u>\$ 2,047,158</u>	<u>\$ 2,096,074</u>
 Covered payroll	 1,898,924	 1,898,924
Total OPEB liability as a percentage of covered payroll	108%	110%

**Notes to the Schedule**

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2018	3.56%
2019	3.89%

## MAJOR GOVERNMENTAL FUNDS

### General Fund

**Town of Red Springs, North Carolina**  
**General Fund**  
**Comparative Balance Sheets**  
**June 30, 2019 and June 30, 2018**

	June 30, 2019	June 30, 2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,227,311	\$ -
Restricted cash and cash equivalents	85,557	371,218
Taxes receivable (net)	113,809	101,700
Accounts receivables (net)	5,000	5,000
Due from other funds	343,814	196,756
Accrued interest	21,974	21,974
Due from other governments	363,113	331,861
Notes receivable	125,598	125,598
Total assets	<u>\$ 2,286,176</u>	<u>\$ 1,154,107</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 67,119	\$ 77,667
Due to other funds	545,509	424,726
Total liabilities	<u>612,628</u>	<u>502,393</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes receivable	113,809	101,700
Other receivables	125,598	125,598
Prepaid licenses	775	775
Total deferred inflows of resources	<u>240,182</u>	<u>228,073</u>
<b>Fund balances:</b>		
Restricted:		
Stabilization by State Statute	733,901	555,591
Streets	63,373	104,386
Debt service	-	73,883
Capital reserves	22,185	192,949
Assigned:		
Subsequent year's expenditures	-	242,481
Unassigned	613,907	(745,649)
Total fund balances	<u>1,433,366</u>	<u>423,641</u>
Total liabilities and fund balances	<u>\$ 2,286,176</u>	<u>\$ 1,154,107</u>

**Town of Red Springs, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes:			
Current year	\$ 1,168,000	\$ 1,070,347	\$ (97,653)
Penalties and interest	8,000	20,550	12,550
Total	<u>1,176,000</u>	<u>1,090,897</u>	<u>(85,103)</u>
Other taxes and licenses:			
Privilege licenses and auto tags	-	210	210
Public Service Tax levy	-	-	-
Taxes on leased autos	250	380	130
Fire district tax	95,000	91,602	(3,398)
Total	<u>95,250</u>	<u>92,192</u>	<u>(3,058)</u>
Unrestricted intergovernmental:			
Utility franchise tax	175,000	204,285	29,285
Payments in lieu of taxes	15,260	7,606	(7,654)
ABC profit distribution	7,500	16,431	8,931
Beer and wine tax	16,000	14,475	(1,525)
Court costs	4,000	3,578	(422)
Excise tax on motor fuels	13,000	13,575	575
Sales Tax Refund	-	-	-
Local option sales tax	765,000	893,424	128,424
Total	<u>995,760</u>	<u>1,153,374</u>	<u>157,614</u>
Restricted intergovernmental:			
Powell Bill "Street Aid" Allocation	182,000	98,930	(83,070)
FEMA / OSFM Grant Funds	-	1,064,654	1,064,654
Governor's Crime Comm. Block Grant	25,000	-	(25,000)
CDBG Grant	-	-	-
School Resource Officer Reimbursement	80,000	91,978	11,978
Miscellaneous Grants	4,000	-	(4,000)
Total	<u>291,000</u>	<u>1,255,562</u>	<u>964,562</u>
Permits and Fees:			
Building Permits and Inspection Fees	45,000	29,859	(15,141)
Zoning Permit	1,500	525	(975)
Total	<u>46,500</u>	<u>30,384</u>	<u>(16,116)</u>

**Town of Red Springs, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Sales and Services:			
Sanitation Fees	10,720	10,200	(520)
Utility reimbursements - rentals	30,000	1,579	(28,421)
Cemetery Revenues	7,000	5,540	(1,460)
Recreation Revenues	13,000	7,632	(5,368)
Fire Department	-	125	125
Police Department	7,300	4,116	(3,184)
Property rentals	164,563	38,232	(126,331)
Pole Attachment Revenue	6,500	15,150	8,650
Voice Data Solutions	-	(87)	(87)
Administrative Fee - Electric Fund	242,000	242,000	-
Administrative Fee - Water Sewer	-	-	-
Total	481,083	324,487	(156,596)
Other Revenues:			
Investment earnings	1,150	5,324	4,174
Total	1,150	5,324	4,174
Miscellaneous:			
Sale of Fixed Assets	-	107	107
Donations	2,000	2,250	250
Scrap Metal	-	40	40
Insurance proceeds	528,006	529,090	1,084
Debt set-off collections	-	-	-
Other	153,833	274,249	120,416
Total	683,839	805,736	121,897
Total revenue	\$ 3,770,582	\$ 4,757,956	\$ 987,374
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	\$ 8,978	\$ 9,647	\$ (669)
Operating expenses	21,800	14,962	6,838
Capital outlay	-	-	-
Total	30,778	24,609	6,169
Administration:			
Salaries and employee benefits	201,977	194,134	7,843
Operating expenses	68,956	67,134	1,822
Capital outlay	-	-	-

**Town of Red Springs, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Finance:			
Salaries and employee benefits	93,424	58,203	35,221
Operating expenses	120,332	120,358	(26)
Capital outlay	-	-	-
Total	<u>213,756</u>	<u>178,561</u>	<u>35,195</u>
Human Resources:			
Salaries and employee benefits	95,656	92,145	3,511
Operating expenses	22,636	18,022	4,614
Capital outlay	-	-	-
Legal & Personnel:			
Salaries and employee benefits	-	-	-
Capital outlay	-	-	-
Public Buildings:			
Salaries and employee benefits	-	-	-
Operating expenses	585,746	104,029	481,717
Capital outlay	53,000	450,709	(397,709)
Contributions to National Guard	-	-	-
Capital outlay	-	-	-
Total general government	<u>1,307,305</u>	<u>1,155,180</u>	<u>152,125</u>
Public Safety:			
Police Department:			
Salaries and employee benefits	1,139,866	1,091,370	48,496
Operating expenses	287,681	156,138	131,543
Capital outlay	-	-	-
Total	<u>1,427,547</u>	<u>1,247,508</u>	<u>180,039</u>
Fire:			
Salaries and employee benefits	123,357	84,504	38,853
Operating expenses	156,344	145,451	10,893
Capital outlay	-	-	-
Total	<u>279,701</u>	<u>229,955</u>	<u>49,746</u>
Planning / Zoning:			
Salaries and employee benefits	124,390	117,149	7,241
Operating expenses	33,186	23,244	9,942
Capital outlay	-	-	-
Total	<u>157,576</u>	<u>140,393</u>	<u>17,183</u>
Rescue Squad:			
Donations to rescue squad	13,000	75,060	(62,060)
Total public safety	<u>1,877,824</u>	<u>1,692,916</u>	<u>184,908</u>

**Town of Red Springs, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Streets and Highways:			
Salaries and employee benefits	320,733	326,865	(6,132)
Mosquito control program	-	-	-
Operating expenses	157,684	113,739	43,945
Capital outlay	5,200	-	5,200
Total	<u>483,617</u>	<u>440,604</u>	<u>43,013</u>
Powell Bill Expenditures:			
Salaries and employee benefits	-	-	-
Streets, paving, and sidewalk construction	132,000	113,854	18,146
Capital outlay	50,150	27,488	22,662
Total	<u>182,150</u>	<u>141,342</u>	<u>40,808</u>
Total transportation	<u>665,767</u>	<u>581,946</u>	<u>83,821</u>
Environmental protection:			
Parks and Recreation:			
Salaries and employee benefits	77,417	68,548	8,869
Operating expenses	84,000	19,747	64,253
MLK Celebration	300	300	-
National Night Out	2,300	2,300	-
Special projects	4,500	350	4,150
Arts Council contribution	2,300	2,300	-
Library	10,600	10,600	-
Chamber of Commerce	3,700	3,700	-
Historical Commission	2,800	2,800	-
Appearance Commission	1,000	-	1,000
Palmer Prevention	2,900	2,850	50
Flora McDonald Gardens	4,000	4,000	-
Solar Farms	-	-	-
Communities in Schools	1,900	1,900	-
Veterans	500	-	500
Total cultural and recreation	<u>198,217</u>	<u>119,395</u>	<u>78,822</u>
Debt service:			
Principal retirement	81,107	91,424	(10,317)
Interest and fees	33,960	32,346	1,614
Total debt service	<u>115,067</u>	<u>123,770</u>	<u>(8,703)</u>
Total expenditures	<u>\$ 4,164,180</u>	<u>\$ 3,673,207</u>	<u>\$ 490,973</u>
Revenue over (under) expenditures	<u>\$ (393,598)</u>	<u>\$ 1,084,749</u>	<u>\$ 1,478,347</u>



**Town of Red Springs, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Other financing sources (uses):			
Transfers in (out):			
From Electric Fund	\$ -	\$ 9,345	\$ 9,345
From (To) Water/Sewer Fund	-	(34,604)	(34,604)
From (To) WWTP Project	(20,000)	(20,000)	-
From (To) Farmers Market Project	(33,000)	(33,000)	-
From (to) Capital Reserve Fund	(1,511)	20,000	21,511
Loan proceeds	396,000	-	(396,000)
Total other financing sources (uses)	393,598	(58,259)	(451,857)
Net change in fund balance	\$ -	1,026,490	\$ 1,026,490
Fund balance, beginning of year		(125,974)	
Fund balance, end of year		\$ 900,516	
A Capital Reserve Fund is consolidated into the General Fund for reporting purposes:			
Investment earnings		\$ 3,235	
Transfer from Reserve to General Fund		(20,000)	
Fund Balance, Beginning		549,615	
Fund Balance, Ending (Exhibit 4)		\$ 1,433,366	

**Town of Red Springs, North Carolina**  
**Capital Reserve Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual -- Non-GAAP**  
**For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Non-operating revenues:			
Miscellaneous income	\$ -	\$ -	\$ -
Interest income	-	3,235	3,235
Total revenues	-	3,235	3,235
Operating expenses:			
Professional Services	-	-	-
Miscellaneous expenses	-	-	-
Total expenditures	-	-	-
Revenue Over (Under) Expenditures	-	3,235	3,235
Other financing sources/(uses)			
Transfers from (to) - General		(20,000)	
Fund balance appropriated		-	
Total other financing sources/(uses)	-	(20,000)	(20,000)
Revenues & other sources over (under) expenditures and other uses	\$ -	\$ (16,765)	\$ (16,765)

## NON-MAJOR GOVERNMENTAL FUNDS

**Town of Red Springs, North Carolina  
Combining Balance Sheets for  
Non-Major Governmental Funds  
For the Fiscal Year Ended June 30, 2019**

	<u>Special Revenue</u>		<u>Capital Project</u>	
	<b>North Carolina Step Planning Investment Phase Project</b>	<b>Farmers Market Rural Development Grant</b>	<b>Farmers Market Project - Phase II</b>	<b>Total Non- Major Governmental Funds</b>
<b>Assets</b>				
Current assets:				
Restricted cash and cash equivalents	\$ -	\$ 121	\$ 14,100	\$ 14,221
Sales Tax Receivable	199	(3)	-	196
Due from other funds	14,557	-	-	14,557
Total assets	<u>\$ 14,756</u>	<u>\$ 118</u>	<u>\$ 14,100</u>	<u>\$ 28,974</u>
<b>Liabilities and Fund Balances</b>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	34,320	80,000	114,320
Deferred revenue	-	-	-	-
Total current liabilities	<u>-</u>	<u>34,320</u>	<u>80,000</u>	<u>114,320</u>
Total liabilities	<u>-</u>	<u>34,320</u>	<u>80,000</u>	<u>114,320</u>
Fund Balances				
Restricted:				
Economic and Physical Development	14,756	-	-	14,756
Unassigned	<u>-</u>	<u>(34,202)</u>	<u>(65,900)</u>	<u>(100,102)</u>
Total fund balances	<u>14,756</u>	<u>(34,202)</u>	<u>(65,900)</u>	<u>(85,346)</u>
Total Liabilities and Fund Balances	<u>\$ 14,756</u>	<u>\$ 118</u>	<u>\$ 14,100</u>	<u>\$ 14,874</u>

**Town of Red Springs, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Special Revenue</u>		<u>Capital Project</u>	
	<u>North Carolina Step Planning Investment Phase Project</u>	<u>Farmers Market Rural Development Grant</u>	<u>Farmers Market Project - Phase II</u>	<u>Total Non- Major Governmental Funds</u>
<b>Revenues</b>				
Grant Revenues	\$ -	\$ -	\$ 50,368	\$ 50,368
Local Contribution	-	-	-	-
Total revenues	-	-	50,368	50,368
<b>Expenditures</b>				
Economic and Physical Development:				
Grant Expenditures	-	-	149,268	149,268
Miscellaneous	-	-	-	-
Total expenditures	-	-	149,268	149,268
Revenues over (under) expenditures	-	-	(98,900)	(98,900)
Other financing sources (uses)				
Transfers from other funds	-	-	33,000	33,000
Fund balances, beginning of year	14,756	(34,202)	-	(19,446)
Fund balances, end of year	\$ 14,756	\$ (34,202)	\$ (65,900)	\$ (85,346)

**Town of Red Springs, North Carolina**  
**Non-Major Special Revenue Fund - Grant Project Fund**  
**North Carolina Step Planning Investment Phase Project**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2019**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
NC Step Planning Investment Grant (2010-325-60401-107)	\$ 25,000	\$ 24,425	\$ -	\$ 24,425
NC Step Planning Investment Grant (2010-341-60401-107)	100,000	99,788	-	99,788
Sales Tax Refund	-	306	-	306
Miscellaneous Revenue	-	74	-	74
Total revenues	<u>125,000</u>	<u>124,593</u>	<u>-</u>	<u>124,593</u>
Expenditures:				
Economic and Physical Development:				
Grant Expenditures	<u>125,000</u>	<u>124,837</u>	<u>-</u>	<u>124,837</u>
Total expenditures	<u>125,000</u>	<u>124,837</u>	<u>-</u>	<u>124,837</u>
Revenues over (under) expenditures	<u>-</u>	<u>(244)</u>	<u>-</u>	<u>(244)</u>
Other financing sources (uses):				
Transfers from Electric Fund	-	15,000	-	15,000
Transfers from General Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 14,756</u>	<u>-</u>	<u>\$ 14,756</u>
Fund balance, beginning of year			<u>14,756</u>	
Fund balance, end of year			<u>\$ 14,756</u>	

**Town of Red Springs, North Carolina**  
**Non-Major Special Revenue Fund - Grant Project Fund**  
**Farmers Market Rural Development Grant**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2019**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
Farmers Market Grant	\$ 99,000	\$ 99,000	\$ -	\$ 99,000
Miscellaneous Revenue	-	-	-	-
Total revenues	<u>99,000</u>	<u>99,000</u>	<u>-</u>	<u>99,000</u>
Expenditures:				
Economic and Physical Development:				
Grant Expenditures	105,930	133,202	-	133,202
Total expenditures	<u>105,930</u>	<u>133,202</u>	<u>-</u>	<u>133,202</u>
Revenues over (under) expenditures	<u>(6,930)</u>	<u>(34,202)</u>	<u>-</u>	<u>(34,202)</u>
Other financing sources (uses):				
Transfers from General Fund	6,930	-	-	-
Total other financing sources (uses)	<u>6,930</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (34,202)</u>	<u>-</u>	<u>\$ (34,202)</u>
Fund balance, beginning of year			<u>(34,202)</u>	
Fund balance, end of year			<u>\$ (34,202)</u>	

**Town of Red Springs, North Carolina**  
**Farmers Market Project Phase II**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual -- Non-GAAP**  
**For the Fiscal Year Ended June 30, 2019**

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Grant Proceeds	\$ 63,247	\$ -	\$ 50,368	\$ 50,368	\$ 12,879
Total revenues	63,247	-	50,368	50,368	12,879
Expenditures:					
Construction	132,653	-	138,770	138,770	(6,117)
Engineering	42,068	-	10,498	10,498	31,570
Total expenditures	174,721	-	149,268	149,268	25,453
Revenue Over (Under) Expenditures	(111,474)	-	(98,900)	(98,900)	(12,574)
Other financing sources/(uses)					
Transfer from Electric Fund	111,474	-	33,000	33,000	78,474
Total other financing sources/(uses)	111,474	-	33,000	33,000	78,474
Revenues & other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	\$ (65,900)	<u>\$ (65,900)</u>	<u>\$ 65,900</u>
Fund balance, beginning of year			-		
Fund balance, end of year			<u>\$ (65,900)</u>		



## ENTERPRISE FUNDS

**Town of Red Springs, North Carolina**  
**Electric Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Charges for services:			
Electricity sales	\$ 3,929,909	\$ 3,844,914	\$ (84,995)
Sales tax - lights	358,000	196,389	(161,611)
Reconnection and late fees	51,000	46,990	(4,010)
Other operating revenues:			
Miscellaneous services	6,500	17,211	10,711
Total operating revenues	<u>4,345,409</u>	<u>4,105,504</u>	<u>(239,905)</u>
Non-operating revenues:			
Miscellaneous revenue	-	-	-
FEMA Proceeds	200,000	-	-
Insurance Proceeds	-	-	-
Investment earnings	-	226	226
Total non-operating revenues	<u>200,000</u>	<u>226</u>	<u>226</u>
Total revenues	<u>4,545,409</u>	<u>4,105,730</u>	<u>(239,679)</u>
Expenditures:			
Electrical operations:			
Power purchases	2,700,000	2,857,226	(157,226)
Salaries and employee benefits	439,675	395,491	44,184
Hurricane recovery	200,000	176,275	23,725
Other operating expenditures	992,500	799,070	193,430
Total	<u>4,332,175</u>	<u>4,228,062</u>	<u>104,113</u>
Capital outlay	<u>-</u>	<u>27,135</u>	<u>(27,135)</u>
Debt service:			
Debt principal	52,000	33,139	18,861
Interest and fees	20,000	8,772	11,228
Total debt service	<u>72,000</u>	<u>41,911</u>	<u>30,089</u>
Total expenditures	<u>4,404,175</u>	<u>4,297,108</u>	<u>107,067</u>
Revenues over (under) expenditures	<u>141,234</u>	<u>(191,378)</u>	<u>(132,612)</u>

**Town of Red Springs, North Carolina**  
**Electric Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Other financing sources (uses):			
Transfer to General Fund	-	(9,345)	(9,345)
Transfer to Farmers Market Phase II	(78,474)	-	78,474
Transfer to Capital Reserve	(141,234)	-	141,234
Fund Balance Appropriated	78,474	-	(78,474)
Total other financing sources (uses)	<u>(141,234)</u>	<u>(9,345)</u>	<u>131,889</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>(200,723)</u>	<u>\$ (723)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Debt principal		33,139	
Depreciation		(56,205)	
Increase (decrease) in deferred outflows of resources - pensions		37,911	
(Increase) decrease in net pension liability		(40,694)	
(Increase) decrease in deferred inflows of resources - pensions		1,326	
Increase (decrease) in deferred outflows of resources - OPEB		15,929	
(Increase) decrease in deferred inflows of resources - OPEB		(3,387)	
(Increase) decrease in OPEB liability		5,213	
Interest (Exhibit D-1a)		6,890	
Transfers (Exhibit D-1a)		-	
Sales Tax Refund (Exhibit D-1b)		0	
Total reconciling items		<u>27,257</u>	
Change in net position		<u>\$ (173,466)</u>	

**Town of Red Springs, North Carolina**  
**Electric Capital Reserve Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual -- Non-GAAP**  
**For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Non-operating revenues:			
Miscellaneous income	\$ -	\$ -	\$ -
Interest income	-	6,890	(6,890)
Total revenues	-	6,890	6,890
Operating expenses:			
Professional Services	-	-	-
Miscellaneous expenses	-	-	-
Total expenditures	-	-	-
Revenue Over (Under) Expenditures	-	6,890	6,890
Other financing sources/(uses)			
Transfers from - Electric		-	
Transfers to Water/Sewer Fund		-	
Fund balance appropriated		-	
Total other financing sources/(uses)	-	-	-
Revenues & other sources over (under) expenditures and other uses	\$ -	\$ 6,890	\$ 6,890
<b>Reconciliation from budgetary basis (modified accrual) to full accrual</b>			
Revenues & other sources over (under) expenditures and other uses		\$ 6,890	
Reconciling items:			
Depreciation		-	
Total reconciling items		-	
Net income (loss)		\$ 6,890	

**Town of Red Springs, North Carolina**  
**Electric/Water Smart Meter Project Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual -- Non-GAAP**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Sales Tax Refund	\$ -	\$ 17,536	\$ 0	\$ 17,536	\$ 17,536
Total revenues	<u>-</u>	<u>17,536</u>	<u>0</u>	<u>17,536</u>	<u>17,536</u>
Expenditures:					
Engineering	23,824	15,455	0	15,455	8,368
Construction	359,448	388,670	42,749	431,419	(71,971)
Contingency	58,829	-	-	-	58,829
Administration	8,923	8	0	8	8,914
Total expenditures	<u>451,024</u>	<u>404,133</u>	<u>42,750</u>	<u>446,883</u>	<u>4,141</u>
Revenue Over (Under) Expenditures	<u>(451,024)</u>	<u>(386,597)</u>	<u>(42,750)</u>	<u>(429,347)</u>	<u>21,677</u>
Other financing sources/(uses)					
Loan proceeds	450,000	401,950	42,749	444,699	(5,301)
Local Funds	1,023	-	-	-	(1,023)
Fund balance appropriated	-	-	-	-	-
Total other financing sources/(uses)	<u>451,024</u>	<u>401,950</u>	<u>42,749</u>	<u>444,699</u>	<u>(6,324)</u>
Revenues & other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 15,353</u>	<u>(1)</u>	<u>\$ 15,352</u>	<u>\$ 15,352</u>

The Town has one fund for this project, but it is split 52.9412% for electric and 47.059% for water/sewer.

**Town of Red Springs, North Carolina  
Water and Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales	\$ 654,238	\$ 563,308	\$ (90,930)
Sewer charges	841,104	698,454	(142,650)
Water and sewer taps	3,300	5,300	2,000
Other operating revenues:			
Miscellaneous services	319,373	258,949	(60,424)
Total operating revenues	<u>1,818,015</u>	<u>1,526,011</u>	<u>(292,004)</u>
Nonoperating Revenues:			
Investment earnings	-	103	103
FEMA Reimbursements	-	-	-
Sale of Assets	-	-	-
Total Nonoperating Revenue	<u>-</u>	<u>103</u>	<u>103</u>
Total Revenue	<u>1,818,015</u>	<u>1,526,114</u>	<u>(291,901)</u>
Expenditures:			
Water Department:			
Salaries and employee benefits	-	-	-
Supplies	65,827	50,127	15,700
Other operating expenditures	47,300	44,368	2,932
Capital Outlay	-	-	-
Total	<u>113,127</u>	<u>94,495</u>	<u>18,632</u>
Waste Treatment Plant:			
Salaries and employee benefits	272,668	286,004	(13,336)
Chemicals	25,000	26,484	(1,484)
Supplies	18,700	(1,648)	20,348
Other operating expenditures	319,088	60,305	258,783
Capital Outlay	15,500	-	15,500
Total	<u>650,956</u>	<u>371,145</u>	<u>279,811</u>
Total water treatment and distribution	<u>764,083</u>	<u>465,640</u>	<u>298,443</u>
Sewer Department:			
Salaries and employee benefits	214,054	206,772	7,282
Supplies	59,708	41,562	18,146
Other operating expenditures	46,400	34,326	12,074
Capital Outlay	40,000	-	40,000
Total	<u>360,162</u>	<u>282,660</u>	<u>77,502</u>

**Town of Red Springs, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Waste Treatment Plant:			
Salaries and employee benefits	125,901	102,256	23,645
Chemicals	22,000	22,382	(382)
Supplies	27,500	23,229	4,271
Other operating expenditures	130,500	93,162	37,338
Capital Outlay	-	76,552	(76,552)
Total	305,901	317,581	(11,680)
Total waste collection and treatment	666,063	600,241	65,822
Debt service:			
Debt principal	93,000	66,788	26,212
Interest and fees	44,060	40,732	3,328
Total debt service	137,060	107,520	29,540
Total expenditures	1,567,206	1,173,401	393,805
Revenues over (under) expenditures	250,809	352,713	101,904
Other financing sources (uses):			
Loan Proceeds	-	-	-
Transfers in from General Fund	-	34,604	34,604
Transfer to Project Fund	(453,503)	(200,000)	253,503
Transfers from Capital Reserve	-	-	-
Appropriated fund balance	202,694	-	(202,694)
Total other financing sources (uses)	(250,809)	(165,396)	85,413
Revenues and other financing sources (uses) over (under) expenditures	\$ -	187,317	\$ 187,317
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		76,552	
Debt principal		66,788	
Depreciation		(311,967)	
Increase (decrease) in deferred outflows of resources - pensions		46,169	
(Increase) decrease in net pension liability		(49,558)	
(Increase) decrease in deferred inflows of resources - pensions		1,615	
Increase (decrease) in deferred outflows of resources - OPEB		842	
(Increase) decrease in deferred inflows of resources - OPEB		(4,405)	
(Increase) decrease in OPEB liability		6,778	
Interest (from Exhibit D-2a)		58	
Transfer (from Exhibit D-2F)		220,000	
Capital contributions (from Exhibit D-2d)		215,677	
Total reconciling items		268,548	
Change in net position		\$ 455,866	

**Town of Red Springs, North Carolina**  
**Utility Capital Reserve Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual -- Non-GAAP**  
**For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Non-operating revenues:			
Miscellaneous income	\$ -	\$ -	\$ -
Interest income	-	58	58
Total revenues	-	58	58
Operating expenses:			
Professional Services	-	-	-
Miscellaneous expenses	-	-	-
Total expenditures	-	-	-
Revenue Over (Under) Expenditures	-	58	58
Other financing sources/(uses)			
Transfers from (to) - Water Fund	-	-	-
Fund balance appropriated	-	-	-
Total other financing sources/(uses)	-	-	-
Revenues & other sources over (under) expenditures and other uses	\$ -	58	\$ 58
<b>Reconciliation from budgetary basis     (modified accrual) to full accrual</b>			
Revenues & other sources over (under) expenditures and other uses		58	
Reconciling items:			
Depreciation		-	
Total reconciling items		-	
Net income (loss)		\$ 58	



**Town of Red Springs, North Carolina**  
**Water and Sewer Capital Project Fund**  
**Rural Center Economic Development Planning Grant Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2019**

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Favorable (Unfavorable)
Revenues:					
Rural Center Economic Development Planning Grant	\$ 40,000	\$ 22,500	\$ -	\$ 22,500	\$ (17,500)
Total revenues	40,000	22,500	-	22,500	(17,500)
Expenditures:					
Grant administration and review	3,000	27,310	-	27,310	(24,310)
Optimization report	57,000	49,190	-	49,190	7,810
Miscellaneous	-	-	-	-	-
Total expenditures	60,000	76,500	-	76,500	(16,500)
Revenues over (under) expenditures	(20,000)	(54,000)	-	(54,000)	(34,000)
Other financing sources (uses)					
Transfer from Water and Sewer Fund	20,000	66,967	-	66,967	46,967
Total other financing sources (uses)	20,000	66,967	-	66,967	46,967
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 12,967	\$ -	\$ 12,967	\$ 12,967

**Town of Red Springs, North Carolina**  
**Water and Sewer Capital Project Fund**  
**Water Tank Removal**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2019**

	Project	Actual			Total	Variance
	Authorization	Prior	Current	Completed	To Date	Favorable
		Years	Year	Project		(Unfavorable)
Revenues:						
NC Rural Center	\$ 432,477	\$ 500,000	\$ -	\$ (500,000)	\$ -	\$ (432,477)
DENR SRF Loan (H-LRX-T-2009)	437,220	344,058	-	(344,058)	-	(437,220)
DENR SRF Loan (E-SRF-T-2013)	-	187,573	-	(187,573)	-	-
DENR SRF Loan (E-SRF-T-2013) -						
Forgiveness	-	187,572	-	(187,572)	-	-
Sales Tax Refund	-	25,220	-	(25,220)	-	-
Other Refunds	-	18	-	(18)	-	-
Total revenues	869,697	1,244,441	-	(1,244,441)	-	(869,697)
Expenditures:						
Construction	612,336	904,927	-	(904,927)	-	612,336
Contingency	30,617	-	-	-	-	30,617
Planning / Design/ Surveying/ Bidding	222,000	323,850	-	(323,850)	-	222,000
Closing fee	8,744	8,593	-	(8,593)	-	8,744
Total expenditures	873,697	1,237,370	-	(1,237,370)	-	873,697
Debt Service Principal	10,741	39,408	-	(39,408)	-	10,741
Revenues over (under) expenditures	(14,741)	(32,337)	-	32,337	-	14,741
Other financing sources (uses)						
Transfer from Water and Sewer Fund	14,741	(19,020)	-	19,020	-	19,020
Loan from Water and Sewer Fund	-	38,593	-	(38,593)	-	-
Total other financing sources (uses)	14,741	19,573	-	(19,573)	-	19,020
Revenues and other financing sources						
(uses) over (under) expenditures	\$ -	\$ (12,764)	\$ -	\$ 12,764	\$ -	\$ 33,761

**Town of Red Springs, North Carolina**  
**Water and Sewer Capital Project Fund**  
**DENR - CDBG Sanitary Sewer Project**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2019**

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Favorable (Unfavorable)
Revenues:					
CDBG Grant Funds	\$ 2,025,000	\$ 1,754,790	\$ 215,677	\$ 1,970,467	\$ (54,533)
Sales Tax Refund	-	-	-	-	-
Other Refunds	-	-	-	-	-
Total revenues	<u>2,025,000</u>	<u>1,754,790</u>	<u>215,677</u>	<u>1,970,467</u>	<u>(54,533)</u>
Expenditures:					
Engineering / Design	141,800	242,945	-	242,945	(101,145)
Construction	1,442,000	1,108,915	586,639	1,695,554	(253,554)
Contingency	144,200	-	-	-	144,200
Permitting	3,000	-	-	-	3,000
Video Inspection	19,200	-	-	-	19,200
Legal Cost	15,000	-	-	-	15,000
Surveying Cost	19,200	-	-	-	19,200
Construction Admin	88,400	4,669	-	4,669	83,731
Grant Admin	144,200	26,100	-	26,100	118,100
Bid & Award	8,000	1,200	-	1,200	6,800
Total expenditures	<u>2,025,000</u>	<u>1,383,829</u>	<u>586,639</u>	<u>1,970,468</u>	<u>54,532</u>
Debt Service Principal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>370,961</u>	<u>(370,962)</u>	<u>(1)</u>	<u>(1)</u>
Other financing sources (uses)					
Transfer from Water and Sewer Fund	-	-	-	-	-
Loan from Water and Sewer Fund	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 370,961</u>	<u>\$ (370,962)</u>	<u>\$ (1)</u>	<u>\$ (1)</u>

**Town of Red Springs, North Carolina**  
**Electric/Water Smart Meter Project Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual -- Non-GAAP**  
**For the Fiscal Year Ended June 30, 2019**

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Sales Tax Refund	\$ -	\$ 15,588	\$ (0)	\$ 15,588	\$ 15,588
Total revenues	-	15,588	(0)	15,588	15,588
Expenditures:					
Engineering	21,176	13,738	(0)	13,738	7,439
Construction	319,509	345,485	37,999	383,484	(63,975)
Contingency	52,293	-	-	-	52,293
Administration	7,931	8	(0)	8	7,924
Total expenditures	400,909	359,231	37,998	397,229	3,680
Revenue Over (Under) Expenditures	(400,909)	(343,643)	(37,998)	(381,641)	19,268
Other financing sources/(uses)					
Loan proceeds	400,000	357,289	37,999	395,288	(4,712)
Local Funds	910	-	-	-	(910)
Fund balance appropriated	-	-	-	-	-
Total other financing sources/(uses)	400,909	357,289	37,999	395,288	(5,622)
Revenues & other sources over (under) expenditures and other uses	\$ -	\$ 13,646	\$ 1	\$ 13,647	\$ 13,647

The Town has one fund for this project, but it is split 52.9412% for electric and 47.059% for water/sewer.

**Town of Red Springs, North Carolina**  
**Water Treatment Plant Project**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual -- Non-GAAP**  
**For the Fiscal Year Ended June 30, 2019**

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Grant Proceeds	\$ 4,887,000	\$ -	\$ -	\$ -	\$ (4,887,000)
Total revenues	<u>4,887,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,887,000)</u>
Expenditures:					
Interest	90,000	-	-	-	90,000
Construction	5,615,019	-	-	-	5,615,019
Engineering	970,000	-	173,363	173,363	796,637
Legal	50,000	-	-	-	50,000
Admin	10,000	-	15	15	9,985
Equipment	20,000	-	-	-	20,000
Contingencies	551,981	-	-	-	551,981
Total expenditures	<u>7,307,000</u>	<u>-</u>	<u>173,378</u>	<u>173,378</u>	<u>7,133,622</u>
Revenue Over (Under) Expenditures	<u>(2,420,000)</u>	<u>-</u>	<u>(173,378)</u>	<u>(173,378)</u>	<u>2,246,622</u>
Other financing sources/(uses)					
Loan proceeds	2,200,000	-	-	-	(2,200,000)
Transfer from General Fund	20,000	-	20,000	20,000	-
Transfer from Water Fund	200,000	-	200,000	200,000	-
Fund balance appropriated	-	-	-	-	-
Total other financing sources/(uses)	<u>2,420,000</u>	<u>-</u>	<u>220,000</u>	<u>220,000</u>	<u>(2,200,000)</u>
Revenues & other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,622</u>	<u>\$ 46,622</u>	<u>\$ 46,622</u>

The Town has one fund for this project, but it is split 52.9412% for electric and 47.059% for water/sewer.

**Town of Red Springs, North Carolina**  
**Sanitation Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Charges for services:			
Sanitation Fees	\$ 385,056	351,420	\$ (33,636)
Other operating revenues:			
Miscellaneous services	2,400	2,454	54
Total operating revenues	<u>387,456</u>	<u>353,874</u>	<u>(33,582)</u>
Nonoperating Revenues:			
Investment earnings	-	229	229
WM Franchise Fees	-	-	-
Solid Waste Disposal Tax	-	2,355	2,355
Total Nonoperating Revenue	<u>-</u>	<u>2,584</u>	<u>2,584</u>
Total Revenue	<u>387,456</u>	<u>356,458</u>	<u>(30,998)</u>
Expenditures:			
Salaries and employee benefits	213,470	179,676	33,794
Supplies	21,000	14,446	6,554
Contract Services	33,000	46,961	(13,961)
Maintenance and Repairs	23,261	21,403	1,858
Other operating expenditures	35,000	14,956	20,044
Capital Outlay	-	-	-
Total	<u>325,731</u>	<u>277,442</u>	<u>48,289</u>
Debt service:			
Debt principal	32,000	-	32,000
Interest and fees	1,500	316	1,184
Total debt service	<u>33,500</u>	<u>316</u>	<u>33,184</u>
Total expenditures	<u>359,231</u>	<u>277,758</u>	<u>81,473</u>
Revenues over (under) expenditures	<u>28,225</u>	<u>78,700</u>	<u>50,475</u>
Other financing sources (uses):			
Transfers to Capital Reserve	(28,225)	-	28,225
Appropriated fund balance	-	-	-
Total other financing sources (uses)	<u>(28,225)</u>	<u>-</u>	<u>28,225</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>78,700</u>	<u>\$ 78,700</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		-	
Debt principal		-	
Depreciation		(26,734)	
Increase in deferred outflows of resources - pensions		17,361	
Increase in net pension liability		(18,634)	
Decrease in deferred inflows of resources - pensions		607	
Increase in deferred outflows of resources - OPEB		8,194	
Increase in deferred inflows of resources - OPEB		(1,525)	
Increase in OPEB liability		2,348	
Interest Income (D-3a)		456	
Total reconciling items		<u>(17,927)</u>	
Change in net position		<u>\$ 60,773</u>	

**Town of Red Springs, North Carolina**  
**Sanitation- Capital Reserve Fund - Mulch**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual -- Non-GAAP**  
**For the Fiscal Year Ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Non-operating revenues:			
Miscellaneous income	\$ -	\$ -	\$ -
Interest income	-	456	456
Total revenues	-	456	456
Operating expenses:			
Professional Services	-	-	-
Miscellaneous expenses	-	-	-
Total expenditures	-	-	-
Revenue Over (Under) Expenditures	-	456	456
Other financing sources/(uses)			
Transfers from - Sanitation Fund	-	-	-
Fund balance appropriated	-	-	-
Total other financing sources/(uses)	-	-	-
Revenues & other sources over (under) expenditures and other uses	\$ -	456	\$ 456
<b>Reconciliation from budgetary basis     (modified accrual) to full accrual</b>			
Revenues & other sources over (under) expenditures and other uses		456	
Reconciling items:			
Depreciation		-	
Total reconciling items		-	
Net income (loss)		\$ 456	

## OTHER SCHEDULES

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This section includes additional information on property taxes.

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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy



**Town of Red Springs, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2019**

<u>Fiscal Year</u>	<u>Uncollected Balance 7/1/2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance 6/30/2019</u>
2018 - 2019	\$ -	\$ 1,205,729	\$ 1,127,170	\$ 78,559
2017 - 2018	79,598	312	25,759	54,151
2016 - 2017	59,672	-	17,933	41,739
2015 - 2016	48,284	-	7,152	41,132
2014 - 2015	36,188	-	4,496	31,692
2013 - 2014	35,152	1,187	-	36,339
2012 - 2013	32,836	2,105	-	34,941
2011 - 2012	25,623	2,692	-	28,315
2010 - 2011	23,563	3,269	-	26,832
2009 - 2010	19,689	3,424	-	23,113
2008 - 2009	57,812	-	57,812	-
<b>TOTALS</b>	<u><u>\$ 418,417</u></u>	<u><u>\$ 1,218,718</u></u>	<u><u>\$ 1,240,323</u></u>	396,812
Less: Allowance for Uncollectible Accounts:				
General Fund				<u>283,003</u>
Ad valorem taxes receivable - net				<u><u>\$ 113,809</u></u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 1,070,347
Taxes Released, Refunds, Fees				<u>190,526</u>
Subtotal				1,260,873
Less Penalties & Interest				<u>20,550</u>
Total Collections and Credits				<u><u>\$ 1,240,323</u></u>

**Town of Red Springs, North Carolina  
Analysis of Current Tax Levy  
For the Fiscal Year Ended June 30, 2019**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	<u>\$ 188,176,464</u>	.64	<u>\$ 1,205,729</u>	<u>\$ 1,064,144</u>	<u>\$ 141,585</u>
Totals			1,205,729	1,064,144	141,585
Uncollected Taxes at June 30, 2018			<u>78,559</u>	<u>78,559</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,127,170</u>	<u>\$ 985,585</u>	<u>\$ 141,585</u>
Current levy collection percentage			<u>93.48%</u>	<u>92.62%</u>	<u>100.00%</u>

## **COMPLIANCE SECTION**

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

**Independent Auditors' Report**

To the Honorable Mayor  
And Members of the Town Commissioners  
Town of Red Springs, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Red Springs, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises Town of Red Springs' basic financial statements, and have issued our report thereon dated October 24, 2019. Our report includes a reference to other auditors who audited the financial statements of the Red Springs ABC Board, as described in our report on Town of Red Springs' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Red Springs ABC Board were not audited in accordance with Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Red Springs' 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 Town of Red Springs' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (19-01, 19-03, 19-05) A significant deficiency is a deficiency, or 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.

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*  
Page 2

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. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies (19-02, 19-04).

Compliance and Other Matters


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

Town of Red Springs' Response to Findings

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

Purpose of this Report

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



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Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, NC  
October 24, 2019



**Thompson, Price, Scott, Adams & Co, P.A.**

**P.O Box 398  
1626 S. Madison Street  
Whiteville, NC 28472  
Telephone (910) 642-2109  
Fax (910) 642-5958**

**Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
Gregory S. Adams, CPA**

**Report On Compliance With Requirements Applicable To Each Major Federal  
Program And Internal Control Over Compliance In Accordance With OMB  
Uniform Guidance and the State Single Audit Implementation Act**

**Independent Auditors' Report**

To the Board of Town Commissioners  
Town of Red Springs  
Red Springs, North Carolina

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

We have audited the Town of Red Springs, North Carolina's, compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of Town of Red Springs' major federal programs for the year ended June 30, 2019. The Town of Red Springs' major federal 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 federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Town of Red Springs' major federal 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 Comptroller General of the United States; and the audit requirements of *Title 2 U.S Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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 federal program occurred. An audit includes examining, on a test basis, evidence about Town of Red Springs' 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 federal program. However, our audit does not provide a legal determination of Town of Red Springs' compliance.

**Members**

**American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms**

## Opinion on Each Major Federal Program

In our opinion, Town of Red Springs 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 federal programs for the year ended June 30, 2019.

## Report on Internal Control Over Compliance

Management of Town of Red Springs 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 Town of Red Springs' internal control over compliance with the types of requirements that could have a direct and material effect on major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of 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 federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with type of compliance requirement of a federal program that is less severe than 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 weakness 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Thompson, Price, Scott, Adams & Co., P.A.*

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Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, NC  
October 24, 2019

**Town of Red Springs, North Carolina**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

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Section I. Summary of Auditors' Results

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**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material Weakness(es) identified?   X   yes        no

• Significant Deficiency(s) identified that are  
not considered to be material weaknesses   X   yes        no

Noncompliance material to financial statements  
noted        yes   X   no

Federal Awards

Internal control over major Federal programs:

• Material Weakness(es) identified?        yes   X   no

• Significant Deficiency(s) identified that are  
not considered to be material weaknesses        yes   X   none reported

Type of auditor's report issued on compliance for major Federal programs: Unmodified

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

Identification of major Federal programs:

<u>CFDA#</u>	<u>Names of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance

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

Auditee qualified as low-risk auditee?        yes   X   no



**Town of Red Springs, North Carolina**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

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Section II. Financial Statement Findings

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Prior year findings repeated in the current year are indicated by an asterisk (\*).

**MATERIAL WEAKNESS**

**(\*) FINDING: 19-01**

Criteria:	Internal controls are enhanced when the responsibilities for executing a transaction, recording the transaction, and maintaining custody of the assets resulting from the transaction are assigned to different individuals.
Condition:	In reviewing internal control procedures within the Finance Department, we noticed a lack of segregation of duties due to the small number of employees. Internal controls are enhanced when responsibilities for executing a transaction, recording the transaction, and maintaining custody of the assets resulting from the transaction are assigned to different individuals.
Effect:	While it may be convenient to have one person authorized to handle multiple phases of a transaction, it does not provide the ideal internal control structure.
Cause:	The small number of employees within the Finance Department makes it difficult to achieve an adequate segregation of duties.
Recommendation:	The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding.

**SIGNIFICANT DEFICIENCY**

**(\*) FINDING: 19-02**

Inadequate design of internal control over the preparation of the financial statements being audited.

Criteria:	There is not an individual within the Town's personnel that possess sufficient accounting knowledge and experience to be able to determine if the financial statements are prepared correctly.
Condition:	There is a limited number of Town personnel.
Effect:	The information within the annual audited financial statements could be materially misstated.
Cause:	Town financial resources are limited and are not sufficient to have such a position.
Recommendation:	The Town should consider outsourcing this procedure.

Views of responsible officials and planned corrective actions: The Town agrees with this finding.

**Town of Red Springs, North Carolina**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

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Section II. Financial Statement Findings

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**MATERIAL WEAKNESS**

**FINDING: 19-03**            Inadequate controls over reconciliation of records and billings and collections procedures.

**Criteria:**                Records should be reconciled timely, and controls should be in place to ensure that billings and collections procedures are followed.

**Condition:**            Financial statements should be available for review by the Board. Key items are not reconciled by finance (such as receivables, payables, etc). In addition, billing records are not monitored appropriately to ensure that correct amounts are billed for services.

**Effect:**                 Errors and other problems could occur and not be detected by management in a timely manner and could impact management's ability to have accurate information for decisions.

**Cause:**                 There was a significant turnover in the finance department (including the finance officer), which created significant issues for the Town.

**Recommendation:**    The Town should review and/or modify policies to ensure that accurate information is provided for decision making, and that controls over billings and collections are adequate.

**Views of responsible officials and planned corrective actions:** The Town agrees with this finding.

**SIGNIFICANT DEFICIENCY**

**FINDING: 19-04**            Deficit Fund Balance

**Criteria:**                The Town should maintain a positive fund balance in each of its funds.

**Condition:**            The Town had a deficit fund balance in the Farmers Market Rural Development Grant Fund of \$34,202 and the Farmers Market Project Phase II Fund of \$65,900.

**Effect:**                 When the Town has a negative fund balance another fund has to advance the money to cover the expenditures.

**Cause:**                 Sufficient revenues have not been collected in all years to cover expenses.

**Recommendation:**    The Town should review the program to determine what steps are necessary to correct the negative fund balance.

**Views of responsible officials and planned corrective actions:** The Town agrees with this finding.

**Town of Red Springs, North Carolina**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

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Section II. Financial Statement Findings

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MATERIAL WEAKNESS

FINDING: 19-05            Budget Violations

Criteria:                The Town has to have available fund balance in order to appropriate fund balance for subsequent year's budget. In addition, all transfers should be appropriately budgeted.

Condition:             The Town appropriated fund balance in the subsequent year's budget that was not available. In addition, the Town recorded transfers that were not budgeted.

Effect:                 The Town has violated NC General Statutes related to properly budgeting transfers and appropriating fund balance for subsequent years.

Cause:                 The Town has experienced significant turnover in key positions to include the finance officer and town manager. During the transition period, items were overlooked as far as making necessary budget amendments. Furthermore, the Town has significant amounts recorded as internal balances. Once these items are cleaned up, it could significantly effect the Reserved by State Statute calculation, which directly affects available fund balance.

Recommendation:    The Town should review the budget to ensure that appropriate amendments are recorded prior to year end to cover all transfers. In addition, all internal balances should be reviewed and cleaned up as much as possible.

Views of responsible officials and planned corrective actions: The Town agrees with this finding.

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Section III. Federal Award Findings and Questioned Costs

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None to report

# TOWN OF RED SPRINGS

Mayor Edward Henderson  
Mayor Pro Tem Murray McKeithan  
Commissioner Duron Burney  
Commissioner Neal Lea'kes  
Town Manager David Ashburn



Commissioner Caroline Sumpter  
Commissioner Shearlie McBryde  
Commissioner Ema Patterson  
Town Clerk Barbara McColl

## Corrective Action Plan For the Year Ended June 30, 2019

### Section II - Financial Statement Findings

#### MATERIAL WEAKNESS

##### 19-01 Segregation of Duties

Name of Contact Person: Sharon McFarland, Finance Officer

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: The Board has already implemented several controls to mitigate this risk as of the report date.

#### SIGNIFICANT DEFICIENCY

##### 19-02 Inadequate design of internal control over the preparation of financial statements being audited

Name of Contact Person: Sharon McFarland, Finance Officer

Corrective Action: Staffing changes have been made to include a new finance director with accounting and governmental financial statement preparation experience. The finance director is attending classes to strengthen the knowledge needed to effectively manage the financial statement preparation.

Proposed Completion Date: The Board has already implemented procedures as of the report date.

#### MATERIAL WEAKNESS

##### 19-03 Reconciliation of Records / Controls over Billing and Collections

Name of Contact Person: Sharon McFarland, Finance Officer

Corrective Action: The policies will be reviewed and modifications will be made as necessary to strengthen controls over the billing and collections procedures. The meters are being electronically read and the re-read lists are reviewed by the finance director, town manager, and public works managers. A significant reduction in re-reads has already been realized as a result of this revised process. The finance director will implement a sample review process to ensure billings are correct.

Proposed Completion Date: The Board has already implemented several controls as of the report date.

#### SIGNIFICANT DEFICIENCY

##### 19-04 Deficit Fund Balance

Name of Contact Person: Sharon McFarland, Finance Officer

Corrective Action: The Town will start evaluating this deficiency to determine what steps need to be taken to correct the negative fund balance.

Proposed Completion Date: The Board will implement the above procedure immediately.

# TOWN OF RED SPRINGS

Mayor Edward Henderson  
Mayor Pro Tem Murray McKeithan  
Commissioner Duron Burney  
Commissioner Neal Lea'kes  
Town Manager David Ashburn



Commissioner Caroline Sumpter  
Commissioner Shearlie McBryde  
Commissioner Ema Patterson  
Town Clerk Barbara McColl

## Corrective Action Plan For the Year Ended June 30, 2019

### Section II - Financial Statement Findings (continued)

#### MATERIAL WEAKNESS

19-05 Budget Violations

Name of Contact Person: Sharon McFarland, Finance Officer

Corrective Action: The budget will be reviewed prior to year end to ensure that all expenditures and transfers are properly budgeted.

Proposed Completion Date: The Board will implement the above procedure immediately.

### Section III - Federal Award Findings and Question Costs

None Reported

**TOWN OF RED SPRINGS, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the Year Ended June 30, 2019

18-01	Segregation of Duties
	Repeated as 19-01
18-02	Inadequate design of internal control over the preparation of financial statements being audited.
	Repeated as 19-02
18-03	Inadequate controls over reconciliation of records
	Repeated as 19-03
18-04	Deficit Fund Balance
	Repeated as 19-04
18-05	Budget Violations
	Repeated as 19-05

**Town of Red Springs**  
**Schedule of Expenditures of Federal and State Awards**  
**Federal and State Awards**  
**For The Fiscal Year Ended June 30, 2019**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>State/ Pass-through Grantor's Number</b>	<b>Fed (Direct &amp; Pass-through Expenditures</b>	<b>State Expenditures</b>	<b>Local Expenditures</b>
<b><u>Federal Grants:</u></b>					
<u>U.S. Department of Housing and Urban Development</u>					
Passed through NC Department of Environmental Quality Community Development Block Grant - Infrastructure	14.228	15-I-2750	\$ 215,677	\$ -	\$ -
Total U.S. Dept of Housing and Urban Development			<u>215,677</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>					
Disaster Grants - Public Assistance - Hurricane Matthew	97.036		817,630		
Disaster Grants - Public Assistance - Hurricane Florence	97.036		247,024	-	-
			<u>1,064,654</u>	<u>-</u>	<u>-</u>
Total assistance - Federal programs			<u>1,280,331</u>	<u>-</u>	<u>-</u>
<b><u>State Grants:</u></b>					
<u>N.C. Department of Transportation</u>					
Powell Bill			-	141,342	-
Total N.C. Dept of Transportation			<u>-</u>	<u>141,342</u>	<u>-</u>
Total State Awards			<u>-</u>	<u>141,342</u>	<u>-</u>
Total Federal and State Awards			<u>\$ 1,280,331</u>	<u>\$ 141,342</u>	<u>\$ -</u>

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SFSA) includes the federal and state grant activity of the Town of Red Springs under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SFSA is presented in accordance with the requirements of title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Red Springs, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Red Springs.

Note 2: Summary of Significant Accounting Policies

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