

# **TOWN OF RICHLANDS**

**RICHLANDS, NORTH CAROLINA**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2020**

(This page left blank intentionally)

## **INTRODUCTORY SECTION**

---

- List of Principal Officials
  - Table of Contents
-

(This page left blank intentionally)

TOWN OF RICHLANDS, NORTH CAROLINA

BOARD OF ALDERMEN

**McKinley Smith**  
Mayor

**Kent Painter**

**Thompson L. Brown**

**Paul Conner**

**Kandy Koonce**

**Marilyn Bunce**

ADMINISTRATION

**Gregg Whitehead**  
Town Administrator

**Doreen Putney**  
Town Clerk/Finance Officer

**William A. Horne**  
Chief – Police Department

(This page left blank intentionally)

Town of Richlands, North Carolina  
Table of Contents  
June 30, 2020

	Exhibit No. Table No.	Page No.
<b>INTRODUCTORY SECTION</b>		
Title Page		i
List of Principal Officials		ii
Table of Contents		iii
<b>FINANCIAL SECTION</b>		
<b>Independent Auditor’s Report</b>		3
<b>Management’s Discussion and Analysis</b>		5
<b>Basic Financial Statements:</b>		
Government-wide Financial Statements:		
Statement of Net Position	1	15
Statement of Activities	2	16
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4	19
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget And Actual	5	21
Notes to the Financial Statements		23
<b>Required Supplemental Financial Data:</b>		
Schedule of Proportionate Share of Net Pension Asset - Local Government Employees’ Retirement System	A-1	46
Schedule of Contributions - Local Government Employees’ Retirement System	A-2	47
Schedule of Changes in Total Pension Liability – Law Enforcement Officers’ Special Separation Allowance	A-3	48
Schedule of Total Pension Liability as a Percentage of Covered Payroll	A-4	49

Town of Richlands, North Carolina  
Table of Contents  
June 30, 2020

**Individual Fund Statements and Schedules:**

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Fund	B-1	52
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – Grant Project Special Revenue Fund – Sewer Removal Project	B-2	55

**Other Schedules:**

Schedule of Ad Valorem Taxes Receivable	C-1	58
Analysis of Current Tax Levy – Town Wide Levy	C-2	59

**Compliance Section:**

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		63
Schedule of Findings and Responses		65
Corrective Action Plan		67



## **FINANCIAL SECTION**

---

- Independent Auditor's Report
  - Management's Discussion and Analysis
  - Basic Financial Statements
  - Notes to the Financial Statements
-

(This page left blank intentionally)



WILLIAMS · SCARBOROUGH · GRAY, LLP  
Certified Public Accountants

Christopher K. Williams, CPA  
Steven N. Scarborough, CPA  
W. Randall Gray, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the Board of Aldermen  
Town of Richlands, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Richlands, North Carolina as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Richlands' 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller 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.

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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Richlands, North Carolina as of June 30, 2020, and the respective changes in financial position 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.

2131 S. Glenburnie Rd., Suite 3  
PO Box 14008  
New Bern, NC 28561-4008

Phone (252) 638-4000  
Fax (252) 638-3989

INNOVATIVE · RESPONSIVE · DEDICATED

[www.wsgcpa.com](http://www.wsgcpa.com)

824 Gum Branch Rd., Suite K  
PO Box 5003  
Jacksonville, NC 28540

Phone (910) 455-2196  
Fax (910) 455-1943

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Local Government Employees' Retirement System's Schedules of the proportionate Share of the Net Pension Asset (Liability) and contributions on pages 5 through 12, 46 and 47, 48 and 59, respectively, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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 Richlands' basic financial statements. The introductory information, individual fund statements and 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 and schedules and other schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund statements and schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information has not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2021, on our consideration of the Town of Richlands; internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Richlands' internal control over financial reporting and compliance.

*Williams • Scarborough • Gray, LLP*

Williams • Scarborough • Gray, LLP  
Jacksonville, North Carolina  
January 12, 2021

## Management's Discussion and Analysis

As management of the Town of Richlands, we offer readers of the Town of Richlands' financial statements this narrative overview and analysis of the financial activities of the Town of Richlands for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

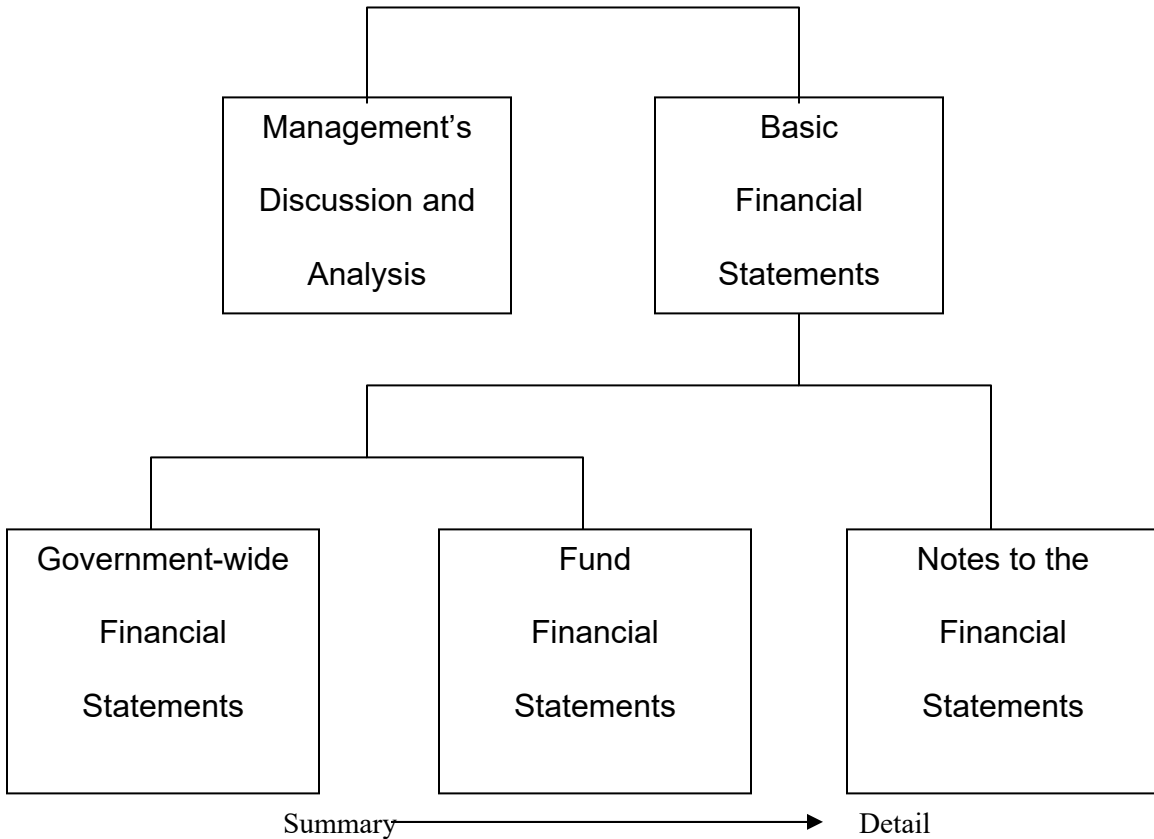
- The assets of the Town of Richlands exceeded its liabilities at the close of the fiscal year by \$1,749,640 (*net position*).
- The government's total net position decreased by \$46,006.
- As of the close of the current fiscal year, the Town of Richlands' governmental funds reported ending fund balances of \$906,654, an increase of \$51,553 in comparison with the prior year. Approximately 90 percent of this total amount, or \$817,582, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$817,582, or 55 percent of total general fund expenditures for the fiscal year.
- The Town of Richlands installment purchase debt decreased by \$8,142 during the fiscal year.
- During the fiscal year, the Town completed a sewer line removal project funded by a grant totaling \$174,054.

### Overview of the Financial Statements

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

### 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 5) 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 two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison 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 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 two categories: 1) governmental activities; 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, streets, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. The Town of Richlands does not currently provide services that are considered business-type activities.

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 Richlands, 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 Richlands 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 Richlands 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,

Management Discussion and Analysis  
Town of Richlands

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** – Town of Richlands has no proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements.

**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 23 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain other required schedules concerning the Town of Richlands. The other schedules can be found beginning on page 45 of this report.

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

**Government-Wide Financial Analysis**

**Town of Richlands Net Position**

**Figure 2**

	<b>Governmental Activities</b>	
	<b>2020</b>	<b>2019</b>
Current and other assets	\$ 960,370	\$ 1,025,286
Capital assets	1,166,901	1,144,186
Deferred outflows of resources	155,665	186,619
Total assets and deferred outflows of resources	2,282,936	2,356,091
Long-term liabilities outstanding	429,323	400,677
Other liabilities	95,982	148,623
Deferred inflows of resources	7,991	11,145
Total liabilities and deferred inflows of resources	533,296	560,445
Net position:		
Invested in capital assets, net of related debt	1,093,425	1,087,868
Restricted	89,072	209,081
Unrestricted	567,143	498,697
Total net position	\$ 1,749,640	\$ 1,795,646

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Richlands exceeded liabilities and deferred inflows by



Management Discussion and Analysis  
Town of Richlands

\$1,749,640 as of June 30, 2020. The Town's net position decreased by \$46,006 for the fiscal year ended June 30, 2020. The largest portion of net position (62%) 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 Richlands uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Richlands' 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's net position, \$89,072, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$567,143 is unrestricted.

**Town of Richlands Changes in Net Position**  
**Figure 3**

	<b>Governmental Activities</b>	
	<b>2020</b>	<b>2019</b>
Revenues:		
Program revenues:		
Charges for services	\$ 240,051	\$ 226,864
Operating grants and contributions	214,737	240,658
Capital grants and contributions	1,000	12,810
General revenues:		
Property taxes	634,257	586,882
Grants and contributions not restricted to specific programs	511,098	520,683
Other	22,380	18,042
Total revenues	<u>1,623,523</u>	<u>1,605,939</u>
Expenses:		
General government	433,165	372,279
Public safety	553,768	572,291
Highways/streets and sanitation	676,674	676,205
Interest on long-term debt	5,922	5,790
Total expenses	<u>1,669,529</u>	<u>1,626,565</u>
Increase (decrease) in net position	(46,006)	(20,626)
Net position, July 1	<u>1,795,646</u>	<u>1,816,272</u>
Net position, June 30	<u>\$ 1,749,640</u>	<u>\$ 1,795,646</u>

The Town experienced a decrease in net position in the current year, due to a slight decrease in revenue coupled with increases in public safety and streets and sanitation expenditures.

**Governmental activities.** Governmental activities increased the Town's net position by \$51,553, thereby accounting for 100% of the total increase in the net position of the Town of Richlands.

**Business-type activities:** There was no business-type activity in the current year.

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

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

**Governmental Funds.** The focus of the Town of Richlands' 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 Richlands' 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 Richlands. At the end of the current fiscal year, the Town of Richlands fund balance available in the General Fund was \$817,582, while total fund balance was \$906,654. The Town currently has an available fund balance of 55% of total General Fund expenditures, while total fund balance represents 61% of that same amount.

At June 30, 2020, the governmental funds of Town of Richlands reported a combined fund balance of \$906,654, a 6 percent increase 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.

Actual revenues were in line with budget expectations. Various budget amendments were made throughout the year to adjust for salary overtime expenses, hurricane damage expenses, capital outlay expenses and to adjust for other miscellaneous expenditures.

**Proprietary Funds.** The Town of Richlands had no proprietary funds in the current year.

### **Capital Asset and Debt Administration**

**Capital assets.** The Town of Richlands' investment in capital assets for its governmental activities as of June 30, 2020, totals \$1,166,901 (net of accumulated depreciation). These assets include buildings, construction in progress, land, machinery and equipment, park facilities, and vehicles.

During the year, the Town purchased a new a/c unit for the community building, a generator for the Town Hall, and new police vehicle, and completed a roof replacement project for the community center.

**Town of Richlands' Capital Assets  
(net of depreciation)**

**Figure 4**

	<b>Governmental Activities</b>	
	<b>2020</b>	<b>2019</b>
Land	\$ 365,899	\$ 365,899
Construction in progress	-	53,430
Buildings and infrastructure	647,165	675,144
Machinery and equipment	119,367	28,779
Vehicles and motorized equipment	34,470	20,934
<b>Total</b>	<b>\$ 1,166,901</b>	<b>\$ 1,144,186</b>

Additional information on the Town's capital assets can be found in note II.A.4 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2020, the Town of Richlands had total debt outstanding of \$149,377. The Town's debt represents installment purchases for government activities.

The Town of Richlands' total debt decreased by \$8,142 (5%) during the past fiscal year. This decrease is attributed to scheduled principal payments offset by a new installment note of \$29,022 used to purchase the new police vehicle.

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. The legal debt margin for Town of Richlands is \$12,689,853.

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

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

- The 2010 Census established a residential population in Richlands of 1,520. The 2020 population estimate for Richlands is 1,930, which reflects a growth rate of 27%. Though these figures reflect consistent residential growth since 2010, the residential market for new housing construction has been lower in recent years.
- The recent completion of 1 million gallon regional waste water treatment plant adjacent to Richlands should help remove environmental barriers to new development in town.
- The Town does not have a significant manufacturing or industrial base. However, the addition of a major big box retailer located within a quarter mile of Richlands should improve the small business development in town.
- Low unemployment. The Town of Richlands is too small to be statistically categorized in unemployment figures. However, the Onslow County unemployment rate of 4.4% is within the statistical margin of the State average of 4.1%.

**Budget Highlights for the Fiscal Year Ending June 30, 2021**

**Governmental Activities:** The Town does not expect and significant changes in revenue in relation to the prior year and is budgeting a decrease in revenue of about 2% to \$1,467,600.

Budgeted expenditures in the General Fund are expected to decrease approximately 2%.

**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 Gregg Whitehead, Town Administrator, PO Box 245, Richlands, NC 28574.

**BASIC  
FINANCIAL STATEMENTS**

(This page left blank intentionally)

**Town of Richlands, North Carolina**  
**STATEMENT OF NET POSITION**  
**June 30, 2020**

		<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$	833,545
Restricted cash		11,617
Taxes receivables (net)		7,119
Accrued interest receivable on taxes		2,905
Accounts receivable (net)		<u>105,184</u>
Total current assets		960,370
Non-current assets:		
Capital assets:		
Land		365,898
Other capital assets, net of depreciation		<u>801,003</u>
Total capital assets		<u>1,166,901</u>
Total assets	\$	<u><u>2,127,271</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		<u><u>\$ 155,665</u></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$	15,962
Compensated absences		44,045
Current portion of long-term liabilities		<u>35,975</u>
Total current liabilities		95,982
Long-term liabilities:		
Net pension liability		264,353
Total pension liability		51,568
Due in more than one year		<u>113,402</u>
Total liabilities	\$	<u><u>525,305</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		<u><u>\$ 7,991</u></u>
<b>NET POSITION</b>		
Net investment in capital assets	\$	1,093,425
Restricted for:		
Stabilization by State Statute		77,455
Streets		11,617
Unrestricted		<u>567,143</u>
Total net position	\$	<u><u>1,749,640</u></u>

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

**Town of Richlands, North Carolina**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary government:</b>			
Governmental Activities:			
General government	\$ 433,165	\$ 57,466	\$ -
Public safety	553,768	19,718	-
Streets and sanitation	676,674	162,867	214,737
Interest on long-term debt	5,922	-	-
Total primary government	1,669,529	240,051	214,737
General revenues:			
Taxes:			
Property taxes, levied for general purpose			
Grants and contributions not restricted to specific programs			
Investment earnings			
Miscellaneous			
Total general revenues, special items, and transfers			
Change in net position			
Net position-beginning, restated			
Net position-ending			

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



<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Total</b>
\$ 1,000	\$ (374,699)	\$ (374,699)
-	(534,050)	(534,050)
-	(299,070)	(299,070)
-	(5,922)	(5,922)
<u>1,000</u>	<u>(1,213,741)</u>	<u>(1,213,741)</u>
	634,257	634,257
	511,098	511,098
	2,485	2,485
	<u>19,895</u>	<u>19,895</u>
	<u>1,167,735</u>	<u>1,167,735</u>
	(46,006)	(46,006)
	<u>1,795,646</u>	<u>1,795,646</u>
<u>\$ 1,749,640</u>	<u>\$ 1,749,640</u>	

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

**Town of Richlands, North Carolina**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2020**

	<u><b>Total Governmental General Fund</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 833,545
Restricted cash	11,617
Receivables, net:	
Taxes	7,119
Accounts receivable, net	105,184
Total assets	<u>\$ 957,465</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable and accrued liabilities	\$ 15,962
Total liabilities	<u>15,962</u>
Deferred inflows of resources:	
Property taxes receivable	7,119
Franchise/Telecom taxes receivable	27,730
Total deferred inflows of resources	<u>34,849</u>
Fund balances:	
Restricted	
Stabilization by State Statute	77,455
Streets	11,617
Unassigned	817,582
Total fund balances	<u>906,654</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 957,465</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Accrued interest receivable on taxes recorded on net assets but not on fund statements.	2,905
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,166,901
Net pensions liability is not a financial use and therefore is not reported in the fund	(264,353)
Total pensions liability is not a financial use and therefore is not reported in the fund	(51,568)
Contributions to the pension plan in current fiscal year and other pension related items shown as deferred outflows of resources on the Statement of Net Position	155,665
Liabilities for earned but deferred inflows of resources in fund statements.	34,849
Pension related deferrals	(7,991)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(193,422)</u>
Net position of governmental activities	<u>\$ 1,749,640</u>

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

**Town of Richlands, North Carolina**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2020**

	<u>Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>Sewer Removal Project</u>	<u>Governmental Funds</u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 639,755	\$ -	\$ 639,755
Unrestricted intergovernmental	512,895	-	512,895
Restricted intergovernmental	98,097	174,054	272,151
Permits and fees	4,550	-	4,550
Sales and services	231,378	-	231,378
Investment earnings	2,485	-	2,485
Miscellaneous	19,920	-	19,920
	<u>1,509,080</u>	<u>174,054</u>	<u>1,683,134</u>
<b>EXPENDITURES</b>			
Current:			
General government	432,018	-	432,018
Public safety	538,232	-	538,232
Streets and sanitation	477,311	174,054	651,365
Debt service:			
Principal	37,164	-	37,164
Interest and other charges	5,922	-	5,922
	<u>1,490,647</u>	<u>174,054</u>	<u>1,664,701</u>
Excess (deficiency) of revenues over expenditures	<u>18,433</u>	<u>-</u>	<u>18,433</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Installment purchase obligation	29,022	-	29,022
Sale of fixed assets	4,098	-	4,098
	<u>33,120</u>	<u>-</u>	<u>33,120</u>
Net change in fund balance	51,553	-	51,553
Fund balances - beginning of year	<u>855,101</u>	<u>-</u>	<u>855,101</u>
Fund balances - end of year	<u>\$ 906,654</u>	<u>\$ -</u>	<u>\$ 906,654</u>

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

**Town of Richlands, North Carolina**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2020**

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

Net changes in fund balances - governmental funds	\$	51,553
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.		22,715
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		53,573
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		(7,295)
Change in unavailable revenue for amounts due from other government:		(56,414)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		8,142
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.		
Pension expense		(118,413)
Net pension obligation (LEO)		(8,734)
Compensated absences		8,867
		8,867
Total changes in net position of governmental activities	\$	(46,006)

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

**Town of Richlands, North Carolina**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2020**

	<b>General Fund</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>REVENUES</b>				
Ad valorem taxes	\$ 623,000	\$ 623,000	\$ 639,755	\$ 16,755
Unrestricted intergovernmental	507,800	507,800	512,895	5,095
Restricted intergovernmental	52,400	52,400	98,097	45,697
Permits and fees	2,000	2,000	4,550	2,550
Sales and services	235,500	235,500	231,378	(4,122)
Investment earnings	1,000	1,000	2,485	1,485
Miscellaneous	10,100	10,100	19,920	9,820
	<u>1,431,800</u>	<u>1,431,800</u>	<u>1,509,080</u>	<u>77,280</u>
<b>EXPENDITURES</b>				
Current:				
General government	405,035	495,938	432,018	63,920
Public safety	543,181	553,165	538,232	14,933
Streets and sanitation	474,498	513,005	477,311	35,694
Debt service:				
Principal	37,164	37,164	37,164	-
Interest and other charges	5,922	5,922	5,922	-
	<u>1,465,800</u>	<u>1,605,194</u>	<u>1,490,647</u>	<u>114,547</u>
Revenues over (under) expenditures	<u>(34,000)</u>	<u>(173,394)</u>	<u>18,433</u>	<u>191,827</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Installment purchase obligation	-	-	29,022	29,022
Sale of fixed assets	2,000	2,000	4,098	2,098
Appropriated fund balance	32,000	171,394	-	(171,394)
	<u>34,000</u>	<u>173,394</u>	<u>33,120</u>	<u>(140,274)</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	51,553	<u>\$ 51,553</u>
Fund balances - beginning of year			<u>855,101</u>	
Fund balances - end of year			<u>\$ 906,654</u>	

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

(This page left blank intentionally)

**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Richlands 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 Richlands is a municipal corporation which is governed by an elected mayor and five-member board. As required by generally accepted accounting principles, these financial statements present the Town, which has no component units.

B. Basis of Presentation - Fund Accounting

*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. These statements report the governmental activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues 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.

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 and federal grants and various other taxes and licenses. The primary expenditures are for public safety, general government, and streets and sanitation.

**SEWER LINE REMOVAL SPECIAL REVENUE FUND** - This fund is used to account grant funds received by the North Carolina Department of Environmental Quality to remove abandoned sewer lines and replace stormwater culvert.

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.

**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

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

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

*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.

Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.



**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

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 because the tax is levied by the Onslow County and then remitted to and distributed by the State. 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 position available to finance the program. It is the Town's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budget is adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year end. A project ordinance has been adopted for the Sewer Line Removal Special Revenue Fund. The budget is prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The finance officer may transfer amounts between objects of expenditures within a department without limitations and without an official report being requested. Any other transfer or revisions that alter the total expenditures of any fund must be approved by the governing board.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market fund, is measured at fair value. As of June 30, 2020, the Term portfolio has a duration of .15 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.

2. Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

3. Restricted Assets

Powell bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. As of June 30, 2019, \$499 was restricted in governmental activities.

Restricted Cash - General Fund	Streets	<u>\$ 11,617</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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019.

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. 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 costs for all assets is \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. As a Phase 3 government, the Town is not required to report major general infrastructure assets retroactively and, as such, has elected not to include these assets in their basic financial statements. As a result, the governmental activities column in the government-wide financial statements does not reflect those infrastructure asset projects completed before July 1, 2003. However, it does reflect those assets that were completed subsequent to that date. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

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	50
Buildings	30
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

7. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities 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 expense 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.

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 two items that meets this criterion, contributions made to the pension plan in the 2020 fiscal year and changes in proportion and differences between employer contributions and proportional share of contributions. 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 only three items that meet the criterion for this category - prepaid taxes, property taxes receivable and pension deferrals.

**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

9. Compensated Absences

The vacation policy of the Town is to provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

10. Net Position/Fund Balances

**Net Position**

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

Net investment in capital assets was calculated excluding the \$75,899 installment purchase balance obtained in October 2012. The funds related to this purchase were recognized as an expense, not capitalized, in the prior fiscal year.

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

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

**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

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 Legislature 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.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town's governing body. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

11. Defined Benefit Cost-Sharing Plans

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

**Town of Richlands, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one method. 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 agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding 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 designing official depositories and verifying that deposits are properly secured.

\$525,773. Of the balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's change fund totaled \$100.

2. Investments

At June 30, 2020, the Town of Richlands had \$319,289 invested with the North Carolina Capital Management Trust's Government Portfolio with carried a credit rating of AAAM by Standard and Poor's. The investment is considered Fair Value Level 2. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices. The Town has no policy regarding credit risk.

The Town's only investment is in the North Carolina Capital Management Trust.

	<u>Reported Value</u>	<u>Fair Value</u>
North Carolina Cash Management Trust	<u>\$ 319,289</u>	<u>\$ 319,289</u>

**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

3. Receivables

The amounts presented in Exhibit 1, the Balance Sheet and the Statement of Net Position are as follows:

	<u>General Fund</u>
Taxes receivable	\$ 7,119
State and county sales tax	56,586
Local government sales tax	7,586
ABC revenues	13,282
Utility franchise tax	4,482
Telecommunication tax	23,248
Accounts receivable	\$ 105,184

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Government Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Construction in progress	\$ 53,430	\$ -	\$ 53,430	\$ -
Land	365,898	-	-	365,898
Total capital assets not being depreciated	371,363	-	53,430	365,898
<b>Capital assets being depreciated:</b>				
Buildings and infrastructure	960,709	-	-	960,709
Machinery and equipment	167,538	104,594	5,999	266,133
Vehicles and motorized equipment	291,390	29,022	9,612	310,800
Total capital assets being depreciated	1,419,637	133,616	15,611	1,537,642
<b>Less accumulated depreciation for:</b>				
Buildings	285,563	27,980	-	313,543
Machinery and equipment	138,759	14,006	5,999	146,766
Vehicles and motorized equipment	270,457	15,485	9,612	276,330
Total capital assets being depreciated	694,779	57,471	15,611	736,639
<b>Governmental activity capital assets, net</b>	<b>\$ 1,152,928</b>			<b>\$ 1,166,901</b>

**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

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

General government	\$ 32,592
Public safety	16,287
Streets and sanitation	<u>8,592</u>
Total depreciation expense	<u>\$ 57,471</u>

**B. Liabilities**

**1. Pension Plan Obligations**

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

*Plan Description.* The Town 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, 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.



**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

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 or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions* . Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, 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 were \$53,573 for the year ended June 30, 2020.

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, 2020, the Town reported a liability of \$264,533 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019, the Town's proportion was 0.00968%, which was a decrease of 0.00021% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$118,414. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 45,264	\$ -
Changes of assumptions	43,085	-
Net difference between projected and actual earnings on pension plan investments	6,448	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,105	5,235
Town contributions subsequent to measurement date	53,573	-
Total	\$ 150,475	\$ 5,235

The \$53,573 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2021	\$ 46,216
2022	13,929
2023	25,262
2024	6,260
2025	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 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:

**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

	<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)	\$ 604,624	\$ 264,353	\$ (18,481)

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018 the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	8
Total	8

(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 and refunds are recognized when due and payable in accordance with the terms of the plan.

**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

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

(3) Actuarial Assumption

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate used to measure TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates are projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

(4) Contributions

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

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

At June 30, 2020, the Town reported a total pension liability of \$51,568. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$8,734.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,059	\$ 4,380
Changes of assumptions and other inputs	4,659	1,904
Total	<u>\$ 8,718</u>	<u>\$ 6,284</u>

**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

The amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2021	\$	198
2022		198
2023		246
2024		607
2025		1,185
Thereafter		-

*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 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.26 percent) or one percentage point higher (4.26 percent) than the current rate:

	<u>1% Decrease (2.64%)</u>	<u>Discount Rate (3.64%)</u>	<u>1% Increase (4.64%)</u>
Total pension liability	\$ 59,198	\$ 51,568	\$ 44,953

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

	<u>2020</u>
Beginning balance	\$ 35,522
Service Cost	7,243
Interest on the pension liability	1,293
Changes of assumptions or other inputs	2,629
Difference between expected and actual experience	4,881
Ending balance of the total pension liability	<u>\$ 51,568</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 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

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

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

	LGMERS	LEOSSA	Total
Pension Expense	\$ 118,414	\$ 8,734	\$ 127,148
Pension Liability	264,353	51,568	315,921
Proportionate share of the net pension liability	0.00968%	N/A	
 Deferred Outflows of Resources			
Differences between expected and actual experience	45,264	4,059	49,323
Changes of assumptions	43,085	4,659	47,744
Net difference between projected and actual earnings on pension plan investments	6,448	-	6,448
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,105	-	2,105
Town contributions subsequent to measurement date	53,573	-	53,573
 Deferred Inflows of Resources			
Differences between expected and actual experience	-	4,380	4,380
Changes in assumptions and other inputs	-	1,904	1,904
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,235	-	5,235

c. Supplemental Retirement Income Plan for Law Enforcement Officers

(1) 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.

**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

(2) 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, 2020 were \$22,767, which consisted of \$15,493 from the Town and \$7,274 from the law enforcement officers.

The Town has also elected to contribute to the Plan for general employees as well as for law enforcement officers. Contributions for general employees for the year ended June 30, 2020 were \$15,103, which consisted of \$11,223 from the Town and \$3,880 from the general employees.

2. Other Employment Benefit

The Town has 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.

3. Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 53,573
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,105
Differences between expected and actual experience	45,264
Changes in assumptions and other inputs	48,275
Net difference between projected and actual expected earnings	<u>6,448</u>
	<u>\$ 155,665</u>



**Town of Richlands, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

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

	Statement of Net Position	General Fund Balance Sheet
Property taxes receivable	\$ -	\$ 7,119
Franchise/Telecom taxes receivable	-	27,730
Due from other governments	-	-
Change in proportion and differences in employer contributions and proportionate share of contributions	5,235	-
Differences between actual and expected experience	321	-
Changes in assumptions	2,435	-
<b>Total</b>	<b>\$ 7,991</b>	<b>\$ 34,849</b>

4. 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 insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town does not hold 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 Town Clerk is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

5. Long-Term Obligations

a. Installment Purchases

As of June 30, 2020, the Town has three outstanding installment purchase agreements.

The first agreement was executed on August 11, 2011 for \$66,000, to finance the renovation of the community center and requires principal payments beginning August 2013 with an interest rate of 4.125 percent. Ending balance of \$54,697.

**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

The second agreement was executed on October 30, 2012 for \$253,001, to finance street improvement expenditures and requires principal payments beginning October 2013 with an interest rate of 2.69 percent. Ending balance of \$75,900.

The third agreement was executed on August 22, 2019 for \$29,022, to finance purchase of a police vehicle and requires principal payments beginning August 2019 with an interest rate of 5.99 percent. Ending balance of \$18,780.

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2021	35,975	5,422
2022	36,722	4,126
2023	27,131	2,795
2024	1,907	2,038
2025	1,986	1,959
Thereafter	45,656	17,439
Total	\$ 149,377	\$ 33,779

At June 30, 2020 the Town of Richlands had a legal debt margin of \$12,689,853.

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

	Balance at July 1, 2019	Additions	Retirements and Transfers	Balance at June 30, 2020	Current Portion of Balance
Governmental activities					
Installment purchase	\$ 157,519	\$ 29,022	\$ 37,164	\$ 149,377	\$ 35,975
Total pension liability (LEO)	35,522	16,046	-	51,568	-
Net pension liability (LGERS)	234,625	29,728	-	264,353	-
Compensated absences	52,913	-	8,868	44,045	44,045
Governmental activity long-term liabilities	480,579	74,796	46,032	509,343	80,020

**C. Net Investment in Capital Assets**

Capital Assets	\$ 1,166,901
less: long-term debt	73,476
Net investment in capital assets	\$ 1,093,425

**Town of Richlands, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

Net investment in capital assets was calculated excluding the \$75,900 installment purchase balance obtained in October 2012. The outflow related to this purchase was recognized as an expense, not capitalized, in the year incurred.

D. 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	\$ 906,654
Less:	
Stabilization by State Statute	77,455
Streets-Powell Bill	11,617
Appropriated Fund Balance in 2021 Budget	-
Remaining Fund Balance	\$ 817,582

There were no outstanding encumbrances at June 30, 2020.

III. Summary Disclosure 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.

IV. Subsequent Events

Subsequent events were evaluated through January 13, 2021, which is the date the financial statements were available to be issued.

(This page left blank intentionally)

## **Required Supplementary Financial Data**

---

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

Town of Richlands, North Carolina  
**TOWN OF RICHLANDS' PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST SIX FISCAL YEARS\***

**LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Richlands' proportion of the net pension liability (asset) (%)	0.00968%	0.00989%	0.00908%	0.00924%	0.00929%	0.00820%
Richlands' proportion of the net pension liability (asset) (\$)	\$ 264,353	\$ 234,625	\$ 138,717	\$ 196,104	\$ 41,693	\$ (48,359)
Richlands' covered-employee payroll	\$ 596,870	\$ 572,133	\$ 549,364	\$ 533,823	\$ 496,351	\$ 445,542
Richlands' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.29%	41.01%	25.25%	36.74%	8.40%	-10.85%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%

\* 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 Richlands, North Carolina  
**TOWN OF RICHLANDS' CONTRIBUTIONS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST SIX FISCAL YEARS**

**LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 53,573	\$ 48,504	\$ 45,106	\$ 41,888	\$ 36,787	\$ 35,884
Contributions in relation to the contractually required contribution	53,573	48,504	45,106	41,888	36,787	35,884
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Richlands' covered-employee payroll	\$ 572,579	\$ 596,870	\$ 572,133	\$ 549,364	\$ 533,823	\$ 496,351
Contributions as a percentage of covered-employee payroll	9.36%	8.13%	7.88%	7.62%	6.89%	7.23%

Town of Richlands, North Carolina  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 35,522	\$ 32,023	\$ 25,227
Service Cost	7,243	7,230	6,588
Interest on the total pension liability	1,293	1,012	974
Difference between expected and actual experience	4,881	(2,345)	(5,897)
Changes of assumptions and other inputs	2,629	(2,398)	5,131
Ending balance of the total pension liability	<u>\$ 51,568</u>	<u>\$ 35,522</u>	<u>\$ 32,023</u>

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



Town of Richlands, North Carolina  
**SCHEDULE OF TOTAL PENSION LIABILITY AS A  
 PERCENTAGE OF COVERED PAYROLL  
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
 June 30, 2020**

	<u>2020</u>		<u>2019</u>		<u>2018</u>
Total pension liability	\$ 51,568	\$	35,522	\$	32,023
Covered payroll	308,280		290,918		292,085
Total pension liability as a percentage of covered payroll	16.73%		12.21%		10.96%

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

(This page left blank intentionally)

## **INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

---

- Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
  - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – Grant Project Special Revenue Fund – Sewer Removal Project
-

**Town of Richlands, North Carolina**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2020**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2019)**

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
<b>Revenues:</b>				
Ad valorem taxes:				
Taxes	\$ -	\$ 637,300	\$ -	\$ 581,268
Penalties and interest	-	2,455	-	1,794
Total	623,000	639,755	16,755	583,062
Unrestricted intergovernmental:				
Local option sales taxes	-	329,668	-	328,329
Utilities sales tax	-	103,663	-	104,475
Beer and wine tax	-	8,030	-	7,816
ABC profit distribution	-	42,483	-	49,390
Video programming sales tax	-	19,459	-	20,425
Telecommunications sales tax	-	9,592	-	10,796
Total	507,800	512,895	5,095	521,231
Restricted intergovernmental:				
Powell Bill allocation	-	53,493	-	52,838
Federal and state grants	-	44,604	-	144,216
Total	52,400	98,097	45,697	197,054
Permits and fees:				
Building permits	-	4,550	-	3,940
Total	2,000	4,550	2,550	3,940
Sales and services:				
Rents and concessions	-	68,511	-	57,083
Garbage and recycling fees	-	162,867	-	161,084
Total	235,500	231,378	(4,122)	218,167
Investment earnings:	1,000	2,485	1,485	3,819
Miscellaneous:				
Miscellaneous	-	15,797	-	14,223
Court refunds, parking fees	-	4,123	-	4,757
Total	10,100	19,920	9,820	18,980
Total revenues	\$ 1,431,800	\$ 1,509,080	\$ 77,280	\$ 1,546,253

**Town of Richlands, North Carolina**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL (continued)**  
**For the Fiscal Year Ended June 30, 2020**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2019)**

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
<b>Expenditures:</b>				
General government:				
Governing body:				
Fees - elected officials	\$ -	\$ 9,698	\$ -	\$ 9,698
Operating expenses	-	50,957	-	44,261
Contracted services	-	30,579	-	27,775
Total	97,349	91,234	6,115	81,734
Administration:				
Salaries and employee benefits	-	225,463	-	212,347
Operating expenses	-	26,306	-	21,864
Contracted services	-	9,350	-	7,503
Total	263,234	261,119	2,115	241,714
General buildings and grounds				
Operating expenses	-	13,777	-	10,378
Contracted services	-	17,923	-	15,524
Capital outlay	-	47,965	-	47,965
Total	135,355	79,665	55,690	73,867
Total general government	495,938	432,018	63,920	397,315
Public safety:				
Police:				
Salaries and employee benefits	-	420,271	-	441,754
Operating expenses	-	45,673	-	50,727
Contracted services	-	13,266	-	14,034
Capital outlay	-	29,022	-	-
Total	523,165	508,232	14,933	506,515
Fire:				
Contracted services	30,000	30,000	-	25,500
Total	30,000	30,000	-	25,500
Total public safety	553,165	538,232	14,933	532,015

**Town of Richlands, North Carolina**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL (continued)**  
**For the Fiscal Year Ended June 30, 2020**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2019)**

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
Streets and sanitation:				
Salaries and employee benefits	\$ -	\$ 193,490	\$ -	\$ 202,823
Operating expenses	-	92,717	-	95,093
Contracted services	-	176,751	-	328,254
Capital outlay	-	-	-	-
Powell Bill	-	14,353	-	22,930
Total streets and sanitation	513,005	477,311	35,694	649,100
Debt service:				
Principal retirement	-	37,164	-	26,856
Interest and other charges	-	5,922	-	5,790
Total debt service	43,086	43,086	-	32,646
Total expenditures	1,605,194	1,490,647	114,547	1,611,076
Revenues over (under) expenditures	(173,394)	18,433	191,827	(64,823)
Other financing sources (uses):				
Installment purchase obligations	-	29,022	-	-
Sale of fixed assets	2,000	4,098	-	-
Appropriated fund balance	171,394	-	-	-
Total other financing sources	173,394	33,120	(140,274)	-
Net change in fund balance	<u>\$ -</u>	51,553	<u>\$ 51,553</u>	(64,823)
Fund balances:				
Beginning of year, July 1		<u>855,101</u>		<u>919,924</u>
End of year, June 30		<u>\$ 906,654</u>		<u>\$ 855,101</u>

**Town of Richlands, North Carolina**  
**GRANT PROJECT SPECIAL REVENUE FUND - SEWER REMOVAL PROJECT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL**  
**From Inception and For the Fiscal Year Ended June 30, 2020**

	Project Authorization	Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>				
Restricted intergovernmental:				
NCDEQ Grant Funds	\$ 201,000	\$ 174,054	\$ 174,054	\$ (26,946)
<b>Expenditures:</b>				
Streets and sanitation				
Contracted Services	201,000	174,054	174,054	26,946
Revenues under expenditures	-	-	-	-
Change in net position	\$ -	-	\$ -	\$ -
Fund balance, beginning		-		
Fund balance, ending		\$ -		

(This page left blank intentionally)



## **OTHER SCHEDULES**

---

- Schedule of Ad Valorem Taxes Receivable
  - Analysis of Current Tax Levy – Town Wide Levy
-

**Town of Richlands, North Carolina**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2020**

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections And Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 635,187	\$ 630,449	\$ 4,738
2018-2019	9,361	-	7,753	1,608
2017-2018	1,644	-	724	920
2016-2017	1,519	-	523	996
2015-2016	1,333	-	465	868
2014-2015	876	-	56	820
2013-2014	2,251	-	67	2,184
2012-2013	3,569	-	90	3,479
2011-2012	1,032	-	64	968
2010-2011	1,085	-	34	1,051
2009-2010	<u>132</u>	<u>-</u>	<u>132</u>	<u>-</u>
	<u>\$ 22,802</u>	<u>\$ 635,187</u>	<u>\$ 640,357</u>	<u>17,632</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>10,513</u>
Ad valorem taxes receivable - net				<u>\$ 7,119</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				639,755
Releases and adjustments				1,312
Taxes written off				<u>1,745</u>
Subtotal				642,812
Less: Interest collected				<u>(2,455)</u>
Total collections and credits				<u>\$ 640,357</u>

**Town of Richlands, North Carolina**  
**ANALYSIS OF CURRENT TAX LEVY**  
**For the Fiscal Year Ended June 30, 2020**

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Tax Levy - Town-wide	<u>158,371,250</u>	0.40	<u>633,485</u>	<u>571,042</u>
Total	<u>158,371,250</u>		<u>633,485</u>	<u>571,042</u>	<u>62,443</u>
Discoveries - current and prior years	-		-	-	-
Releases	<u>425,500</u>		<u>1,702</u>	<u>3,336</u>	-
Total property valuation	<u><u>\$ 158,796,750</u></u>				
Net levy			635,187	574,378	62,443
Uncollected taxes at June 30, 2020			<u>(4,738)</u>	<u>(4,738)</u>	-
Current year's taxes collected					
June 30, 2020			<u><u>\$ 630,449</u></u>	<u><u>\$ 569,640</u></u>	<u><u>\$ 62,443</u></u>
Current levy collected percentage			99.25%	99.18%	100.00%

(This page left blank intentionally)

## **Compliance Section**

---

- Independent Auditor's 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*
  - Schedule of Findings and Responses
-

(This page left blank intentionally)



WILLIAMS · SCARBOROUGH · GRAY, LLP  
Certified Public Accountants

Christopher K. Williams, CPA  
Steven N. Scarborough, CPA  
W. Randall Gray, CPA

**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 Auditor's Report**

To the Honorable Mayor and Members of the Board of Aldermen  
Town of Richlands, 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Richlands, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Richlands, North Carolina's basic financial statements and have issued our report thereon dated January 12, 2021.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies, 2020-1 and 2020-2.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Richlands, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with

2131 S. Glenburnie Rd., Suite 3  
PO Box 14008  
New Bern, NC 28561-4008

Phone (252) 638-4000  
Fax (252) 638-3989

**INNOVATIVE · RESPONSIVE · DEDICATED**

[www.wsgcpa.com](http://www.wsgcpa.com)

824 Gum Branch Rd., Suite K  
PO Box 5003  
Jacksonville, NC 28540

Phone (910) 455-2196  
Fax (910) 455-1943

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 Richlands, North Carolina's Response to Findings**

Town of Richlands, North Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Richlands, North Carolina'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.

***Williams • Scarborough • Gray, LLP***

Williams • Scarborough • Gray, LLP  
Jacksonville, North Carolina  
January 12, 2021



Town of Richlands, North Carolina  
 Schedule of Findings and Responses  
 For the Fiscal Year Ended June 30, 2020

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant Deficiency(ies) identified that are not considered to be material weaknesses?   X   yes \_\_\_\_\_ none reported

Noncompliance material to financial statements noted \_\_\_\_\_ yes   X   no

Section II. Financial Statement Findings

SIGNIFICANT DEFICIENCIES

**2020-1 Segregation of Duties**

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: Lack of segregation of duties among Town personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

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 and works to segregate duties as much as possible, but concedes that full segregation is not fully possible based on their staff size.

**2020-2 Internal Control over Financial Reporting**

Criteria: Town should have a system of controls over the financial reporting process.

Condition: Town does not have a system of controls over the financial reporting process.

Effect: Incorrect or incomplete financial statements could be issued.

Cause: Skill set of Town personnel does not include experience in preparation of financial statements.

Recommendation: The Town should evaluate the cost/benefit of engaging a CPA to provide the controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and does not consider the benefit provided sufficient to incur the additional expense.

Section III. Compliance Findings

**None reported.**

# Town of Richlands

## North Carolina

Office of the  
Town Clerk, Finance Officer  
(910) 324-3301  
(910) 324-2324 fax  
[townclerk@richlandsc.gov](mailto:townclerk@richlandsc.gov)

Mailing Address:  
P.O. Box 245  
Richlands, N.C. 28574



### Town of Richlands, North Carolina Corrective Action Plan For the Fiscal Year Ended June 30, 2020

#### Section II. Financial Statement Findings

##### **Finding 2020-1 Segregation of Duties**

Name of Contact Person:	Gregg Whitehead, Town Manager
Corrective Action:	The Town works to segregate duties as much as possible between available staff, but concedes that full segregation is not fully possible based on limited staff size
Proposed Completion Date:	The Town has implemented the action stated above for the full fiscal year and intends to continue the same action in future years.

##### **Finding 2020-2 Internal Control over Financial Reporting**

Name of Contact Person:	Gregg Whitehead, Town Manager
Corrective Action:	The Town will continue to work with the auditor to reduce internal control risk over Financial Reporting, but does not consider the benefit of engaging an additional CPA firm sufficient to incur the additional expense.
Proposed Completion Date:	The Town has implemented the action stated above for the full fiscal year and intends to continue the same action in future years.

"This institution is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html), or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S.

Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at [program.intake@usda.gov](mailto:program.intake@usda.gov)."