

TOWN OF RICHFIELD, NORTH CAROLINA

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

Mayor

Terry Deese

Town Council

James Misenheimer

Terry Almond

Jay Patel

Jason Ritter

Mary Shaver

Town Officials

Carolyn Capps

Town Administrator

Charles Brown

Town Attorney

TOWN OF RICHFIELD, NORTH CAROLINA
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JUNE 30, 2019

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FINANCIAL SECTION

220 East Washington Street
Post Office Box 697
Rockingham, North Carolina 28380
(910) 895-2899

Other Office Locations:
Seven Lakes, North Carolina
Gastonia, North Carolina
Statesville, North Carolina

Independent Auditor's Report

To the Honorable Mayor
And Member of the Town Council
Richfield, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Town of Richfield, North Carolina, as of and for the year 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 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 on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Town of Richfield, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the 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

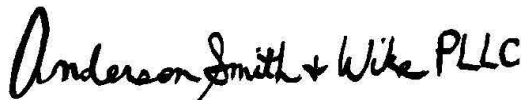
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 11, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Richfield, North Carolina. The individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules, and other schedules 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. In our opinion, the individual fund statements and budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Anderson Smith & Wike PLLC
May 11, 2020

Management's Discussion and Analysis

Town of Richfield

As management of the Town of Richfield, we offer readers of the Town of Richfield's financial statements this narrative overview and analysis of the financial activities of the Town of Richfield 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

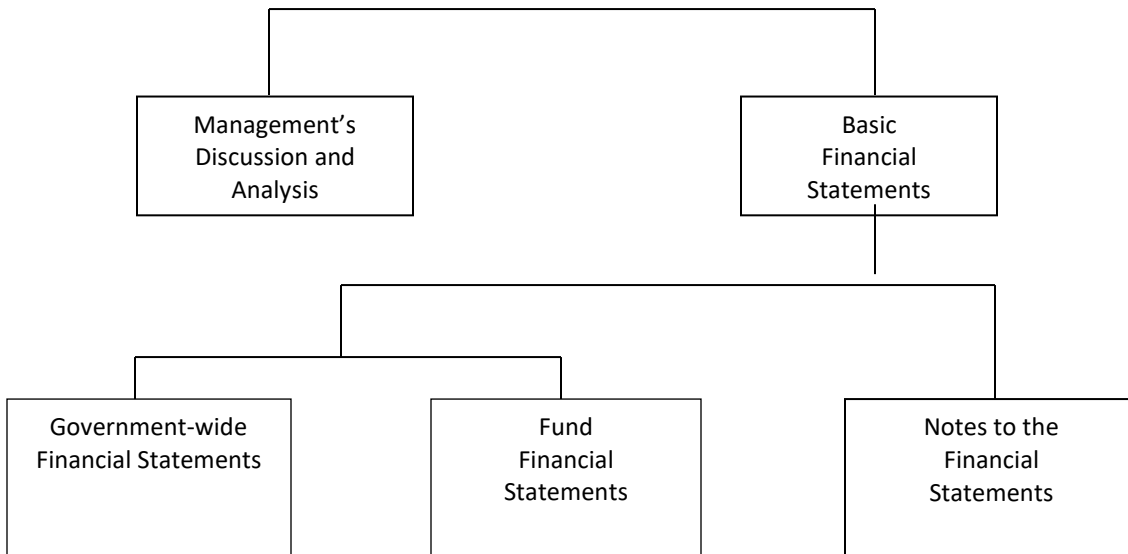
- The assets and deferred outflows of resources of the Town of Richfield exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,396,991 (net position).
- The government's total net assets increased by \$10,532, primarily because revenues exceeded expenditures in the governmental fund.

As of the close of the current fiscal year, the Town of Richfield's governmental funds reported combined ending fund balances of \$834,863, an increase of \$9,254 in comparison with the prior year. Approximately 82.4 percent of this total amount, or \$688,330 is available for spending at the government's discretion (unassigned fund balance).

Overview of the Financial Statements

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

**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 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provided 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 they have changed. Net positions are the difference between the Town's total assets, deferred outflows of resources, deferred inflows of resources and total liabilities. Measuring net assets is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. 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 sewer services offered by the Town of Richfield.

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 Richfield, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Richfield 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* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between 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 Richfield 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The Town of Richfield has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Richfield uses enterprise fund to account for its sewer 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 begin on page 21 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Richfield's progress in funding its obligation to provide pension benefits to its employees.

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

Government-Wide Financial Analysis

**Town of Richfield's Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 850,318	\$ 844,221	\$ 238,044	\$ 235,804	\$1,088,362	\$1,080,025
Capital assets and deferred outflows of resources	<u>202,989</u>	<u>178,308</u>	<u>1,385,462</u>	<u>1,438,532</u>	<u>1,588,451</u>	<u>1,616,840</u>
Total assets and deferred outflows of resources	<u>1,053,307</u>	<u>1,022,529</u>	<u>1,623,506</u>	<u>1,674,336</u>	<u>2,676,813</u>	<u>2,696,865</u>
Long-term liabilities	-	-	188,046	222,405	188,046	222,405
Other liabilities and Deferred inflows of resources	<u>10,483</u>	<u>11,973</u>	<u>81,293</u>	<u>76,028</u>	<u>91,776</u>	<u>88,001</u>
Total liabilities and deferred inflows of resources	<u>10,483</u>	<u>11,973</u>	<u>269,339</u>	<u>298,433</u>	<u>279,822</u>	<u>310,406</u>
Net position:						
Net investment in capital assets	202,989	178,308	1,163,057	1,182,779	1,366,046	1,361,087
Restricted	146,533	128,653	-	-	146,533	128,653
Unrestricted	<u>693,302</u>	<u>703,595</u>	<u>191,110</u>	<u>193,124</u>	<u>884,412</u>	<u>896,719</u>
Total Net Position	<u>\$1,042,824</u>	<u>\$1,010,556</u>	<u>\$1,354,167</u>	<u>\$1,375,903</u>	<u>\$2,396,991</u>	<u>\$2,386,459</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Richfield exceeded liabilities by \$2,393,991 as of June 30, 2019. The Town's net position increased by \$10,532 for the fiscal year ended June 30, 2019. However, the largest portion \$1,366,046 reflects the Town's net investment of 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 Richfield uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Richfield's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Richfield's net positions \$146,533 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$884,412 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collections percentage of 98.6%, which is relative compared to the statewide average of 97.0%.

Town of Richfield Changes in Net Position
Figure 3

	<u>General</u>		<u>Sewer</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program Revenues						
Charges for Services	\$ 32,738	\$ 32,756	\$ 189,426	\$ 188,188	\$ 222,164	\$ 220,944
Grants & Contributions	24,844	25,029	-	-	24,844	25,029
General Revenues:					-	-
Property Taxes	154,629	152,875	-	-	154,629	152,875
Other Taxes	1,294	866	-	-	1,294	866
Grants and contributions not restricted to specific programs	218,610	207,138	-	-	218,610	207,138
Other	11,064	7,105	1,255	1,065	12,319	8,170
Total Revenues	<u>443,179</u>	<u>425,769</u>	<u>190,681</u>	<u>189,253</u>	<u>633,860</u>	<u>615,022</u>
Expenses:						
General Government	115,527	119,633			115,527	119,633
Public Safety	43,872	32,600			43,872	32,600
Highways/Streets	47,922	75,184			47,922	75,184
Environmental Protection	33,318	28,311			33,318	28,311
Culture and Recreation	31,171	24,309			31,171	24,309
Water and Sewer	-	-	351,518	294,830	351,518	294,830
Total Expenses	<u>271,810</u>	<u>280,037</u>	<u>351,518</u>	<u>294,830</u>	<u>623,328</u>	<u>574,867</u>
Increase (Decrease) in net position before transfers	171,369	145,732	(160,837)	(105,577)	10,532	40,155
Transfers	(139,101)	(90,101)	139,101	90,101	-	-
Increase in net position	<u>32,268</u>	<u>55,631</u>	<u>(21,736)</u>	<u>(15,476)</u>	<u>104,995</u>	<u>79,478</u>
Net position, July 1	<u>1,010,556</u>	<u>954,925</u>	<u>1,375,903</u>	<u>1,391,379</u>	<u>2,386,459</u>	<u>2,346,304</u>
Net position, June 30	<u>\$ 1,042,824</u>	<u>\$ 1,010,556</u>	<u>\$ 1,354,167</u>	<u>\$ 1,375,903</u>	<u>\$ 2,396,991</u>	<u>\$ 2,386,459</u>

Governmental activities - Governmental activities increased the Town's net position by \$32,268 thereby accounting growth in the net position in the governmental activities of the Town of Richfield.

- Revenues in the governmental activities increased by 4.1 percent over prior year.
- Governmental Funds transferred \$139,101 to sustain the Sewer Fund, a \$49,000 increase over prior year.

Business-type activities - Business-type activities decreased the Town's net position by \$21,736 which was sustained by governmental transfer of funds:

- Revenues increased approximately 0.8 percent and expenditures increased 19.2 percent over prior year.
- The governmental transfer to sustain the Sewer fund increased from prior year by \$49,000.

Financial Analysis of the Town of Richfield's Funds

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

Governmental Funds – The focus of the Town of Richfield's 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 Richfield's financing requirements. Specifically, unreserved 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 Richfield. At the end of the current fiscal year, unassigned fund balance of the General fund was \$688,330, while total fund balance reached \$834,863. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 78.5 percent of total General fund balance. Unassigned fund balance represents 232.2 percent of General fund expenditures, while total fund balance represents 281.6 percent of the same amount. The town's governing body has not established a policy in a percentage fund balance in case of unforeseen needs.

At June 30, 2019, the governmental funds of Town of Richfield reported a combined fund balance of \$834,863, a 1.1 percent increase over last year. Included in this change in fund balance is an increase in fund balance in the General fund.

General Fund Budgetary Highlights: During the fiscal year, the Town did not revise the budget. 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) amendment made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were less than the budgeted amounts primarily because some grant funds that the Town originally had expected to receive became unavailable. However, expenditures were held in check to compensate for the lack of funding and the Town was able to comply with its budgetary requirements.

Proprietary Funds – The Town 's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Sewer fund at the end of the fiscal year amounted to \$ 191,110. The decrease in net position for the Sewer fund was \$21,736. The change in net position in the Sewer fund is a result of the conservative spending.

Capital assets and Debt Administration

Capital assets - The Town of Richfield's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$1,588,451 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Town of Richfield Capital Assets

Figure 4
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 83,679	\$ 83,679	\$ -	\$ -	\$ 83,679	\$ 83,679
Buildings	49,758	52,765	-	-	49,758	52,765
Improvements	6,904	7,712	-	-	6,904	7,712
Sewer System			1,385,462	1,438,532	1,385,462	1,438,532
Equipment	2,299	2,887	-	-	2,299	2,887
Vehicles	34,200	-	-	-	34,200	-
Infrastructure	<u>26,149</u>	<u>31,265</u>	<u>-</u>	<u>-</u>	<u>26,149</u>	<u>31,265</u>
Total	<u>\$ 202,989</u>	<u>\$ 178,308</u>	<u>\$ 1,385,462</u>	<u>\$ 1,438,532</u>	<u>\$ 1,588,451</u>	<u>\$ 1,616,840</u>

Long-Term Debt - As of June 30, 2019, the Town of Richfield had total bonded debt outstanding of \$222,405. The entire amount is backed by the full faith and credit of the Town. The Town's debt represents bonds secured solely by specified revenue sources (ie. revenue bonds).

Sanitary Sewer Bond

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Sanitary Sewer Bond	\$ -	\$ -	\$ 222,405	\$ 255,753	\$ 222,405	\$ 255,753
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,405</u>	<u>\$ 255,753</u>	<u>\$ 222,405</u>	<u>\$ 255,753</u>

Town of Richfield's Outstanding Debt

The Town of Richfield's total debt decreased by \$33,348 during the past fiscal year. There was no new debt issued during the year. North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. Additional information regarding the Town of Richfield's long-term debt can be found in Note 3.B. of this report. The legal debt margin for the Town of Richfield is \$562,971.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Property taxes (benefiting from the economic growth) and revenues from permits and fees are expected to show a slight decrease in budgeted revenue.

Budgeted revenues and expenditures in the General fund decrease by 15.5% over prior year.

Sewer Fund budget revenues and expenditures decrease by 73.5% over prior year.

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 Town Administrator, Carolyn Capps, PO Box 158, Richfield, NC 28137 or phoned at (704) 463-1308, or richfieldnc@aol.com.

BASIC FINANCIAL STATEMENTS

**TOWN OF RICHFIELD, NORTH CAROLINA
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Exhibit 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 909,479	\$ 13,792	\$ 923,271
Taxes Receivable (net)	4,972	-	4,972
Accounts Receivable (net)	-	13,586	13,586
Due from other governments	41,485	-	41,485
Internal Balances	(210,666)	210,666	-
Restricted Cash & Cash Equivalents	105,048	-	105,048
Total Current Assets	<u>850,318</u>	<u>238,044</u>	<u>1,088,362</u>
Non-current assets:			
Capital Assets			
Land and construction in progress	83,679	-	83,679
Other Capital Assets, Net of Depreciation	119,310	1,385,462	1,504,772
Total Capital Assets	<u>202,989</u>	<u>1,385,462</u>	<u>1,588,451</u>
Total Assets	<u>1,053,307</u>	<u>1,623,506</u>	<u>2,676,813</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and other accrued liabilities	10,483	14,672	25,155
Customer deposits	-	32,262	32,262
Current portion of long-term liabilities	-	34,359	34,359
Long-term liabilities:			
Due in More than One Year	-	188,046	188,046
Total Liabilities	<u>10,483</u>	<u>269,339</u>	<u>279,822</u>
NET POSITION			
Invested in capital assets, net of related debt	202,989	1,163,057	1,366,046
Restricted for:			
Stabilization State Statue	41,485	-	41,485
Streets	105,048	-	105,048
Unrestricted	<u>693,302</u>	<u>191,110</u>	<u>884,412</u>
Total Net Position	<u>1,042,824</u>	<u>1,354,167</u>	<u>2,396,991</u>
Total Liabilities and Net Position	<u>\$ 1,053,307</u>	<u>\$ 1,623,506</u>	<u>\$ 2,676,813</u>

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

TOWN OF RICHFIELD, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit 2

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 115,527	\$ 900	\$ -	\$ -	\$ (114,627)		\$ (114,627)
Public Safety	43,872	-	-	-	(43,872)		(43,872)
Transportation	47,922	-	24,844	-	(23,078)		(23,078)
Environmental Protection	33,318	-	-	-	(33,318)		(33,318)
Culture and Recreation	31,171	31,838	-	-	667		667
Total Governmental activities	<u>271,810</u>	<u>32,738</u>	<u>24,844</u>	<u>-</u>	<u>(214,228)</u>	<u>-</u>	<u>(214,228)</u>
Business-Type Activities							
Sewer Fund	<u>351,518</u>	<u>189,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(162,092)</u>	<u>(73,045)</u>
Total Business-Type activities	<u>351,518</u>	<u>189,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(162,092)</u>	<u>(73,045)</u>
Total Primary Government	<u>\$ 623,328</u>	<u>\$ 222,164</u>	<u>\$ 24,844</u>	<u>\$ -</u>	<u>\$ (214,228)</u>	<u>\$ (162,092)</u>	<u>\$ (376,320)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purpose					154,629	-	154,629
Other Taxes					1,294	-	1,294
Grants not restricted to specific program					218,610	-	218,610
Unrestricted Investment Earnings					697	5	702
Miscellaneous					10,367	1,250	11,617
Transfers					(139,101)	139,101	-
Total General Revenues and Transfers					<u>246,496</u>	<u>140,356</u>	<u>386,852</u>
Change in Net Position					32,268	(21,736)	10,532
Net Position, Beginning					<u>1,010,556</u>	<u>1,375,903</u>	<u>2,386,459</u>
Net Position, Ending					<u>\$ 1,042,824</u>	<u>\$ 1,354,167</u>	<u>\$ 2,396,991</u>

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

**TOWN OF RICHFIELD, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

Exhibit 3

ASSETS

Cash and Cash Equivalents	\$ 909,479
Restricted Cash & Cash Equivalents	105,048
Receivables, net:	
Taxes	4,972
Due from other governments	41,485
Total Assets	<u>1,060,984</u>

LIABILITIES AND FUND BALANCES

Liabilities:	
Accounts Payable and Accrued Liabilities	10,483
Due to other funds	210,666
Total Liabilities	<u>221,149</u>

Deferred Inflows of Resources:	
Property Taxes Receivable	<u>4,972</u>

Fund Balances:	
Restricted:	
Stabilization by State Statute	41,485
Streets-Powell bill	105,048
Unassigned	<u>688,330</u>

Total fund balances and deferred inflows of resources	<u>834,863</u>
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Total Liabilities, deferred inflows of resources and fund balances	<u>\$ 1,060,984</u>
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Reconciliation of fund balances as reported in the balance sheet - governmental funds with net position - governmental activities	
Fund balance as reported in the balance sheet - governmental funds	\$ 834,863

Amounts reported for governmental activities in the Statement of net position are different because:	
Total Fund Balance, Governmental Funds	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	202,989

Liabilities for earned revenues considered deferred inflows of resources in fund statements	4,972
Net position of governmental activities.	<u>\$ 1,042,824</u>

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

TOWN OF RICHFIELD, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit 4

	<u>General</u>
REVENUES	
Ad Valorem Taxes	\$ 140,281
Other Taxes and Licenses	17,309
Unrestricted Intergovernmental	218,610
Restricted Intergovernmental	24,844
Permits and Fees	900
Sales and Services	31,838
Investment Earnings	697
Miscellaneous	<u>10,367</u>
Total Revenues	<u>444,846</u>
 EXPENDITURES	
Current:	
General Government	114,266
Public Safety	77,077
Transportation	42,806
Environmental Protection	33,318
Culture and Recreation	<u>29,024</u>
Total Expenditures	<u>296,491</u>
 Excess of revenues over expenditures	 <u>148,355</u>
 OTHER FINANCING SOURCES (USES)	
Transfers to other funds	
Sources (uses)	<u>(139,101)</u>
Total other financing sources (uses)	(139,101)
 Net Change in Fund Balance	 9,254
 Fund Balances, Beginning	 <u>825,609</u>
 Fund Balances, Ending	 <u>\$ 834,863</u>

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

TOWN OF RICHFIELD, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit 5

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

Net Changes in fund balances - total governmental funds	\$ 9,254
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital outlay expenditures which were capitalized	36,000
Depreciation expense for governmental assets	(11,319)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Change in unavailable revenue for Tax Revenues	<u>(1,667)</u>
Total Changes in net position of governmental activities.	<u>\$ 32,268</u>

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

TOWN OF RICHFIELD, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit 6

	General Fund			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues:				
Ad Valorem Taxes	\$ -	\$ -	\$ 140,281	\$ -
Other Taxes and Licenses	-	-	17,309	-
Unrestricted Intergovernmental	-	-	218,610	-
Restricted Intergovernmental	-	-	24,844	-
Permits and Fees	-	-	900	-
Sales and Services	-	-	31,838	-
Investments Earnings	-	-	697	-
Miscellaneous	-	-	10,367	-
Total Revenues	<u>365,310</u>	<u>365,510</u>	<u>444,846</u>	<u>79,336</u>
Expenditures:				
Current:				
General Government	-	-	114,266	-
Public Safety	-	-	77,077	-
Transportation	-	-	42,806	-
Environmental protection	-	-	33,318	-
Cultural and Recreation	-	-	29,024	-
Total Expenditures	<u>348,200</u>	<u>350,200</u>	<u>296,491</u>	<u>53,709</u>
Revenues over Expenditures	<u>17,110</u>	<u>15,310</u>	<u>148,355</u>	<u>133,045</u>
Other Financing Sources (uses):				
Transfer to other funds	<u>(50,000)</u>	<u>(51,000)</u>	<u>(139,101)</u>	<u>(88,101)</u>
Total Other Financing Sources (uses)	<u>(50,000)</u>	<u>(51,000)</u>	<u>(139,101)</u>	<u>(88,101)</u>
Fund balance appropriated	<u>32,890</u>	<u>35,690</u>		<u>(35,690)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	9,254	<u>\$ 9,254</u>
Fund Balances, Beginning			<u>825,609</u>	
Fund Balances, ending			<u>\$ 834,863</u>	

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

**TOWN OF RICHFIELD, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019**

Exhibit 7

	<u>Sewer Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 13,792
Accounts Receivable (net) billed	13,586
Due from other funds	<u>210,666</u>
Total Current Assets	<u>238,044</u>
Capital Assets:	
Capital assets (net)	<u>1,385,462</u>
Total Capital Assets	<u>1,385,462</u>
Total Assets	<u>\$ 1,623,506</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 14,672
Customer deposits	32,262
General obligation bonds payable - current	<u>34,359</u>
Total Current Liabilities	<u>81,293</u>
Noncurrent Liabilities:	
General obligation bonds payable noncurrent (net)	<u>188,046</u>
Total noncurrent liabilities	<u>188,046</u>
Total Liabilities	<u>269,339</u>
NET POSITION	
Net Investment in Capital Assets	1,163,057
Unrestricted	<u>191,110</u>
Total Net Position	<u>1,354,167</u>
Total liabilities and net position	<u>\$ 1,623,506</u>

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

**TOWN OF RICHFIELD, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

Exhibit 8

	<u>Sewer Fund</u>
OPERATING REVENUES	
Charges for Services	
Sewer charges	174,426
Sewer Taps	<u>15,000</u>
Total Operating Revenues	<u>189,426</u>
OPERATING EXPENSES	
Water Treatment and Distribution	36,459
Waste Water Treatment	254,236
Depreciation	<u>53,070</u>
Total Operating Expenses	<u>343,765</u>
Operating Income (Loss)	<u>(154,339)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment Earnings	5
Other revenues	1,250
Interest and Other Charges	<u>(7,753)</u>
Total Nonoperating Revenue (Expenses)	<u>(6,498)</u>
(Loss) before Contributions and Transfers	(160,837)
Transfers from other funds	<u>139,101</u>
Change in Net Position	(21,736)
Total Net Position, beginning	<u>1,375,903</u>
Total Net Position, ending	<u>1,354,167</u>

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

**TOWN OF RICHFIELD, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

Exhibit 9

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 189,449
Cash paid for goods and services	<u>(286,441)</u>
Net Cash (used) by Operating Activities	<u>(96,992)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Principal paid on debt	(33,348)
Interest paid on debt	(7,753)
Transfers from other funds	<u>139,101</u>
Total Cash provided from Noncapital Financing Activities	<u>98,000</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Non-operating revenues	<u>1,255</u>
Net increase in Cash and Cash Equivalents	2,263
 Balances, beginning	<u>11,529</u>
 Balances, ending	<u>\$ 13,792</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating (Loss)	<u>\$ (154,339)</u>
Adjustments to reconcile Operating Income to Net Cash provided by operating activities	
Depreciation	53,070
Changes in Assets and Liabilities	
(Increase) decrease in Accounts Receivable	23
Increase (decrease) in Accounts payable & accrued liabilities	2,304
Increase in customer deposits	<u>1,950</u>
Total Adjustments	<u>57,347</u>
Net Cash (Used) by Operating Activities	<u>\$ (96,992)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statement themselves. The notes supplement the financial statements, and are an integral part thereof, and are intended to be read in conjunction with the financial statements.

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Town of Richfield 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 Richfield is a municipal corporation that is governed by an elected Mayor and a five-member Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the Town as a legally separate entity for which the Town is financially accountable.

B. Basis of Presentation

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

The Town considers all revenues available if they are collected within 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 in the County, including the Town of Richfield. 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 are billed in periods prior to September 1, 2013, and for limited registrations 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. Sales taxes are considered a shared revenue for the Town of Richfield because the tax is levied by Stanly County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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 positions 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 Fund. All annual appropriations lapse at the fiscal-year end. 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. All amendments must be approved by the governing board and the board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

State law [G.S.159-30 (c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

Cash and Cash Equivalents

The Town does not pool money from the two funds to facilitate disbursements and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purpose outlined in G.S. 136-41.1 thru 136-41.4.

Town of Richfield Restricted Cash:

Governmental Activities

General Fund:

Streets (Powell Bill).....\$105,048

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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 receivable that were written off in prior years.

Inventory

The inventories of the Town valued at cost (first-in, first-out), which approximates market. The Town's General Fund has no inventory. The cost of these inventories is expenses when consumed rather than when purchased. The Town's sewer fund also had no inventory at June 30, 2019.

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 useful life in excess of two years. Minimum capitalization cost are as follows: land, \$10,000; Buildings, improvements, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment \$3,000; vehicles, \$5,000; and computers and software \$3,000. 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 their acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repair that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deferred outflows/inflows of resources

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

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. Bonds issuance costs are reported as deferred charges and amortized over the term of the related debt, 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.

Compensated absences

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Restricted by Stabilization by State Statute-portion of fund balance by State Statute (G.S. 159-8(a).

Restricted for Streets – Powell Bill-portion of found 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.

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

Subsequent year's expenditures – portion of the fund balance that has not been restricted, committed, or assigned to specific purposes.

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

Note 2: Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the Town's General fund exceeded the authorized appropriations made by the governing board for the transfer to the Enterprise fund by \$88,101 and by \$104,586 for the Enterprise fund expenditures. Management and the Board will more closely review the budget reports to ensure compliance in future years.

Note 2: Stewardship, Compliance, and Accountability (Continued)

Noncompliance with North Carolina General Statutes

State law (G.S. 159-34) requires the unit to have its accounts audited as soon as possible after the close of each fiscal year. The audit due date for this audit would have been October 31, 2019. This Statute was not complied with. We recommend, going forward, that the unit take every possible step to have audits completed timely. The Town agrees with this recommendation and will work with their new auditor to achieve this going forward.

Note 3: Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledge for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standard of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town' deposits had a carrying amount of \$1,028,219, and a bank balance of \$942,362. Of the Bank Balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$100.

The Town of Richfield has no policy regarding credit risk.

Receivables – Allowances for Doubtful Accounts

No allowances are calculated as receivables are represented at their realizable amounts

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

Note 3: Detail Notes on All Funds (Continued)

Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019.

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 83,679	\$ -	\$ -	\$ 83,679
Capital assets being depreciated				
Buildings	97,653			97,653
Other improvements	187,052			187,052
Equipment	70,323			70,323
Vehicles	-	36,000		36,000
Infrastructure	99,915	-	-	99,915
Total capital assets being depreciated	<u>454,943</u>	<u>36,000</u>	<u>-</u>	<u>490,943</u>
Less accumulated depreciation				
Buildings	44,888	3,007		47,895
Other improvements	179,340	808		180,148
Equipment	67,436	588		68,024
Vehicles	-	1,800		1,800
Infrastructure	68,650	5,116	-	73,766
Total accumulated depreciation	<u>360,314</u>	<u>11,319</u>	<u>-</u>	<u>371,633</u>
Total capital assets being depreciated, net	<u>94,629</u>			<u>119,310</u>
Total Governmental activity capital assets, net	<u>\$ 178,308</u>			<u>\$ 202,989</u>

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

General Government	\$ 1,261
Public Safety	2,795
Transportation	5,116
Cultural and Recreation	2,147
Total Depreciation Expense	<u>\$ 11,319</u>

Business-type activities	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Sewer Fund				
Capital assets being depreciated				
Plant distribution system	\$ 2,648,666	\$ -	\$ -	\$ 2,648,666
Total capital assets being depreciated	<u>2,648,666</u>	<u>-</u>	<u>-</u>	<u>2,648,666</u>
Less accumulated depreciation				
Plant distribution system	1,210,134	53,070	-	1,263,204
Total accumulated depreciation	<u>1,210,134</u>	<u>53,070</u>	<u>-</u>	<u>1,263,204</u>
Total capital assets being depreciated, net	<u>1,438,532</u>			<u>1,385,462</u>
Total business-type capital assets, net	<u>\$ 1,438,532</u>			<u>\$ 1,385,462</u>

Note 3: Detail Notes on All Funds (Continued)

B. Liabilities

Deferred Outflows and Inflows of Resources

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

Taxes Receivable (General Fund)	<u>\$ 4,972</u>
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Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$ 1 million per occurrence, property coverage up to the total insurance values of the property policy, worker's compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability and property in excess of \$500,000 and \$300,000 up to statutory limits for worker's compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in 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.

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 \$50,000.

The Town is not required to carry flood insurance because the Town is not in an area of the State that has been mapped and designation an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

Claims, Judgments and Contingent Liabilities

At June 30, 2019, there was no material pending or threatened litigation, claims or assessments involving the Town of Richfield.

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

Note 3: Detail Notes on All Funds (Continued)

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	<u>\$ 834,863</u>
Less:	
Stabilization by State Statute	41,485
Streets- Powell Bill	105,048
Remaining Fund Balance	688,330

The Town of Richfield has adopted no minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town.

Note 4: Jointly Governed Organization

The Town, in conjunction with several counties and other municipalities, established the Central Carolina Council of Governments (Council). The participating government 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 membership fees of \$750 to the Council during the fiscal year ended June 30, 2019.

Note 5: 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.

Note 6: Significant Effects of Subsequent Events

Effective Oct 11 2019, the Town will no longer maintain a Sewer fund. They have transferred all Sewer fund assets to Stanly County, as they will provide sewer service to the citizens of Richfield going forward.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

MAJOR GOVERNMENTAL FUNDS

General Fund – This fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

**TOWN OF RICHFIELD, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

Revenues:	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Advalorem Taxes:			
Taxes	\$ -	\$ 140,281	\$ -
Total	<u>153,500</u>	<u>140,281</u>	<u>(13,219)</u>
Other Taxes and Licenses:			
Motor vehicle taxes	-	16,015	-
Privilege Licenses	<u>-</u>	<u>1,294</u>	<u>-</u>
Total	<u>8,600</u>	<u>17,309</u>	<u>8,709</u>
Unrestricted Intergovernmental:			
Local Option Sales Taxes	-	156,930	-
Utility Franchise Tax	-	54,853	-
Occupancy Tax	-	4,044	-
Beer and Wine Tax	<u>-</u>	<u>2,783</u>	<u>-</u>
Total	<u>147,500</u>	<u>218,610</u>	<u>71,110</u>
Restricted Intergovernmental			
Powell Bill Allocation	<u>-</u>	<u>24,844</u>	<u>-</u>
Total	<u>25,000</u>	<u>24,844</u>	<u>(156)</u>
Permits and Fees:			
Zoning	<u>-</u>	<u>900</u>	<u>-</u>
Total	<u>1,100</u>	<u>900</u>	<u>(200)</u>
Sales and Services:			
Nextel lease	-	18,138	-
Recreation department fees	-	3,100	-
Dumpster	-	1,000	-
Rentals	<u>-</u>	<u>9,600</u>	<u>-</u>
Total	<u>27,000</u>	<u>31,838</u>	<u>4,838</u>
Investment Earnings	<u>210</u>	<u>697</u>	<u>487</u>
Miscellaneous:			
Other	<u>-</u>	<u>10,367</u>	<u>-</u>
Total	<u>2,600</u>	<u>10,367</u>	<u>7,767</u>
Total Revenues	<u>365,510</u>	<u>444,846</u>	<u>79,336</u>

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

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

Expenditures:	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government			
Salaries and employee benefits	-	68,898	-
Professional services	-	16,457	-
Other operating expenditures	-	13,905	-
Total	<u>101,200</u>	<u>99,260</u>	<u>1,940</u>
Taxes:			
Collection fees	-	1,786	-
Total	<u>3,000</u>	<u>1,786</u>	<u>1,214</u>
Public Buildings:			
Utilities	-	2,060	-
Building and equipment repair	-	505	-
Insurance	-	8,647	-
Dues and subscriptions	-	1,923	-
Miscellaneous	-	85	-
Total	<u>62,250</u>	<u>13,220</u>	<u>49,030</u>
Total General Government	<u>166,450</u>	<u>114,266</u>	<u>52,184</u>
Public Safety:			
Police:			
Contract	-	41,077	-
Capital outlay	-	36,000	-
Total Public Safety	<u>78,000</u>	<u>77,077</u>	<u>923</u>
Transportation:			
Streets and Highways:			
Salaries and employee benefits	-	24,470	-
Powell Bill expenditures	-	8,462	-
Maintenance	-	9,874	-
Total Transportation	<u>43,000</u>	<u>42,806</u>	<u>194</u>
Environmental Protection:			
Solid Waste:			
Contract	-	33,318	-
Total Environmental Protection	<u>33,500</u>	<u>33,318</u>	<u>182</u>

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

TOWN OF RICHFIELD, NORTH CAROLINA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Positive (Negative)
Culture and Recreation:			
Parks and Recreation:			
Labor	-	3,521	-
Utilities	-	11,768	-
Other Operating Expenditures	-	13,735	-
Total cultrual and recreation	<u>29,250</u>	<u>29,024</u>	<u>226</u>
Total Expenditures	<u>350,200</u>	<u>296,491</u>	<u>53,709</u>
Revenues over Expenditures	<u>15,310</u>	<u>148,355</u>	<u>133,045</u>
Other Financing Sources (uses):			
Transfers to from Funds:			
Transfer to enterprise fund	<u>(51,000)</u>	<u>(139,101)</u>	<u>(88,101)</u>
Total	<u>(51,000)</u>	<u>(139,101)</u>	<u>(88,101)</u>
Fund balance appropriated	<u>35,690</u>	<u>-</u>	<u>(35,690)</u>
Net change in fund balance after other financing sources	<u>\$ -</u>	<u>9,254</u>	<u>\$ 9,254</u>
Fund Balances, Beginning		<u>825,609</u>	
Fund Balances, ending		<u>\$ 834,863</u>	

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

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Sewer Fund - This fund is used to account for the Town's sewer operations.

TOWN OF RICHFIELD, NORTH CAROLINA
SEWER FUND

Exhibit B-1
Page 1 of 2

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Sewer charges	\$ 176,000	\$ 174,426	\$ (1,574)
Sewer taps	-	15,000	15,000
Other operating revenues	500	-	(500)
Total operating revenues	<u>176,500</u>	<u>189,426</u>	<u>12,926</u>
Nonoperating Revenues:			
Penalties & Late charges	700	1,250	550
Interest earnings	10	5	(5)
Total nonoperating revenues	<u>710</u>	<u>1,255</u>	<u>545</u>
Total Revenues	<u>177,210</u>	<u>190,681</u>	<u>13,471</u>
Expenditures:			
Waste collection and treatment:			
Sewage collection system:			
Contract Labor	-	1,530	-
Maintenance and repairs	-	27,744	-
Utilities	-	3,975	-
Other operating expenditures	-	3,210	-
Total	<u>18,210</u>	<u>36,459</u>	<u>(18,249)</u>
Primary waste treatment:			
Sewer treatment	-	253,484	-
Chemicals & Supplies	-	752	-
Total primary waste treatment	<u>159,000</u>	<u>254,236</u>	<u>(95,236)</u>
Total waste collection and treatment	<u>177,210</u>	<u>290,695</u>	<u>(113,485)</u>
Debt service:			
Interest and other charges	32,000	33,348	-
Principal retirement	18,000	7,753	-
Total debt service	<u>50,000</u>	<u>41,101</u>	<u>8,899</u>
Total Expenditures	<u>227,210</u>	<u>331,796</u>	<u>(104,586)</u>
Expenditures (under) revenues	<u>(50,000)</u>	<u>(141,115)</u>	<u>(91,115)</u>

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

**TOWN OF RICHFIELD, NORTH CAROLINA
SEWER FUND**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other Financing Sources (uses):			
Transfer to other fund:			
General Fund	<u>50,000</u>	<u>139,101</u>	<u>89,101</u>
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>139,101</u>	<u>89,101</u>
Revenues and Other Sources (under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (2,014)</u>	<u>\$ (2,014)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:		<u>\$ (2,014)</u>	
Reconciling Items:			
Principal retirement		33,348	
Depreciation		<u>(53,070)</u>	
Total reconciling items		<u>(19,722)</u>	
Change in Net Position		<u>\$ (21,736)</u>	

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

Other Schedules

This section includes additional information on property taxes.

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

TOWN OF RICHFIELD, NORTH CAROLINA
SCHEDULE OF TOTAL PROPERTY TAX RECEIVABLE
JUNE 30, 2019

Exhibit C-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019		154,817	152,693	2,124
2017-2018	4,016	-	2,705	1,311
2016-2017	846	-	479	367
2015-2016	387	-	157	230
2014-2015	167	-	55	112
2013-2014	391	-	100	291
2012-2013	158	-	48	110
2011-2012	149	-	46	103
2010-2011	192	-	-	192
2009-2010	132	-	-	132
2008-2009	201	-	201	-
Totals	<u>\$ 6,639</u>	<u>\$ 154,817</u>	<u>\$ 156,484</u>	<u>4,972</u>

Reconcilement with revenues:

Taxes - ad valorem - General Fund	156,296
Releases	389
Write-off of prior year taxes	<u>(201)</u>
Total collections and credits	<u>\$ 156,484</u>

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

**TOWN OF RICHFIELD, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN WIDE LEVY
YEAR ENDED JUNE 30, 2019**

Exhibit C-2

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original Levy:				
Property Taxes at current year's rate	\$ 7,026,909	0.22	\$ 154,592	\$ 138,548	\$ 16,044
Penalties	-	0.22	-	-	-
Total Property Valuation	<u>7,026,909</u>		<u>154,592</u>	<u>138,548</u>	<u>16,044</u>
Abatements	(7,500)	0.22	(165)	(165)	-
Discoveries	<u>17,727</u>	0.22	<u>390</u>	<u>390</u>	<u>-</u>
Total property valuation	<u>\$ 7,037,136</u>				
Net Levy			<u>154,817</u>	<u>138,773</u>	<u>16,044</u>
Uncollected Taxes at June 30, 2019			<u>2,124</u>	<u>2,095</u>	<u>29</u>
Current Year's Taxes Collected			<u>\$ 152,693</u>	<u>\$ 136,678</u>	<u>\$ 16,015</u>
Current Levy Collection Percentage			<u>98.6%</u>	<u>98.5%</u>	<u>99.8%</u>

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