

CITY OF RAEFORD

NORTH CAROLINA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

CITY OFFICIALS

CITY OF RAEFORD, NORTH CAROLINA

John K. McNeill, III, Mayor

City Council Members

Robert Conoly, Mayor Pro Tem

John Jordan

Mary Neil King

Charles Allen

Wayne Willis

Administrative and Financial Staff

Dennis B. Baxley , City Manager

Betty S. Smith, Assistant Manager & City Clerk

Scott L. Edwards, Finance Officer

Regina Sutherland, Attorney

CITY OF RAEFORD, NORTH CAROLINA
TABLE OF CONTENTS

<u>EXHIBIT</u>	<u>FINANCIAL SECTION:</u>	<u>Page</u>
	INDEPENDENT AUDITOR'S REPORT	A-1
	MANAGEMENT'S DISCUSSION AND ANALYSIS	B-1
	BASIC FINANCIAL STATEMENTS	
	GOVERNMENT-WIDE FINANCIAL STATEMENTS	
1	Statement of Net Position	C-1
2	Statement of Activities	C-2
	Fund Financial Statements	
3	Balance Sheet - Governmental Funds	D-1
4	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	D-2
5	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	D-3
6	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	D-4
7	Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	D-5
8	Statement of Fund Net Position - Proprietary Funds	D-6
9	Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	D-7
10	Statement of Cash Flows - Proprietary Funds	D-8
	NOTES TO THE FINANCIAL STATEMENTS	E-1
	REQUIRED SUPPLEMENTARY INFORMATION	
	Schedule of the Proportionate Share of the Net Pension Liability- Local Government Employees' Retirement System	F-1

**CITY OF RAEFORD, NORTH CAROLINA
TABLE OF CONTENTS**

	<u>Page</u>
Schedule of Contributions - Local Government Employees' Retirement System	F-2
Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	F-3
Schedule of Total Pension Liability as a Percentage of Covered Payroll Law Enforcement Officers' Special Separation Allowance	F-4
Schedule of Changes in the Total OPEB Liability and Related Ratios	F-5
INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Balance Sheet - General Fund	G-1
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	G-2
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Project Fund - Golden Leaf Foundation Grant	G-6
NONMAJOR GOVERNMENTAL FUNDS	
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
Combining Balance Sheet - Nonmajor Governmental Funds	H-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	H-2
Combining Balance Sheet - Nonmajor Capital Projects Funds	H-3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds	H-4
Combining Balance Sheet - Nonmajor Special Revenue Funds	H-5
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	H-6

**CITY OF RAEFORD, NORTH CAROLINA
TABLE OF CONTENTS**

	<u>Page</u>
NONMAJOR CAPITAL PROJECT FUNDS	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Fund - Coronavirus Relief Fund	I-1
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Fund - Fire Department Grant	I-2
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Fund - Neighborhood Revitalization Project	I-3
PROPRIETARY FUNDS	
ENTERPRISE FUNDS	
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Fund	J-1
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Capital Projects Fund - Water Line Extension	J-3
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - Water and Sewer Capital Projects Fund - Water Treatment Plant	J-4
OTHER SCHEDULES	
Schedule of Ad Valorem Taxes Receivable	K-1
Analysis of Current Tax Levy	K-2
Principal Property Taxpayers	K-3

**CITY OF RAEFORD, NORTH CAROLINA
TABLE OF CONTENTS**

	<u>Page</u>
 <u>COMPLIANCE SECTION:</u>	
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>	L-1
Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; In Accordance With OMB Uniform Guidance; and the State Single Audit Implementation Act	L-3
Schedule of Findings and Questioned Costs	L-5
Schedule of Corrective Action Plan	L-9
Schedule of Expenditures of Federal and State Awards	L-10
Schedule of Prior Year Audit Findings	L-11

FINANCIAL SECTION

HAIGH, BYRD & LAMBERT, LLP

CERTIFIED PUBLIC ACCOUNTANTS
1007 HAY STREET
FAYETTEVILLE, NORTH CAROLINA 28305

Independent Auditor's Report

To the Honorable Mayor
And Members of the City Council
Raeford, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Raeford, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Raeford, North Carolina's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Raeford, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages B-1 through B-10, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages F-1 and F-2, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages F-3 and F-4, and the Schedule of Changes in the Total Other Post Employment Benefits Liability and Related Ratios on page F-5, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Raeford, North Carolina. The introductory information, combining and individual nonmajor fund financial statements,

budgetary schedules, other schedules, statistical section, as well as the accompanying Schedule of Expenditures of Federal and State awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and 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 by us. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2022 on our consideration of the City of Raeford, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Raeford, North Carolina's internal control over financial reporting and compliance.

Haigh, Byrd + Lambert, LLP

Certified Public Accountants
Fayetteville, North Carolina
January 24, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Raeford (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$24,539,076 (*net position*).
- The government's total net position increased by \$1,179,178, primarily due to diligent cost-saving measures, increases in State shared revenues, and operating grant funds.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,349,783 with a net increase of \$704,482 in fund balance. Approximately 15.98% of this total amount, or \$1,494,365, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,699,635, or 149.08% of total general fund expenditures for the fiscal year.
- The City's total debt increased by \$836,536 (13.14%) during the current fiscal year. The key factor in this increase was due to increases in the Other Postemployment Benefit (OPEB) and other related pension liabilities in the current year.

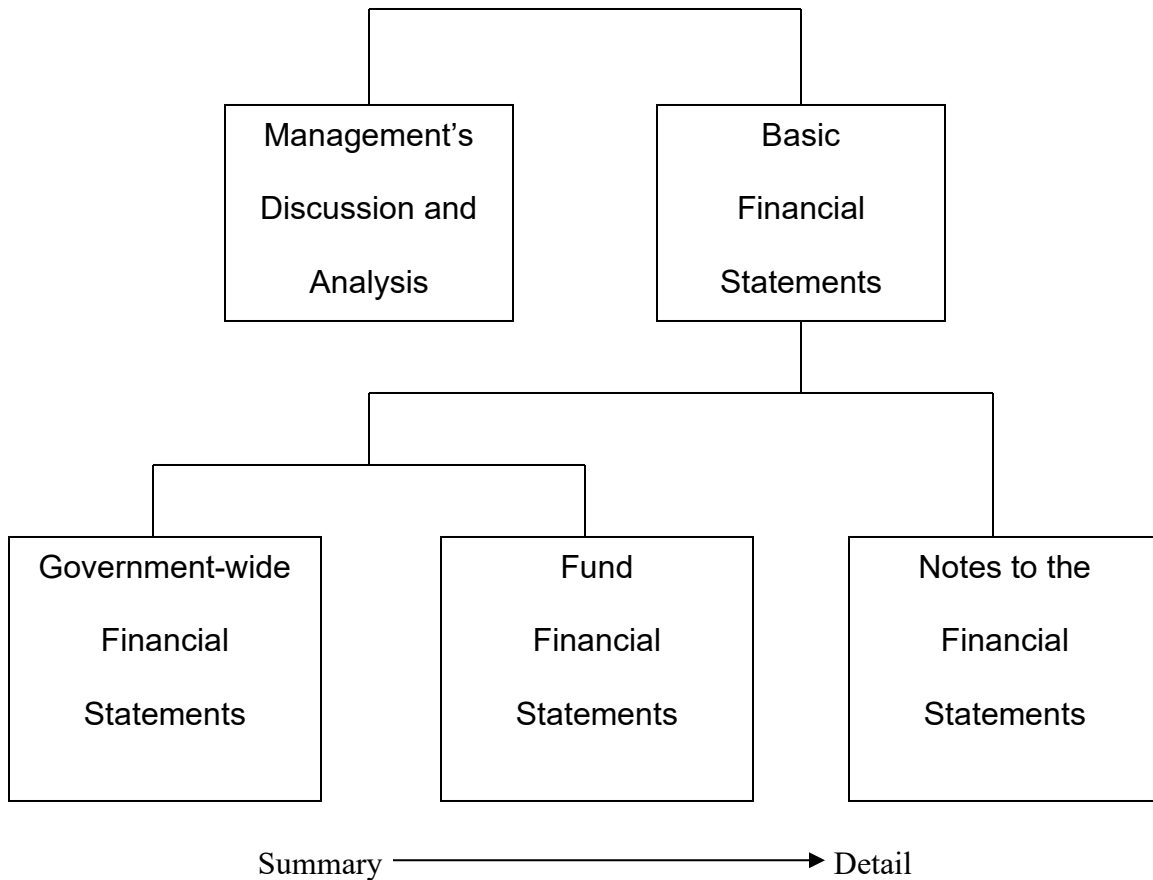
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City's basic financial statements. The City'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 City 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 City.

(continued on next page)

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 City's financial status.

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the North Carolina 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 City'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 City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, transportation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Raeford.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City'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 City of Raeford, 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 City's budget ordinance. All of the funds of City of Raeford 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 City'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 City'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 City 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 City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the

Management Discussion and Analysis
City of Raeford

budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – City of Raeford has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer activity operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page E-1 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page F-1 of this report.

Government-Wide Financial Analysis

City of Raeford's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 9,662,390	\$ 9,047,987	\$ 6,757,667	\$ 5,828,967	\$ 16,420,057	\$ 14,876,954
Capital assets	4,970,562	4,134,058	13,307,132	12,256,432	18,277,694	16,390,490
Deferred outflows of resources	1,069,362	498,100	217,719	116,252	1,287,081	614,352
Total assets and deferred outflows of resources	15,702,314	13,680,145	20,282,518	18,201,651	35,984,832	31,881,796
Long-term liabilities outstanding	4,650,159	3,768,238	1,942,704	2,014,797	6,592,863	5,783,035
Other liabilities	502,399	559,359	3,735,065	1,507,017	4,237,464	2,066,376
Deferred inflows of resources	507,509	552,284	107,920	120,203	615,429	672,487
Total liabilities and deferred inflows of resources	5,660,067	4,879,881	5,785,689	3,642,017	11,445,756	8,521,898
Net position:						
Net investment in capital assets	3,965,840	3,193,396	9,014,460	9,547,998	12,980,300	12,741,394
Restricted	1,921,867	1,795,813	-	-	1,921,867	1,795,813
Unrestricted	4,154,540	3,811,055	5,482,369	5,011,636	9,636,909	8,822,691
Total net position	\$ 10,042,247	\$ 8,800,264	\$ 14,496,829	\$ 14,559,634	\$ 24,539,076	\$ 23,359,898

Management Discussion and Analysis
City of Raeford

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$24,539,076 as of June 30, 2021. The City's net position increased by \$1,179,178 for the fiscal year ended June 30, 2021. However, the largest portion of net position (52.90%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in 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 City's net position, \$1,921,867, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,636,909 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.56%, which is slightly lower than the statewide average of 98.837%.
- Increase in State shared revenue, primarily sales and use taxes.
- Increase in Federal and State Grant Funding.
- Continued low cost of debt.

(continued on next page)

City of Raeford's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 669,554	\$ 638,142	\$ 2,507,869	\$ 2,408,895	\$ 3,177,423	\$ 3,047,037
Operating grants and contributions	1,274,076	941,238	-	-	1,274,076	941,238
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	2,523,717	2,404,332	-	-	2,523,717	2,404,332
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	2,172,252	1,936,034	-	319,845	2,172,252	2,255,879
Other	21,389	159,926	20,762	62,982	42,151	222,908
Total revenues	6,660,988	6,079,672	2,528,631	2,791,722	9,189,619	8,871,394
Expenses:						
General government	1,236,172	1,337,422	-	-	1,236,172	1,337,422
Public safety	2,187,239	2,487,933	-	-	2,187,239	2,487,933
Transportation	743,329	1,429,437	-	-	743,329	1,429,437
Environmental protection	931,876	844,308	-	-	931,876	844,308
Culture and recreation	65,370	37,869	-	-	65,370	37,869
Cemetery	129,640	88,205	-	-	129,640	88,205
Economic development	99,264	29,706	-	-	99,264	29,706
Interest on long-term debt	26,115	13,739	-	-	26,115	13,739
Water and sewer	-	-	2,591,436	2,544,201	2,591,436	2,544,201
Total expenses	5,419,005	6,268,619	2,591,436	2,544,201	8,010,441	8,812,820
Increase in net position before transfers	1,241,983	(188,947)	(62,805)	247,521	1,179,178	58,574
Transfers	-	-	-	-	-	-
Increase in net position	1,241,983	(188,947)	(62,805)	247,521	1,179,178	58,574
Net position, July 1, as previously reported	8,800,264	8,989,211	14,559,634	14,312,113	23,359,898	23,301,324
Net position, beginning, restatement	-	-	-	-	-	-
Net position, June 30	\$ 10,042,247	\$ 8,800,264	\$ 14,496,829	\$ 14,559,634	\$ 24,539,076	\$ 23,359,898

Governmental activities. Governmental activities increased the City's net position by \$1,241,983, accounting for 105.33% of the total increase in the net position. The increase in net position was the result of an increase in operating grant contributions and an increase in property tax collections. City management reduced non-essential programs to a minimum and implemented cost saving strategies across City departments. Certain nonrecurring expenses were either postponed or renegotiated in an attempt to maintain a healthy net position. Management believes healthy investment in the City will result in additional revenues. Increased efforts to maximize tax collections will be a focus in the new year. City management acknowledges that 2021 was a difficult year and plans on improving upon processes and cost saving measures as a long-term strategy to realize continued fiscal health.

Business-type activities. Business-type activities decreased the City of Raeford's net position by \$62,805, accounting for -5.33% of the total growth in the government's net position.

Key elements of this decrease are as follows:

- Decrease in capital grant funding due to closeout of projects.
- Decrease in investment earnings.

Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of Raeford. At the end of the current fiscal year, City of Raeford's fund balance available in the General Fund was \$8,719,929, while total fund balance reached \$9,348,820. The Governing Body of City of Raeford has determined that the City should maintain an available fund balance of 32% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 168.84% of general fund expenditures, and total fund balance represents 181.01% of the same amount.

At June 30, 2021, the governmental funds of City of Raeford reported a combined fund balance of \$9,349,783 with a net increase in fund balance of \$704,482.

General Fund Budgetary Highlights. During the fiscal year, the City 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.

There were several reasons the City revised its budget throughout the year. Although expenditures were held in check overall to comply with its budgetary requirements, the City did amend the budget in the General Fund in Public Safety and Environmental Protection to account for unexpected expenditures and for a new telephone system that was not in the original budget.

Proprietary Funds. The City of Raeford's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$5,482,369. The total change in net position for the Water and Sewer Fund was (\$62,805). The change in net position in the Water and Sewer Fund is a result of the decrease in capital grant funding due to closeout of projects and a decrease in investment earnings.

Capital Asset and Debt Administration

Capital assets. The City of Raeford’s investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$12,980,300 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Capital asset additions for vehicles of \$308,189 and infrastructure of \$1,472,633.
- Construction in progress of \$1,917,109 in business-type activities for upgrades to the waste-water treatment plant.
- Capital asset disposals for vehicles and equipment of \$373,133.

City of Raeford’s Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 69,065	\$ 26,757	\$ 147,075	\$ 147,075	\$ 216,140	\$ 173,832
Buildings and land improvements	1,051,944	1,061,045	6,813	868	1,058,757	1,061,913
Infrastructure	3,074,138	2,147,828	-	-	3,074,138	2,147,828
Equipment	110,332	65,472	2,450,517	2,784,241	2,560,849	2,849,713
Office furniture and equipment	2,550	5,100	-	-	2,550	5,100
Vehicles	662,533	713,359	46,848	57,720	709,381	771,079
Plant distribution and systems	-	-	7,714,461	7,791,904	7,714,461	7,791,904
Construction in progress	-	114,497	2,941,418	1,474,625	2,941,418	1,589,122
Total	\$ 4,970,562	\$ 4,134,058	\$ 13,307,132	\$ 12,256,433	\$ 18,277,694	\$ 16,390,491

Additional information on the City’s capital assets can be found in Note II.A.4. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2021, the City of Raeford had total debt outstanding of \$7,202,127. The City's debt represents notes payable and other obligations. The City has no bonded debt as of June 30, 2021.

**Outstanding Liabilities
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital leases	-	-	-	-	-	-
Notes payable	1,004,722	893,263	1,453,655	1,680,085	2,458,377	2,573,348
Compensated absences	174,364	193,303	43,679	43,602	218,043	236,905
OPEB	2,549,738	2,023,919	496,450	381,026	3,046,188	2,404,945
Pension related debt (LGERS)	887,234	733,875	223,387	189,723	1,110,621	923,598
Pension related debt (LEO)	368,898	226,795	-	-	368,898	226,795
Total	<u>\$ 4,984,956</u>	<u>\$ 4,071,155</u>	<u>\$ 2,217,171</u>	<u>\$ 2,294,436</u>	<u>\$ 7,202,127</u>	<u>\$ 6,365,591</u>

City of Raeford's Outstanding Debt

The City of Raeford's total debt increased by \$836,536 (13.14%) during the past fiscal year, primarily due to increases of \$641,243 in the Other Postemployment Benefit (OPEB) and other related pension liabilities.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Raeford is \$40,137,396. The City has no bonds authorized but un-issued at June 30, 2021.

Additional information regarding the City of Raeford's long-term debt can be found in Note II. B. of this report.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Revenues are increased by 12.43% due to an increase in appropriation of restricted fund balance for street repairs and unassigned fund balance to account for the uncertainty of future revenues due to impacts from COVID-19. Management has seen some improvement in the current year and anticipates more growth in coming years.

Budgeted expenditures in the General Fund are expected to increase approximately 12.43% to \$6,372,851. The increase is due to an increase in capital asset purchase during the new year and cost-of-living adjustments for the upcoming year.

The City has chosen to appropriate unassigned fund balance in the fiscal year 2022 budget in the amount of \$155,783 for one-time expenditures. Management believes that steady revenues and continued restrictions on spending will maintain the City's financial position. Though management believes current growth will generate enough revenue to support City operations, a careful analysis of property tax revenue and service fees will be considered in future years' budgets.

Business-type Activities: The water and sewer rates in the City will increase in fiscal year 2022 by 5%. General operating expenses will increase by 1.86% due to an increase in cost-of-living adjustments for the coming year.

Requests for Information

This report is designed to provide an overview of the City'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 Scott Edwards, Director of Finance, City of Raeford, 315 N. Main Street, Raeford, NC 28376. One can also call (910)-875-8161, or send an email to sedwards@raefordnc.org for more information.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Raeford, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 8,046,832	\$ 5,549,316	\$ 13,596,148
Taxes receivables (net)	132,366	-	132,366
Accrued interest receivable on taxes	21,319	-	21,319
Accounts receivable (net)	77,528	377,253	454,781
Due from other governments	542,021	756,854	1,298,875
Prepaid expenses	11,501	-	11,501
Inventories	-	14,633	14,633
Restricted cash and cash equivalents	830,823	59,611	890,434
Total current assets	9,662,390	6,757,667	16,420,057
Non-current assets:			
Capital assets - nondepreciable	69,065	3,088,493	3,157,558
Capital assets - depreciable, net	4,901,497	10,218,639	15,120,136
Total capital assets	4,970,562	13,307,132	18,277,694
Total assets	14,632,952	20,064,799	34,697,751
Deferred outflows of resources			
Pension deferrals	1,069,362	217,719	1,287,081
Total deferred outflows of resources	1,069,362	217,719	1,287,081
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	167,602	561,970	729,572
Current portion of long-term liabilities	334,797	274,467	609,264
State Revolving Loan - Department of Environmental Quality	-	2,839,017	2,839,017
Payable from restricted assets - Customer deposits	-	59,611	59,611
Total current liabilities	502,399	3,735,065	4,237,464
Long-term liabilities:			
Due in more than one year	4,650,159	1,942,704	6,592,863
Total liabilities	5,152,558	5,677,769	10,830,327
Deferred inflows of resources			
Prepaid tax	7,162	-	7,162
Pension deferrals	50,977	3,453	54,430
OPEB Deferrals	449,370	104,467	553,837
	507,509	107,920	615,429
Net position			
Net investment in capital assets	3,965,840	9,014,460	12,980,300
Restricted for:			
Stabilization by State Statute	1,057,356	-	1,057,356
Public Safety	33,688	-	33,688
Streets - Powell Bill	670,823	-	670,823
Economic development	160,000	-	160,000
Unrestricted	4,154,540	5,482,369	9,636,909
Total net position	\$ 10,042,247	\$ 14,496,829	\$ 24,539,076

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

City of Raeford, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,236,172	\$ 19,100	\$ 38,820	\$ -	\$ (1,178,252)	\$ -	\$ (1,178,252)
Public safety	2,187,239	52,804	235,374	-	(1,899,061)	-	(1,899,061)
Transportation	743,329	-	981,132	-	237,803	-	237,803
Environmental protection	931,876	563,325	-	-	(368,551)	-	(368,551)
Culture and recreation	65,370	-	-	-	(65,370)	-	(65,370)
Cemetery	129,640	34,325	-	-	(95,315)	-	(95,315)
Economic development	99,264	-	18,750	-	(80,514)	-	(80,514)
Debt service - interest and fees	26,115	-	-	-	(26,115)	-	(26,115)
activities	5,419,005	669,554	1,274,076	-	(3,475,375)	-	(3,475,375)
Business-type activities:							
Water and sewer	2,591,436	2,507,869	-	-	-	(83,567)	(83,567)
Total business-type activities	2,591,436	2,507,869	-	-	-	(83,567)	(83,567)
Total primary government	\$ 8,010,441	\$ 3,177,423	\$ 1,274,076	\$ -	(3,475,375)	(83,567)	(3,558,942)
General revenues:							
Property taxes, levied for general purpose					2,523,717	-	2,523,717
Unrestricted investment earnings					1,663	1,092	2,755
Unrestricted intergovernmental					2,172,252	-	2,172,252
Miscellaneous					19,726	19,670	39,396
Total general revenues not including transfers					4,717,358	20,762	4,738,120
Change in net position					1,241,983	(62,805)	1,179,178
Net position - beginning					8,800,264	14,559,634	23,359,898
Net position - ending					<u>\$ 10,042,247</u>	<u>\$ 14,496,829</u>	<u>\$ 24,539,076</u>

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

FUND FINANCIAL STATEMENTS

City of Raeford, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Golden Leaf Foundation Grant		
Assets				
Cash and cash equivalents	\$ 8,044,621	\$ -	\$ 2,211	\$ 8,046,832
Receivables (net):				
Taxes	132,366	-	-	132,366
Sales and other tax	525,051	-	-	525,051
Sanitation	77,528	-	-	77,528
Due from other governments	-	-	16,970	16,970
Prepaid expenses	11,501	-	-	11,501
Due from other funds	14,811	-	-	14,811
Restricted cash and cash equivalents	830,823	-	-	830,823
Total assets	<u>\$ 9,636,701</u>	<u>\$ -</u>	<u>\$ 19,181</u>	<u>\$ 9,655,882</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 148,353	\$ -	\$ 3,407	\$ 151,760
Due to from other funds	-	-	14,811	14,811
Total liabilities	<u>148,353</u>	<u>-</u>	<u>18,218</u>	<u>166,571</u>
Deferred inflows of resources				
Property taxes receivable	132,366	-	-	132,366
Prepaid taxes	7,162	-	-	7,162
Total deferred inflows of resources	<u>139,528</u>	<u>-</u>	<u>-</u>	<u>139,528</u>
Fund balances:				
Restricted				
Stabilization by State statute	628,891	-	-	628,891
Public safety	33,688	-	-	33,688
Streets - Powell Bill	670,823	-	-	670,823
Transportation	-	-	-	-
Economic Development	160,000	-	963	160,963
Assigned:				
Subsequent Year's expenditures	155,783	-	-	155,783
Unassigned	7,699,635	-	-	7,699,635
Total fund balances	<u>9,348,820</u>	<u>-</u>	<u>963</u>	<u>9,349,783</u>
 Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,636,701</u>	<u>\$ -</u>	<u>\$ 19,181</u>	<u>\$ 9,655,882</u>

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

City of Raeford, North Carolina
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2021

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

Ending fund balance - governmental funds		\$ 9,349,783
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Gross capital assets at historical cost	\$ 10,973,096	
Accumulated depreciation	<u>(6,002,534)</u>	4,970,562
Deferred outflows of resources related to pensions are not reported in the funds		669,818
Deferred outflows of resources related to OPEB are not reported in the funds		399,544
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds		21,319
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		132,366
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Gross long-term debt	(1,179,086)	
Net pension liability	(887,234)	
Total pension liability	(368,898)	
OPEB Liability	<u>(2,549,738)</u>	(4,984,956)
Deferred inflows of resources related to pensions are not reported in the funds		(50,977)
Deferred inflows of resources related to OPEB are not reported in the funds		(449,370)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds		<u>(15,842)</u>
Net position of governmental activities		<u><u>\$ 10,042,247</u></u>

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

City of Raeford, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	Major Funds			
	General	Golden Leaf Foundation Grant	Total Non-Major Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 2,523,110	\$ -	\$ -	\$ 2,523,110
Unrestricted intergovernmental	2,172,252	-	-	2,172,252
Restricted intergovernmental	176,797	843,503	253,776	1,274,076
Permits and fees	52,804	-	-	52,804
Sales and services	563,325	-	-	563,325
Investment earnings	1,663	-	-	1,663
Miscellaneous	73,151	-	-	73,151
Total revenues	5,563,102	843,503	253,776	6,660,381
Expenditures				
Current:				
General government	1,232,313	-	-	1,232,313
Public safety	1,936,403	-	235,026	2,171,429
Transportation	733,466	907,820	-	1,641,286
Environmental protection	723,374	-	-	723,374
Culture and recreation	41,823	-	-	41,823
Cemetery	211,516	-	-	211,516
Economic development	-	-	25,840	25,840
Debt service:				
Principal	265,491	-	-	265,491
Interest and other charges	20,327	-	-	20,327
Total expenditures	5,164,713	907,820	260,866	6,333,399
Excess (deficiency) of revenues over (under) expenditures	398,389	(64,317)	(7,090)	326,982
Other financing sources (uses):				
Loan proceeds	377,500	-	-	377,500
Transfers to/from other funds	(2,091)	(9,460)	11,551	-
Total other financing sources (uses)	375,409	(9,460)	11,551	377,500
Net change in fund balances	773,798	(73,777)	4,461	704,482
Fund balance - beginning	8,575,022	73,777	(3,498)	8,645,301
Fund balance - ending	\$ 9,348,820	\$ -	\$ 963	\$ 9,349,783

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

City of Raeford, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds	\$	704,482
--	----	---------

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 outlay exceeded depreciation in the current period.

Capital outlay	\$	1,335,875	
Depreciation		(471,628)	
Other asset activity		<u>(27,743)</u>	
			836,504

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		221,608
--	--	---------

OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		37,862
--	--	--------

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

Change in unavailable revenue for tax revenues		(83)	
Change in accrued tax penalties		<u>690</u>	
			607

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, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.

Principal payments		265,491	
Proceeds		(377,500)	
Accrued interest payable		<u>(5,788)</u>	
			(117,797)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		18,939	
Pension expense		(310,994)	
Net pension obligation LEO		(42,311)	
OPEB plan expense		<u>(106,917)</u>	
			(441,283)

Change in net position of governmental activities	\$	<u><u>1,241,983</u></u>
---	----	-------------------------

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

City of Raeford, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	General Fund			Variance With
	Original	Final	Actual	Final Budget
	Budget	Budget		Positive
				(Negative)
Revenues				
Ad valorem taxes	\$ 2,513,704	\$ 2,513,704	\$ 2,523,110	\$ 9,406
Unrestricted intergovernmental	1,877,100	1,877,100	2,172,252	295,152
Restricted intergovernmental	164,500	188,452	176,797	(11,655)
Permits and fees	30,600	30,600	52,804	22,204
Sales and services	555,000	555,000	563,325	8,325
Investment earnings	80,000	80,000	1,663	(78,337)
Miscellaneous	36,561	36,561	73,151	36,590
Total revenues	5,257,465	5,281,417	5,563,102	281,685
Expenditures				
Current:				
General government	1,340,718	1,349,222	1,232,313	116,909
Public safety	2,139,958	2,203,985	1,936,403	267,582
Transportation	955,165	949,830	733,466	216,364
Environmental protection	708,606	745,559	723,374	22,185
Culture and recreation	52,100	53,100	41,823	11,277
Cemetery	185,337	239,175	211,516	27,659
Debt service:				
Debt service - principal and interest	286,500	290,838	285,818	5,020
Total expenses	5,668,384	5,831,709	5,164,713	666,996
Excess (deficiency) of revenues over (under) expenditures	(410,919)	(550,292)	398,389	948,681
Other financing sources(uses)				
Transfers (to)from other funds	-	(65,995)	(2,091)	63,904
Appropriated fund balance	33,419	238,787	-	(238,787)
Loan proceeds	377,500	377,500	377,500	-
Total other financing sources (uses)	410,919	550,292	375,409	(174,883)
Net change in fund balances	\$ -	\$ -	773,798	\$ 773,798
Fund balance - beginning			8,575,022	
Fund balance - ending (Exhibit 3)			\$ 9,348,820	

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

City of Raeford, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2021

	Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 5,549,316
Receivables:	
Accounts	287,899
Unbilled revenues	89,354
Due from other governments	756,854
Inventories	14,633
Restricted cash and cash equivalents	59,611
Total current assets	<u>6,757,667</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>13,307,132</u>
Total noncurrent assets	<u>13,307,132</u>
Total assets	<u>20,064,799</u>
Deferred outflows of resources	
Pension deferrals	<u>217,719</u>
Total deferred outflows of resources	<u>217,719</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	561,970
Payable from restricted assets -	
Customer deposits	59,611
Due within one year	274,467
State Revolving Loan - Department of Environmental Quality	2,839,017
Total current liabilities	<u>3,735,065</u>
Noncurrent liabilities:	
Net pension liability	223,387
Total OPEB Liability	496,450
Due in more than one year	1,222,867
Total noncurrent liabilities	<u>1,942,704</u>
Total liabilities	<u>5,677,769</u>
Deferred Inflows of Resources	
Pension deferrals	3,453
OPEB Deferrals	104,467
Total deferred inflows of resources	<u>107,920</u>
Net position	
Net investment in capital assets	9,014,460
Unrestricted	5,482,369
Total net position	<u>\$ 14,496,829</u>

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

City of Raeford, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Water and Sewer Fund
Operating revenues	
Charges for services	\$ 2,463,000
Water and sewer fees	36,270
Other operating revenues	8,599
Total operating revenues	<u>2,507,869</u>
Operating expenses	
Administration	60,920
Distribution - water	439,591
Water plant	202,484
Water treatment	939,929
Depreciation	906,010
Total operating expenses	<u>2,548,934</u>
Operating income (loss)	<u>(41,065)</u>
Nonoperating revenue (expenses)	
Investment earnings	1,092
Gain on sale of equipment	17,947
Interest expense	(42,502)
Other nonoperating revenue	1,723
Total nonoperating revenue (expense)	<u>(21,740)</u>
Income (loss) before contributions and transfers	<u>(62,805)</u>
Transfers (to) from other funds	<u>-</u>
Change in net position	(62,805)
Beginning net position	<u>14,559,634</u>
Total net position - ending	<u><u>\$ 14,496,829</u></u>

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

**City of Raeford, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021**

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,519,110
Cash paid for goods and services	(555,364)
Cash paid to or on behalf of employees for services	(668,453)
Customer deposits received (returned)	158
Other	8,599
Net cash provided by operating activities	<u>1,304,050</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,959,953)
Principal paid on bond maturities and equipment contracts	(269,480)
Issuance of new note	43,050
Capital contribution - State grant	1,306,951
Interest paid on debt	(42,502)
Sale of fixed assets	21,191
Net cash used in capital and related financing activities	<u>(900,743)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	<u>1,092</u>
Net cash provided by investing activities	<u>1,092</u>
 Net increase in cash and cash equivalents/ investments	 <u>404,399</u>
 Cash and cash equivalents/investments	
Beginning of year	<u>5,204,528</u>
End of year	<u><u>\$ 5,608,927</u></u>

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

City of Raeford, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	<u>Water and Sewer Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ (41,065)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	906,010
Nonoperating revenue	1,723
Change in assets and liabilities	
(Increase) decrease in accounts receivable	(19,839)
(Increase) decrease in inventory	1
Increase (decrease) in accounts payable	421,647
Increase (decrease) in customer deposits	158
Increase (decrease) in accrued compensated absences	77
(Increase) decrease in deferred outflows of resources - pensions	(17,202)
(Increase) decrease in deferred outflows of resources - OPEB	(84,265)
Increase (decrease) in deferred inflows of resources - pensions	3,159
Increase (decrease) in deferred inflows of resources - OPEB	(15,442)
Increase (decrease) in net pension liability	33,664
Increase (decrease) in OPEB liability	115,424
Total adjustments	<u>1,345,115</u>
Net cash provided by operating activities	<u>\$ 1,304,050</u>
Reconciliation of cash and cash equivalents	
Unrestricted	\$ 5,549,316
Restricted	59,611
	<u>\$ 5,608,927</u>

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

NOTES TO THE FINANCIAL STATEMENTS

City of Raeford, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of the City of Raeford (“the City”) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Raeford is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements include all funds of the City. The criteria used in the evaluation of component units focuses on the financial accountability of potential component units including the ability of the City to impose its will on an organization, appointment of the organization’s governing board, and financial benefits or burdens on the City as well as other unique relationships between the City and organization. There are no component units included in the City’s reporting entity.

B. Basis of Presentation

Government-wide Statements – The government-wide financial statements, including the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the City. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City’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 City’s funds, including the fiduciary fund. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial

I. B. Basis of Presentation (continued)

statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The City reports the following major governmental funds:

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

Capital Project Fund: Golden Leaf Foundation Stormwater Project– This fund is used to account for grant funds that are restricted for a particular purpose.

The City reports the following non-major funds.

Capital Project Fund: Police Department Grant Fund – This fund is used to account for improvements to the City’s police department.

Special Revenue Fund: Fire Department Grant Fund – This fund is used to account for grant funds that are restricted for a particular purpose.

Special Revenue Fund: Neighborhood Revitalization Fund – This fund is used to account for grant funds that are restricted for a particular purpose.

Special Revenue Fund: Coronavirus Relief Fund – This fund is used to account for grant funds that are restricted for a particular purpose.

The City reports the following major enterprise funds.

Water and Sewer Fund – This fund is used to account for the City’s water and sewer operations. The City has two capital project funds within its proprietary fund types used to account for financial resources restricted for the improvement of the sewer treatment plant.

I. B. Basis of Presentation (continued)

C. Measurement Focus and Basis of Accounting

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

Government–Wide and Proprietary Fund Financial Statements. The government-wide fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City 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 privilege provided; 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

I. C. Measurement Focus and Basis of Accounting (continued)

The City 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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Raeford because the tax is levied by Hoke County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue and Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Any revisions that alter total appropriations at the department or project level, as appropriate, of any fund must be approved by the City Council. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as required by State law (“G.S.”) 159-31. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina.

The City may also establish time deposits in the form of NOW accounts, SuperNOW and money market accounts, and certificates of deposit.

State law G.S. 159-30(C) authorizes the City 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 City’s investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, 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

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

3. Restricted Assets

Amounts on hand at year-end held for loan proceeds and customer deposits, held by the City before any services are supplied, are restricted to the service for which the deposit was collected. Powell Bill Funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

City of Raeford Restricted Cash

Governmental Activities

General Fund

Streets	\$ 670,823
Economic Development	<u>160,000</u>
Total governmental activities	<u>\$ 830,823</u>

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

Business-type Activities

Water and Sewer Fund

Customer deposits	\$ 59,611
Total Business-type activities	<u>\$ 59,611</u>

Total Restricted Cash	<u>\$ 890,434</u>
-----------------------	-------------------

4. Ad Valorem Taxes Receivable

In accordance with G.S. 105-347 and G.S. 159-13 (a), ad valorem taxes on property other than motor vehicles are levied on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, no penalties or interest are assessed until the following January. Property taxes on certain registered motor vehicles are assessed and collected throughout the year. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the City has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowance for Doubtful Accounts

Allowances for doubtful accounts are maintained on all types of receivables, which historically experience uncollectible accounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables.

6. Inventory and Prepaid Items

Inventories are valued at cost, using the first-in/first-out (FIFO) method, which approximates market. The inventories of the City's enterprise funds consist of materials and supplies held for consumption. The costs of these inventories are recorded as an expense as the inventories are consumed. Certain payments to vendors reflect costs applicable to future accounting periods and they are recorded as prepaids in both the government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$5,000; furniture and equipment, \$5,000; vehicles \$2,000. Purchase or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. General infrastructure assets acquired prior to July 1, 2003, have not been presented under the capitalization policies because the City was a level three

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

implementation entity. The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend the assets' lives, are not capitalized.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Land Improvements	40
Infrastructure	40
Vehicles	5
Office Furniture and Equipment	5
Computer Equipment	5

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 City has two items that meet this criterion, contributions made to the pension plan in the 2021 fiscal year and an unamortized loss on a bond defeasance for Water and Sewer Refunding bonds. 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 City has several items that meet the criterion for this category – prepaid taxes, property taxes receivable and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

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

10. Compensated Absences

The vacation policy of the City provides for the accumulation of up to seven (7) weeks earned vacation leave with such leave being fully vested when earned. For the City's government-wide proprietary funds, an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The City'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 City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Equity

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

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 maintain intact.

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

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

Restricted for Stabilization by State Statute – 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 Public Safety – This classification is the portion of fund balance that is the unexpended portion of State and Federal drug funds.

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

Restricted for Economic Development – This classification is the portion of fund balance that represents advance payments for anticipated projects to be completed after sufficient funds are available.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed through majority vote by quorum of City of Raeford's governing body (highest level of decision-making authority). 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 – This classification includes the portion of fund balance that the City of Raeford intends to use for specific purposes.

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

Subsequent year's expenditures – This classification is the portion of fund balance that is appropriated in the next year's budget that is not already classified or restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

Assigned for capital projects – This classification is the portion of fund balance that has been budgeted by the Board for future capital outlay needs.

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

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

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, 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 City of Raeford's employer contributions are recognized when due and the City of Raeford 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.

13. Use of Estimates

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

II. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2021, the City's deposits had a carrying amount of \$2,673,265 and a bank balance \$2,710,598. Of the Bank balance, \$500,000 was covered by federal depository insurance, with the remainder covered by collateral held under the Pooling Method. The City's petty cash fund totaled \$800.

2. Investments

At June 30, 2021, the City's investment balances were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/2021	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Fair Value Level I	\$ 11,812,517	N/A	AAAm
Total:		\$ 11,812,517		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk

The City has no formal policy regarding interest rate risk.

Credit Risk

The City has no formal policy regarding credit risk, but has internal management procedures that limit the City's investments to the provisions of G. S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard and Poor's as of June 30, 2021. The City's investment in NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

3. Receivables – Allowances for Doubtful Accounts

The amounts presented on the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts.

General Fund	
Taxes receivable	\$ 56,850
Accounts receivable	5,471
Enterprise Funds	<u>24,449</u>
Total	<u>\$ 86,770</u>

(continued on next page)

4. Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 26,757	\$ 42,308	\$ -	\$ -	\$ 69,065
Construction in progress	114,497	907,820	(1,022,317)	-	-
Total capital assets not being depreciated	141,254	\$ 950,128	\$ (1,022,317)	\$ -	69,065
Capital assets being depreciated:					
Buildings and land improvements	1,714,772	\$ 23,323	\$ -	\$ -	1,738,095
Infrastructure	3,047,628	-	1,022,317	-	4,069,945
Equipment	1,374,320	79,373	-	6,447	1,447,246
Office furniture and equipment	61,077	-	-	5,769	55,308
Vehicles	3,584,502	283,051	-	274,116	3,593,437
Total capital assets being depreciated	\$ 9,782,299	\$ 385,747	\$ 1,022,317	\$ 286,332	\$ 10,904,031
Less accumulated depreciation for:					
Buildings and land improvements	\$ 653,728	\$ 32,423	\$ -	\$ -	\$ 686,151
Infrastructure	899,800	96,007	-	-	995,807
Equipment	1,308,847	34,514	-	6,447	1,336,914
Office furniture and equipment	55,976	2,551	-	5,769	52,758
Vehicles	2,871,144	306,133	-	246,373	2,930,904
Total accumulated depreciation	5,789,495	\$ 471,628	\$ -	\$ 258,589	6,002,534
Total capital assets being depreciated, net	3,992,804				4,901,497
Governmental activity capital assets, net	\$ 4,134,058				\$ 4,970,562

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General government	\$ 10,203
Public safety	119,159
Transportation	69,932
Environmental protection	164,630
Culture and recreational	34,280
Economic development	73,424
Total depreciation expense	<u>\$ 471,628</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 147,075	\$ -	\$ -	\$ 147,075
Construction in progress	1,474,625	1,917,109	450,316	2,941,418
Total capital assets not being depreciated	<u>1,621,700</u>	<u>\$ 1,917,109</u>	<u>\$ 450,316</u>	<u>3,088,493</u>
Capital assets being depreciated:				
Plant and distribution systems	20,810,145	\$ -	\$ (450,316)	21,260,461
Office furniture and fixtures	22,490	-	-	22,490
Vehicles	308,814	25,138	18,622	315,330
Buildings and land improvements	2,455	6,250	-	8,705
Equipment	4,456,460	11,456	68,179	4,399,737
Total capital assets being depreciated	<u>25,600,364</u>	<u>\$ 42,844</u>	<u>\$ (363,515)</u>	<u>26,006,723</u>
Less accumulated depreciation for:				
Plant and distribution systems	13,018,241	\$ 527,759	\$ -	13,546,000
Office furniture and fixtures	22,490	-	-	22,490
Vehicles	251,094	36,010	18,622	268,482
Buildings and land improvements	1,588	304	-	1,892
Equipment	1,672,219	341,936	64,935	1,949,220
Total accumulated depreciation	<u>14,965,632</u>	<u>\$ 906,009</u>	<u>\$ 83,557</u>	<u>15,788,084</u>
Total capital assets being depreciated, net	<u>10,634,732</u>			<u>10,218,639</u>
Business-type activities capital assets, net	<u>\$ 12,256,432</u>			<u>\$ 13,307,132</u>

Commitments – Construction Projects

The City has active construction projects as of June 30, 2021. At year-end, the City's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Infrastructure	\$ 2,941,418	\$ 3,750,742
	<u>\$ 2,941,418</u>	<u>\$ 3,750,742</u>

(continued on next page)

B. Liabilities

1. Accounts Payable

Payables at the government-level at June 30, 2021 were as follows:

	<u>Government-wide Financial Statements</u>				
	<u>Fund Financial Statements</u>				
Payables:	General Fund	Water and Sewer	Total	Adjustments to Full Accrual	Total
Accounts and vouchers	\$ 20,942	\$ 503,796	\$ 524,738	\$ -	\$ 524,738
Accrued payroll and related liabilities	130,818	27,735	158,553	-	158,553
Accrued interest payable	15,842	30,439	46,281	-	46,281
Total accounts payable and accrued liabilities	<u>\$ 167,602</u>	<u>\$ 561,970</u>	<u>\$ 729,572</u>	<u>\$ -</u>	<u>\$ 729,572</u>

2. Pension Plan and Postemployment Obligations

a. Local Government Employees' Retirement System

Plan Description. The City of Raeford 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 government entities. Article 3 of North Carolina 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 the LGERS. The report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at www.osc.nc.gov.

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.

(continued on next page)

Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service 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. City of Raeford employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Raeford's contractually required contribution rate for the year ended June 30, 2021 was 10.90% of compensation for law enforcement officers and 10.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Raeford were \$270,254 for the year ended June 30, 2021.

Refunds of Contributions – City 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.

II. B. 2. a. Local Government Employees' Retirement System (continued)

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

At June 30, 2021, the City reported a liability of \$1,110,621 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City'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, 2020 (measurement date), the City's proportion was 0.03108%, which was a decrease of 0.00274% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$379,261. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 140,252	\$ -
Changes of assumptions	82,652	-
Net difference between projected and actual earnings on pension plan investments	156,290	-
Changes in proportion and differences between City contributions and proportionate share of contributions	8,044	19,076
City contributions subsequent to the measurement date	270,254	-
Total	<u>\$ 657,492</u>	<u>\$ 19,076</u>

\$270,254 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 103,329
2023	139,032
2024	79,548
2025	46,253
2026	-
Thereafter	-
	<u>\$ 368,162</u>

II. B. 2. a. Local Government Employees' Retirement System (continued)

Actuarial Assumptions. The total pension liability in the December 31, 2019 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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income 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, 2020 are summarized in the following table:

(continued on next page)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 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 City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension liability 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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 2,253,329	\$ 1,110,621	\$ 160,950

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

Plan Description. The City administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the City'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 City law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	<u>15</u>
Total	<u>16</u>

Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan. The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

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

Mortality rates are based on the Pub-2010 amount weighted tables with adjustments for mortality improvements based on Scale MP-2019.

Contributions. The City is required by Article 12D of North Carolina G. S. Chapter 143 to provide these retirement benefits, and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established, and may be amended, by the North Carolina General Assembly. Benefit payments were not required during the year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the City reported a total pension liability of \$368,898. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$42,311.

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$ 13,469	\$ 27,154
Changes of assumptions	128,873	8,200
Total	<u>\$ 142,342</u>	<u>\$ 35,354</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ 15,473
2023	15,473
2024	17,076
2025	18,596
2026	17,294
Thereafter	23,076

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

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 1.93 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 410,255	\$ 368,898	\$ 331,267

	2021
Beginning balance	\$ 226,795
Service Cost	19,098
Interest on the total pension liability	7,367
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(16,824)
Changes of assumptions or other inputs	134,082
Benefit payments	(1,620)
Other changes	-
Ending balance of the total pension liability	<u>\$ 368,898</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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 379,261	\$ 42,311	\$ 421,572
Pension Liability	1,110,621	368,898	1,479,519
Proportionate share of the net pension liability	0.03108%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	140,252	13,469	153,721
Changes of assumptions	82,652	128,873	211,525
Net difference between projected and actual earnings on plan investments	156,290	-	156,290
Changes in proportion and differences between contributions and proportionate share of contributions	8,044	-	8,044
Benefit payments and administrative costs paid subsequent to the measurement date	270,254	-	270,254
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	27,154	27,154
Changes of assumptions	-	8,200	8,200
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	19,076	-	19,076

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (“the Plan”), a defined 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 City. Article 5 of North Carolina 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 fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of North Carolina G. S. Chapter 143 requires the City 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.

II. B. 2. Pension Plan and Postemployment Obligations (continued)

d. Other Postemployment Benefits

1. Healthcare Benefits

Plan Description. The City provides postemployment healthcare benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and have at least 20 years of creditable service with the City. The City obtains healthcare coverage through private insurers. At retirement, all eligible employees have the option to purchase basic medical insurance at the City's group rate. The entire cost of this insurance is paid by the City for these employees, until age 65, who retire with at least 30 years of City of Raeford service. Those employees who retire with less than 30 years of service with the City have their postretirement benefits paid by the City, but on a prorated basis. Currently, 7 retirees are eligible for postretirement health benefits. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

Employees hired before December 1, 2002 are qualified for similar level benefits after a minimum of twenty years of creditable service with the City in accordance with the tables below and are eligible to remain on the City's medical plan for life. Employees hired on or after December 1, 2002 who retires with a minimum of 20 years of creditable service are eligible to remain on the City's medical plan until Medicare eligible. All retirees also have the option of purchasing coverage for themselves and dependents at the City's group rate.

Retired Employees' Years of Creditable Service	Date Hired	
	Pre-December 1, 2002	On or after July 1, 2002
Less than 20 years	Not eligible for coverage	Not eligible for coverage
20 or more years	Eligible to remain on the City's medical plan for life	Eligible to remain on the City's medical plan until Medicare eligible

Eligible retirees may remain on the City's dental and vision plans for the remainder of their life. Elected officials do not need to meet the LGERS service requirements. Upon retirement, Elected Officials with twenty (20) years of service with the City are eligible for only dental, vision, and life insurance.

Employees who retire with less than 20 years of service are not eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. Depending on the employee's date of hire, coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare.

II. B. 2. d. 1. Healthcare Benefits (continued)

Depending on the employee's retirement date, the City pays either all or a portion of the cost of coverage for employees' benefits through private insurers in accordance with the table below. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

For members that retired prior to August 4, 2008, the percentage of the premium the City pays toward their group medical, dental, vision and life insurance is based on the following schedule:

<u>Years of Service with the City at Retirement</u>	<u>City Contribution</u>
30 or more	100%
25-29	75%
20-24	50%

For members that retired after August 4, 2008, the percentage of the premium the City pays toward their group medical, dental, vision and life insurance is based on the following schedule:

<u>Years of Service with the City at Retirement</u>	<u>City Contribution</u>
30 or more	100%
29	95%
28	90%
27	85%
26	80%
25	75%
24	70%
23	65%
22	60%
21	55%
20	50%

Membership of the Plan consisted of the following as of June 30, 2019, the date of the latest actuarial valuation.

(continued on next page)

II. B. 2. d. 1. Healthcare Benefits (continued)

	<u>GENERAL EMPLOYEES</u>	<u>LAW ENFORCEMENT OFFICERS</u>
Retirees and dependents receiving benefits	9	1
Terminated plan members entitled to, but not yet receiving benefits	-	-
Active plan members	<u>58</u>	<u>15</u>
Total	<u><u>67</u></u>	<u><u>16</u></u>

Total OPEB Liability

The City's total OPEB liability of \$3,046,188 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 to 7.75 percent, average, including inflation
Discount rate	2.21 percent
Healthcare cost trend rates	
Pre- Medicare	7.0 percent for 2019

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

(continued on next page)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2020	\$ 2,404,945
Changes for the year	
Service cost	81,761
Interest	86,288
Changes of benefit terms	-
Differences between expected and actual experience	(19,820)
Changes in assumptions or other inputs	536,085
Benefit payments	(43,071)
Net changes	<u>641,243</u>
Balance at June 30, 2021	<u><u>\$ 3,046,188</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

Mortality rates were based on the RP-2014 mortality table, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease	Discount Rate (2.21%)	1% Increase
Total OPEB liability	\$ 3,577,141	\$ 3,046,188	\$ 2,618,345

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

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 2,593,889	\$ 3,046,188	\$ 3,617,068

II. B. 2. d. 1. Healthcare Benefits (continued)

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$134,898. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ -	\$ 347,174
Changes of assumptions	487,248	206,663
Total	<u>\$ 487,248</u>	<u>\$ 553,837</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ (37,663)
2023	(37,663)
2024	(37,633)
2025	(31,230)
2026	(1,681)
Thereafter	79,311

3. Other Employment Benefits

The City 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 month's 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. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

4. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 270,254
Net difference between projected and actual earnings on pension plan assets	156,290
Changes in assumptions	698,772
Differences between expected and actual experience	153,721
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,044
Total	<u>\$ 1,287,081</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 7,162	\$ 7,162
Taxes Receivable (General Fund)	-	132,366
Differences between expected and actual experience	374,328	-
Changes in assumptions	214,863	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,076	-
Total	<u>\$ 615,429</u>	<u>\$ 139,528</u>

5. Risk Management

The City 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 City participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City 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 City upon request.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City does not carry flood insurance because it is not in an area of the State that has been mapped and designated an "An" area (an area close to a river, lake or stream) by the Federal Management Agency.

In accordance with G. S. 159-29, the City employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and the tax collector are individually bonded for \$50,000 and \$20,000 respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$5,000.

6. Claims, Judgments and Contingent Liabilities

At June 30, 2021, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

7. Long-Term Obligations

(A) Notes Payable

The City has entered into agreements to finance certain land and equipment purchases. Notes payable at June 30, 2021 is comprised of the following:

Government Activities:

\$297,566 direct placement contract through US Bancorp due in annual installments of \$63,161 through September 2022 including interest computed at 2.165%	\$ 123,614
--	------------

\$276,000 direct placement contract through BB&T due in annual installments of \$63,161 through September 2023 including interest computed at 3.08%	170,226
---	---------

\$376,950 direct placement contract through US Bancorp due in annual installments of \$78,312 including interest at 1.368%.	376,950
---	---------

\$413,312 direct placement contract through US Bancorp due in annual installments of \$87,372 including interest at 1.937%.	<u>333,932</u>
---	----------------

Total Governmental Activities	<u>\$1,004,722</u>
-------------------------------	--------------------

Business-Type Activities:

\$131,837 direct placement contract through US Bancorp due in annual installments of \$28,377 through September 2022 including interest computed at 2.165%	\$ 53,684
--	-----------

\$883,495 Sewer Revolving Loan due in annual installments of \$49,083 through May 1, 2030. Interest is computed at 2.455% and is paid semi-annually.	441,747
--	---------

\$137,388 direct placement contract through BB&T due in annual installments of \$29.856 through September 2023 including interest computed at 3.08%	85,290
---	--------

\$1,300,000 direct placement contract through BB&T (AMI Project) due in annual installments of \$149,536 through September 2027; interest at 2.630%.	728,833
--	---------

\$43,050 Direct placement contract through US Bancorp due in annual Installments of \$8,967 including interest at 1.368%.	43,050
---	--------

\$125,300 Direct placement contract through US Bancorp due in annual Installments of \$26,691 including interest at 1.937%.	<u>101,051</u>
---	----------------

Total Business-Type Activities	<u>\$1,453,655</u>
--------------------------------	--------------------

(B) State Revolving Loan

In fiscal year 2020, the City formally accepted a \$6,093,000 State Revolving Loan to finance a portion of the construction of the Waste Water Treatment Plant Rehabilitation enterprise capital project. On September 1, 2020, an increase of \$465,000 was formally accepted by the City, updating the loan amount to \$6,558,000. The loan is payable in 20 annual installments and matures May 1, 2042. The loan carries an interest rate of 1.71%. At June 30, 2021 net funding for the loan received totaled \$2,839,017. These amounts are reflected as a current liability identified as **State Revolving Loan-Department of Environmental Quality** in the financial statements of the Water and Sewer enterprise fund. This loan is not reflected below in the table (C) "Changes in Long-Term Obligations" or table (D) "Debt Service Requirements" because the final amounts owed have not been determined and the payment schedule is not final.

(C) Changes in Long-Term Obligations

A summary of changes in long-term obligations for the year ended June 30, 2021:

	Beginning Balance	Additions	Payments	Ending Balance	Due within One Year
<u>Governmental activities:</u>					
Direct Placement Installment purchase	\$ 893,263	\$ 376,950	\$ 265,491	\$ 1,004,722	\$ 274,777
Compensated absences	193,303	41,081	60,020	174,364	60,020
Total OPEB liability	2,023,919	525,819	-	2,549,738	-
Net pension liability (LGERS)	733,875	153,359	-	887,234	-
Total pension liability (LEO)	<u>226,795</u>	<u>160,547</u>	<u>18,444</u>	<u>368,898</u>	<u>-</u>
Total governmental activities	<u>\$ 4,071,155</u>	<u>\$ 1,257,756</u>	<u>\$ 343,955</u>	<u>\$ 4,984,956</u>	<u>\$ 334,797</u>
	Beginning Balance	Additions	Payments	Ending Balance	Due within One Year
<u>Business-Type Activities:</u>					
Direct Placement Installment purchase	\$ 1,680,085	\$ 43,050	\$ 269,480	\$ 1,453,655	\$ 266,993
Total OPEB liability	381,026	115,424	-	496,450	-
Net pension liability (LGERS)	189,723	33,664	-	223,387	-
Compensated absences	<u>43,602</u>	<u>7,551</u>	<u>7,474</u>	<u>43,679</u>	<u>7,474</u>
Business activity long-term liabilities	<u>\$ 2,294,436</u>	<u>\$ 199,689</u>	<u>\$ 276,954</u>	<u>\$ 2,217,171</u>	<u>\$ 274,467</u>

The City has outstanding notes from direct borrowings and direct placements related to governmental activities and business-type activities totaling \$1,004,722 and \$1,453,655, respectively. The direct borrowings and direct placements by installment purchases were issued pursuant to a security interest that requires that legal title to the property financed remain with the City as long as the debt is outstanding because the property is pledged as collateral for the debt. All outstanding notes from direct borrowings and direct placements contain an event of default that changes the timing of repayment of outstanding amounts to becomes immediately due if the City is unable to make payment.

(continued on next page)

(D) Debt Service Requirements

The following tables summarize the annual requirements to amortize all long-term obligations.

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 270,129	\$ 19,532	\$ 266,993	\$ 36,361
2023	276,992	13,947	271,165	29,706
2024	217,294	8,236	250,626	22,911
2025	162,854	3,765	224,183	16,587
2026	77,453	1,060	202,562	11,049
2027-2030	-	-	238,126	13,149
2031-2035	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,004,722</u>	<u>\$ 46,540</u>	<u>\$ 1,453,655</u>	<u>\$ 129,763</u>

At June 30, 2021, the City of Raeford had a legal debt margin of approximately \$40 million.

8. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2021, consist of the following:

Due to the General Fund for grant fund expenditures advanced to:

Fire Department Grant Fund	\$ 9,063
Neighborhood Revitalization Fund	<u>5,748</u>
Total	<u>\$ 14,811</u>

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

Transfers to/from other funds at June 30, 2021 consists of the following:

From the General Fund to the Neighborhood Revitalization Special Revenue Fund as required per grant agreement.	\$ 11,551
From the Golden Leaf Foundation Grant Fund to the General Fund as required per grant agreement	<u>(9,460)</u>
	<u>\$ 2,091</u>

9. Fund Balance

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

<u>Total fund balance – General Fund</u>	<u>\$9,348,820</u>
Less:	
Nonspendable – Stabilization by State Statute	\$ 628,891
Public Safety	33,688
Streets – Powell Bill	670,823
Appropriated Fund Balance in 2022 Budget	155,783
Economic Development	160,000
Remaining Fund Balance	7,699,635

There were no outstanding encumbrances needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

III. Jointly Governed Organization

The City, in conjunction with Hoke County, appointed the Economic Development Board to promote the City and County to industries who may locate to the area. The Board's expenses are shared one fourth - City and three fourths - County. The City contribution for the current year was \$15,953. The City has no other financial responsibilities or benefits from the Economic Development Board.

IV. Joint Ventures

The City and the members of the City's fire departments each appoint two members into the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these monies to the local Board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2009, the City transferred these accounts to a non-profit organization. The participating government does not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2021. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. The report can be obtained from the Association at Post Office Box 188, Farmville, NC 27828.

V. Related-party Transactions

The City Council, in their meeting, approved a resolution authorizing transactions with members of the City Council for an amount not to exceed \$5,000. During the twelve months ended June 30, 2021, there were no payments exceeding the approved amount.

VI. Summary Disclosure of Significant Contingencies

The City has received proceeds from several federal, state, and county 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 of this nature would be immaterial. No provision has been made in the accompanying financial statements for potential audit disallowance of grant monies.

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

Management believes the City may be a potentially responsible party (PRP) under Superfund legislation regarding environmental impacts at a land tract in Rock Hill, South Carolina, related to the disposition of hazardous waste by the City through a third party. Although the likelihood of some loss is more than remote, it is not possible to reasonably estimate the range of loss for recording in the City's financial statements at June 30, 2021.

VII. Subsequent Events

The City has evaluated subsequent events through January 24, 2022, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

This section contains additional information required by generally accepted accounting principles

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions - 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 - Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in the Total OPEB Liability and Related Ratios

City of Raeford, North Carolina
City of Raeford's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years *

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Raeford's proportion of the net pension liability (asset) (%)	0.03108%	0.03382%	0.03359%	0.03360%	0.03511%	0.03527%	0.03275%	0.03490%
Raeford's proportion of the net pension liability (asset) (\$)	\$ 1,110,621	\$ 923,598	\$ 796,871	\$ 513,315	\$ 745,152	\$ 158,290	\$ (193,142)	\$ 420,679
Raeford's covered-employee payroll	\$ 2,590,085	\$ 2,360,548	\$ 2,189,918	\$ 2,223,727	\$ 2,076,819	\$ 2,039,155	\$ 1,803,834	\$ 1,884,385
Raeford's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	42.88%	39.13%	36.39%	23.08%	35.88%	7.76%	(10.71%)	22.32%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

* 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.

City of Raeford, North Carolina
City of Raeford's Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 270,254	\$ 219,757	\$ 190,063	\$ 170,699	\$ 168,511	\$ 143,418	\$ 162,526	\$ 142,758
Contributions in relation to the contractually required contribution	270,254	219,757	190,063	170,699	168,511	143,418	162,526	142,758
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Raeford's covered-employee payroll	\$ 2,590,085	\$ 2,374,824	\$ 2,360,548	\$ 2,189,918	\$ 2,223,727	\$ 2,076,819	\$ 2,039,155	\$ 1,803,834
Contributions as a percentage of covered-employee payroll	10.43%	9.25%	8.05%	7.79%	7.58%	6.91%	7.97%	7.91%

City of Raeford, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 226,795	\$ 189,821	\$ 161,626	\$ 158,732	\$ 143,193
Service Cost	19,098	18,349	18,611	14,945	16,455
Interest on the total pension liability	7,367	6,862	5,066	6,108	5,112
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(16,824)	4,526	18,577	(31,790)	-
Changes of assumptions	134,082	9,869	(11,427)	14,643	(6,028)
Benefit payments	(1,620)	(2,632)	(2,632)	(1,012)	-
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 368,898</u>	<u>\$ 226,795</u>	<u>\$ 189,821</u>	<u>\$ 161,626</u>	<u>\$ 158,732</u>

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

City of Raeford, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 368,898	\$ 226,795	\$ 189,821	\$161,626	\$ 158,732
Covered payroll	754,116	713,052	698,348	685,486	717,240
Total pension liability as a percentage of covered payroll	48.92%	31.81%	27.18%	23.58%	22.13%

Notes to the schedules:

The City of Raeford has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits

City of Raeford, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2021

Total OPEB Liability	2021	2020	2019	2018
Service cost	\$ 81,761	\$ 91,012	\$ 96,004	\$ 107,541
Interest	86,288	102,723	94,096	82,593
Changes of benefit terms	-	-	-	-
Differences between expected and actual experiences	(19,820)	(426,504)	(9,258)	(3,009)
Changes of assumptions	536,085	21,762	(139,610)	(247,854)
Benefit payments	(43,071)	(49,016)	(38,482)	(41,720)
Net change in total OPEB liability	641,243	(260,023)	2,750	(102,449)
Total OPEB liability - beginning	2,404,945	2,664,968	2,662,218	2,764,667
Total OPEB liability - ending	\$ 3,046,188	\$ 2,404,945	\$ 2,664,968	\$ 2,662,218
 Covered payroll	 \$ 2,261,860	 \$ 2,261,860	 \$ 2,105,760	 \$ 2,105,760
Total OPEB liability as a percentage of covered payroll	134.68%	106.33%	126.56%	126.43%

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%
2019	3.89%
2020	3.50%
2021	2.21%

**INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

GENERAL FUND

City of Raeford, North Carolina
General Fund
Balance Sheet
June 30, 2021

	<u>General</u>
Assets	
Cash and cash equivalents	\$ 8,044,621
Receivables (net):	
Taxes	132,366
Sanitation	77,528
Due from other governments	525,051
Due from other funds	14,811
Prepaid expenses	11,501
Restricted cash and cash equivalents	830,823
Total assets	<u><u>\$ 9,636,701</u></u>
 Liabilities	
Accounts payable and accrued liabilities	\$ 148,353
Total liabilities	<u>148,353</u>
 Deferred inflows of resources	
Property taxes receivable	132,366
Prepaid taxes	7,162
Total deferred inflows of resources	<u>139,528</u>
 Fund balances:	
Restricted	
Stabilization by State statute	628,891
Public safety	33,688
Streets - Powell Bill	670,823
Economic Development	160,000
Assigned	
Subsequent year's expenditures	155,783
Unassigned	7,699,635
Total fund balances	<u>9,348,820</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u><u>\$ 9,636,701</u></u>

City of Raeford, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	2021		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 2,511,454	\$ 2,507,476	\$ (3,978)
Penalties and interest	2,250	15,634	13,384
Total	<u>2,513,704</u>	<u>2,523,110</u>	<u>9,406</u>
Unrestricted intergovernmental:			
Beer and wine tax	21,500	20,632	(868)
Utilities sales tax	500,000	500,605	605
Gasoline tax	16,000	19,202	3,202
Solid waste tax	3,600	3,697	97
Local option sales tax	1,336,000	1,605,662	269,662
Other grants and contributions	-	22,454	22,454
Total	<u>1,877,100</u>	<u>2,172,252</u>	<u>295,152</u>
Restricted intergovernmental:			
Powell Bill allocation	144,500	137,629	(6,871)
Drug funds	-	348	348
Restricted grant	23,952	-	(23,952)
ABC Board contribution	10,000	28,820	18,820
Developers CDBG payments	10,000	10,000	-
Total	<u>188,452</u>	<u>176,797</u>	<u>(11,655)</u>
Permits and fees:			
Building permits	27,400	49,904	22,504
Inspection Fees	3,200	2,900	(300)
Total	<u>30,600</u>	<u>52,804</u>	<u>22,204</u>
Sales and services:			
Sanitation fees	555,000	563,325	8,325
Total	<u>555,000</u>	<u>563,325</u>	<u>8,325</u>
Investment earnings	<u>80,000</u>	<u>1,663</u>	<u>(78,337)</u>
Miscellaneous:			
Sale of cemetery lots	7,000	34,325	27,325
Building rentals	4,000	650	(3,350)
Other fees and fines	1,700	2,249	549
Miscellaneous	6,061	17,477	11,416
Cellular rent	17,800	18,450	650
Total	<u>36,561</u>	<u>73,151</u>	<u>36,590</u>
Total revenues	<u>5,281,417</u>	<u>5,563,102</u>	<u>281,685</u>

City of Raeford, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Governing body			
Salaries and employee benefits	24,794	24,494	300
Other operating expenditures	18,460	15,736	2,724
Dues and contributions	53,000	52,000	1,000
Capital outlay	1,000	-	1,000
Total	<u>97,254</u>	<u>92,230</u>	<u>5,024</u>
Administration			
Salaries and employee benefits	391,406	395,344	(3,938)
Other operating expenditures	118,072	39,693	78,379
Total	<u>509,478</u>	<u>435,037</u>	<u>74,441</u>
Human resources			
Salaries and employee benefits	93,817	93,486	331
Other operating expenditures	32,710	27,145	5,565
Capital outlay	-	-	-
Total	<u>126,527</u>	<u>120,631</u>	<u>5,896</u>
Elections			
Other operating expenses	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Finance			
Salaries and employee benefits	228,056	228,317	(261)
Other operating expenditures	57,390	43,230	14,160
Total	<u>285,446</u>	<u>271,547</u>	<u>13,899</u>
Taxes			
Other operating expenditures	4,400	2,513	1,887
Total	<u>4,400</u>	<u>2,513</u>	<u>1,887</u>
Legal			
Professional services	20,000	16,878	3,122
Total	<u>20,000</u>	<u>16,878</u>	<u>3,122</u>
Planning and Zoning			
Salaries and employee benefits	91,032	88,211	2,821
Other expenditures	55,150	49,440	5,710
Capital outlay	-	-	-
Total	<u>146,182</u>	<u>137,651</u>	<u>8,531</u>
Garage			
Salaries and employee benefits	119,805	123,156	(3,351)
Operating expenditures	40,130	32,670	7,460
Capital Outlay	-	-	-
Total	<u>159,935</u>	<u>155,826</u>	<u>4,109</u>
<u>Total General Government</u>	<u>1,349,222</u>	<u>1,232,313</u>	<u>116,909</u>

City of Raeford, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Public safety			
Police			
Salaries and employee benefits	1,290,312	1,084,951	205,361
Other operating expenditures	177,900	210,107	(32,207)
Capital Outlay	264,252	226,030	38,222
Total	1,732,464	1,521,088	211,376
Animal Control			
Salaries and employee benefits	64,898	64,151	747
Other operating expenditures	6,770	5,257	1,513
Capital Outlay	-	-	-
Total	71,668	69,408	2,260
Public Safety			
Other operating expenditures	5,000	-	5,000
Total	5,000	-	5,000
Fire			
Salaries and employee benefits	285,403	255,456	29,947
Other operating expenditures	109,450	90,451	18,999
Capital Outlay	-	-	-
Total	394,853	345,907	48,946
Total Public Safety	2,203,985	1,936,403	267,582
Transportation			
Streets			
Salaries and employee benefits	441,530	421,535	19,995
Operating expenditures	250,300	213,772	36,528
Capital Outlay	112,200	74,012	38,188
Powell Bill expenditures	145,800	24,147	121,653
Total Transportation	949,830	733,466	216,364
Environmental protection			
Sanitation			
Salaries and employee benefits	134,329	139,346	(5,017)
Other operating expenditures	394,700	376,374	18,326
Capital Outlay	-	-	-
Total	529,029	515,720	13,309
Public Works			
Salaries and employee benefits	144,233	142,806	1,427
Other operating expenditures	38,310	32,297	6,013
Capital Outlay	33,987	32,551	1,436
Total	216,530	207,654	8,876
Total Environmental Protection	745,559	723,374	22,185
Culture and recreation			
Parks and recreation			
Other operating expenditures	33,100	28,237	4,863
Capital Outlay	20,000	13,586	6,414
Total	53,100	41,823	11,277

City of Raeford, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Cemetery			
Salaries and employee benefits	103,859	94,926	8,933
Other operating expenditures	43,408	34,714	8,694
Capital Outlay	91,908	81,876	10,032
Total	<u>239,175</u>	<u>211,516</u>	<u>27,659</u>
Debt Service			
Principal Retirement	270,052	265,491	4,561
Interest and other charges	20,786	20,327	459
Total	<u>290,838</u>	<u>285,818</u>	<u>5,020</u>
Total Expenditures	<u>5,831,709</u>	<u>5,164,713</u>	<u>666,996</u>
Revenues over (under) Expenditures	<u>(550,292)</u>	<u>398,389</u>	<u>948,681</u>
Other Financing Sources (uses)			
Transfer (to)/from other funds			
Golden Leaf Foundation Grant Fund	(54,444)	(54,444)	-
Golden Leaf Foundation Grant Fund	-	63,904	63,904
Neighborhood Revitalization	(11,551)	(11,551)	-
Park Renovation Fund	-	-	-
Capital reserve fund	-	-	-
Loan proceeds	377,500	377,500	-
	<u>311,505</u>	<u>375,409</u>	<u>63,904</u>
Revenue and Other Financing Sources			
Over (Under)			
Expenditures and Other Uses	<u>(238,787)</u>	<u>773,798</u>	<u>1,012,585</u>
Appropriated Fund Balance	<u>238,787</u>	<u>-</u>	<u>(238,787)</u>
Excess of Revenues and Other Financing			
Sources and Appropriated Fund Balance			
Over (Under) Expenditures and Other			
Financing Uses	<u>\$ -</u>	<u>773,798</u>	<u>\$ 773,798</u>
Fund balance - beginning		<u>8,575,022</u>	
Fund balance - ending		<u>\$ 9,348,820</u>	

City of Raeford, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Capital Project Fund - Golden Leaf Foundation Grant
From Inception and for Year Ended June 30, 2021

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenue					
Restricted intergovernmental:					
State Grant	\$ 958,000	\$ 114,497	\$ 843,503	\$ 958,000	\$ -
Total revenues	<u>958,000</u>	<u>114,497</u>	<u>843,503</u>	<u>958,000</u>	<u>-</u>
Expenditures					
Streets	1,022,317	114,497	907,820	1,022,317	-
	<u>1,022,317</u>	<u>114,497</u>	<u>907,820</u>	<u>1,022,317</u>	<u>-</u>
Revenue Under Expenditures	(64,317)	-	(64,317)	(64,317)	-
Other Financing Sources					
Transfer in/out					
General Fund	64,317	73,777	(9,460)	64,317	-
Total Other Financing Sources	<u>64,317</u>	<u>73,777</u>	<u>(9,460)</u>	<u>64,317</u>	<u>-</u>
Revenue and Other Sources Over Expenditures	<u>\$ -</u>	<u>\$ 73,777</u>	<u>\$ (73,777)</u>	<u>\$ -</u>	<u>\$ -</u>

NONMAJOR GOVERNMENTAL FUNDS

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**City of Raeford, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021**

	Government Fund Types		
	Capital Project Funds	Special Revenue Funds	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ -	\$ 2,211	\$ 2,211
Due from other governments	-	16,970	16,970
Total assets	<u>\$ -</u>	<u>\$ 19,181</u>	<u>\$ 19,181</u>
Liabilities, Deferred Inflows of Resources and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ -	\$ 3,407	\$ 3,407
Due to other funds	-	14,811	14,811
Total liabilities	<u>-</u>	<u>18,218</u>	<u>18,218</u>
Fund balances:			
Restricted			
Public Safety	-	-	-
Streets - Non Powell Bill	-	-	-
Economic Development	-	963	963
Assigned:			
Capital projects	-	-	-
Unassigned	-	-	-
Total Fund Balances	<u>-</u>	<u>963</u>	<u>963</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 19,181</u>	<u>\$ 19,181</u>

City of Raeford, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	Government Fund Types		
	Capital Project Funds	Special Revenue Funds	Total Nonmajor Governmental Funds
Revenues			
Restricted intergovernmental	\$ -	\$ 253,776	\$ 253,776
Total revenues	<u>-</u>	<u>253,776</u>	<u>253,776</u>
Expenditures			
Current:			
Public Safety	-	235,026	235,026
Economic Development	-	25,840	25,840
Transportation	-	-	-
Total expenditures	<u>-</u>	<u>260,866</u>	<u>260,866</u>
Revenues over (under) expenditures	<u>-</u>	<u>(7,090)</u>	<u>(7,090)</u>
Other financing sources (uses)			
Transfers to other funds	-	11,551	11,551
Total other financing sources (uses)	<u>-</u>	<u>11,551</u>	<u>11,551</u>
Net change in fund balances	-	4,461	4,461
Fund balance - beginning	<u>-</u>	<u>(3,498)</u>	<u>(3,498)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 963</u>	<u>\$ 963</u>

City of Raeford, North Carolina
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2021

	Total Capital Project Funds
Assets	
Cash and cash equivalents	\$ -
Due from other governments	-
Total assets	<u>\$ -</u>
Liabilities and fund balances	
Liabilities:	
Accounts payable and accrued liabilities	\$ -
Total liabilities	<u>-</u>
Fund balances:	
Assigned:	
Capital projects	-
Total fund balances	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ -</u>

City of Raeford, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Year Ended June 30, 2021

	Total Capital Project Funds
Revenues	
Investment earnings	\$ -
Restricted intergovernmental	-
Total revenues	-
Expenditures	
Current:	
Transportation	-
Cultural and Recreational	-
Total expenditures	-
Excess (deficiency) of revenues over (under) expenditures	-
Other financing sources (uses)	
Transfers (to) from other funds	-
Total other financing sources (uses)	-
Net change in fund balances	-
Fund balance - beginning	-
Fund balance - ending	\$ -

City of Raeford, North Carolina
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021

	CARES Act Fund	Fire Department Grant Fund	Neighborhood Revitalization Fund	Total Special Revenue Funds
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 2,211	\$ 2,211
Due from other governments	-	12,470	4,500	16,970
Total assets	<u>\$ -</u>	<u>\$ 12,470</u>	<u>\$ 6,711</u>	<u>\$ 19,181</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 3,407	\$ -	\$ 3,407
Due to other funds	-	9,063	5,748	14,811
Total liabilities	<u>-</u>	<u>12,470</u>	<u>5,748</u>	<u>18,218</u>
Fund balances:				
Restricted				
Public Safety	-	-	-	-
Economic Development	-	-	963	963
Streets - non Powell Bill	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>963</u>	<u>963</u>
Total liabilities, deferred inflows and fund balances	<u>\$ -</u>	<u>\$ 12,470</u>	<u>\$ 6,711</u>	<u>\$ 19,181</u>

City of Raeford, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2021

	CARES ACT Fund	Fire Department Grant Fund	Neighborhood Revitalization Fund	Total Special Revenue Funds
Revenues				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental	167,833	67,193	18,750	253,776
Total revenues	167,833	67,193	18,750	253,776
Expenditures				
Current:				
Public Safety	167,833	67,193	-	235,026
Economic development	-	-	25,840	25,840
Transportation	-	-	-	-
Total expenditures	167,833	67,193	25,840	260,866
Excess (deficiency) of revenues over (under) expenditures	-	-	(7,090)	(7,090)
Other financing sources (uses)				
Transfers in (out) other funds	-	-	11,551	11,551
Transfers in (out) other funds	-	-	-	-
Total other financing sources (uses)	-	-	11,551	11,551
Net change in fund balances	-	-	4,461	4,461
Fund balance - beginning	-	-	(3,498)	(3,498)
Fund balance - ending	\$ -	\$ -	\$ 963	\$ 963

NONMAJOR CAPITAL PROJECT FUNDS

City of Raeford, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Special Revenue Fund - Coronavirus Relief Fund
From Inception and For Year Ended June 30, 2021

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenue					
Restricted intergovernmental:					
CARES Act	\$ 555,163	\$ 387,330	\$ 167,833	\$ 555,163	\$ -
Total Revenues	<u>555,163</u>	<u>387,330</u>	<u>167,833</u>	<u>555,163</u>	<u>-</u>
 Expenditures					
Public Safety	555,163	387,330	167,833	555,163	-
	<u>555,163</u>	<u>387,330</u>	<u>167,833</u>	<u>555,163</u>	<u>-</u>
 Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Raeford, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Special Revenue Fund - Fire Department Grant
From Inception and for Year Ended June 30, 2021

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenue					
Restricted intergovernmental:					
Federal SAFER Grant	\$ 248,520	\$ 118,388	\$ 67,193	\$ 185,581	\$ (62,939)
Total revenues	<u>248,520</u>	<u>118,388</u>	<u>67,193</u>	<u>185,581</u>	<u>(62,939)</u>
Expenditures					
Public Safety	248,520	118,388	67,193	185,581	62,939
	<u>248,520</u>	<u>118,388</u>	<u>67,193</u>	<u>185,581</u>	<u>62,939</u>
Revenue Under Expenditures	-	-	-	-	-
Other Financing Sources					
Transfer in (out)	-	-	-	-	-
Transfer in (out)	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and Other Sources					
Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Raeford, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Special Revenue Fund - Neighborhood Revitalization Project
From Inception and for Year Ended June 30, 2021

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenue					
Restricted intergovernmental:					
Economic Development Grant	\$ 750,000	\$ 21,657	\$ 18,750	\$ 40,407	\$ (709,593)
Total revenues	<u>750,000</u>	<u>21,657</u>	<u>18,750</u>	<u>40,407</u>	<u>(709,593)</u>
Expenditures					
Economic Development	761,551	25,155	25,840	50,995	710,556
	<u>761,551</u>	<u>25,155</u>	<u>25,840</u>	<u>50,995</u>	<u>710,556</u>
Revenue Over (Under) Expenditures	(11,551)	(3,498)	(7,090)	(10,588)	963
Other Financing Sources					
Transfer in					
General Fund	11,551	-	11,551	11,551	-
Total Other Financing Sources	<u>11,551</u>	<u>-</u>	<u>11,551</u>	<u>11,551</u>	<u>-</u>
Revenue and Other Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (3,498)</u>	<u>\$ 4,461</u>	<u>\$ 963</u>	<u>\$ 963</u>

PROPRIETARY FUNDS

ENTERPRISE FUNDS

City of Raeford, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating Revenues			
Charges for services	\$ 2,350,886	\$ 2,463,000	\$ 112,114
Water and sewer taps	20,000	36,270	16,270
Other operating revenues	8,000	8,599	599
Total	<u>2,378,886</u>	<u>2,507,869</u>	<u>128,983</u>
Nonoperating revenues:			
Interest earnings	50,000	1,092	(48,908)
Other nonoperating revenues	1,800	1,722	(78)
Sale of fixed assets	-	17,947	17,947
Total	<u>51,800</u>	<u>20,761</u>	<u>(31,039)</u>
Total revenues	<u>2,430,686</u>	<u>2,528,630</u>	<u>97,944</u>
Expenditures:			
Administration			
Salaries and employee benefits	75,000	56,321	18,679
Professional fees	-	-	-
Telephone and postage	20,000	14,875	5,125
Other operating expenditures	90,000	46,045	43,955
Total	<u>185,000</u>	<u>117,241</u>	<u>67,759</u>
Distribution - Water			
Salaries and employee benefits	319,843	250,487	69,356
Maintenance and repairs	68,000	69,399	(1,399)
Gasoline	15,000	7,719	7,281
Supplies	12,750	28,346	(15,596)
Contracted services	35,000	22,594	12,406
Other operating expenditures	27,000	20,517	6,483
Total	<u>477,593</u>	<u>399,062</u>	<u>78,531</u>
Water plant			
Telephone and postage	6,500	5,806	694
Utilities	105,000	91,321	13,679
Maintenance and repairs	85,500	31,152	54,348
Supplies	98,000	63,493	34,507
Other operating expenditures	30,000	10,712	19,288
Total	<u>325,000</u>	<u>202,484</u>	<u>122,516</u>
Treatment			
Salaries and employee benefits	428,728	358,611	70,117
Telephone and postage	7,000	7,675	(675)
Utilities	140,000	181,293	(41,293)
Travel and education	3,000	275	2,725
Maintenance and repairs	94,000	51,516	42,484
Gasoline	4,000	3,858	142
Supplies	105,200	61,287	43,913
Contracted services	6,000	-	6,000
Sludge disposal	200,000	168,464	31,536
Other operating expenditures	71,750	55,742	16,008
Total	<u>1,059,678</u>	<u>888,721</u>	<u>170,957</u>

(continued)

**City of Raeford, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2021**

(continued)

	Budget	Actual	Variance Positive (Negative)
Budgetary appropriations			
Debt service			
Interest	128,807	47,557	81,250
Principal retirement	574,650	269,480	305,170
Total	<u>703,457</u>	<u>317,037</u>	<u>386,420</u>
Capital outlay			
Distribution equipment	141,400	36,594	104,806
Water treatment plant	20,000	6,250	13,750
Sewer treatment plant	-	-	-
Construction in progress	-	1,917,109	(1,917,109)
Total	<u>161,400</u>	<u>1,959,953</u>	<u>(1,798,553)</u>
Total expenditures	<u>2,912,128</u>	<u>3,884,498</u>	<u>(972,370)</u>
Revenues over(under) expenditures	<u>(481,442)</u>	<u>(1,355,868)</u>	<u>(874,426)</u>
Other financing sources (uses):			
Other	(115,181)	-	115,181
Proceeds from debt	11,500	1,854,464	1,842,964
Appropriated retained earnings	585,123	-	(585,123)
	<u>481,442</u>	<u>1,854,464</u>	<u>1,373,022</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 498,596</u>	<u>\$ 498,596</u>

(continued)

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 498,596	
Reconciling items:			
Principal retirement		269,480	
Capital outlay		42,844	
Capital construction		1,917,109	
Decrease in bond interest accrued		5,055	
Increase in accrued vacation pay		(77)	
Increase in OPEB liability		(115,424)	
Increase in deferred outflows of resources		101,467	
Increase in net pension liability		(33,664)	
Increase in deferred inflows - pensions		(3,159)	
Decrease in deferred inflows - OPEB		15,442	
Depreciation		(906,010)	
Loan proceeds		(1,854,464)	
Transfers- Interfund		-	
Total reconciling items		<u>(561,401)</u>	
Change in net position		<u>\$ (62,805)</u>	

City of Raeford, North Carolina
Water and Sewer Capital Projects Fund - Water Line Extension
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues - Sewer Project :					
Restricted intergovernmental:					
Federal grant	\$ 390,750	\$ 319,845	\$ -	\$ 319,845	\$ (70,905)
Interest	-	-	-	-	-
Total revenues	<u>390,750</u>	<u>319,845</u>	<u>-</u>	<u>319,845</u>	<u>(70,905)</u>
Expenditures - Sewer Project:					
Administration and other costs	2,399	2,178	221	2,399	-
Engineering	86,500	82,000	4,500	86,500	-
Construction	<u>432,322</u>	<u>361,417</u>	<u>-</u>	<u>361,417</u>	<u>70,905</u>
Total expenditures	<u>521,221</u>	<u>445,595</u>	<u>4,721</u>	<u>450,316</u>	<u>70,905</u>
Revenues under expenditures	<u>(130,471)</u>	<u>(125,750)</u>	<u>(4,721)</u>	<u>(130,471)</u>	<u>-</u>
Other financing sources :					
Transfers from other funds:					
From water & sewer	130,471	130,250	221	130,471	-
Total other sources	<u>130,471</u>	<u>130,250</u>	<u>221</u>	<u>130,471</u>	<u>-</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 4,500</u>	<u>\$ (4,500)</u>	<u>\$ -</u>	<u>\$ -</u>

City of Raeford, North Carolina
Water and Sewer Capital Projects Fund - Water Treatment Plant
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues - Sewer Project :					
Restricted intergovernmental:					
Federal Grant	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures - Sewer Project:					
Administration and other costs	159,160	32,215	-	32,215	126,945
Engineering	770,000	504,350	137,200	641,550	128,450
Construction	5,763,000	492,465	1,775,188	2,267,653	3,495,347
Total expenditures	6,692,160	1,029,030	1,912,388	2,941,418	3,750,742
Revenues under expenditures	(6,692,160)	(1,029,030)	(1,912,388)	(2,941,418)	3,750,742
Other financing sources :					
Loan Proceeds	6,558,000	1,027,603	1,811,414	2,839,017	(3,718,983)
Transfers from other funds:					
From water & sewer	134,160	19,200	114,960	134,160	-
Total other sources	6,692,160	1,046,803	1,926,374	2,973,177	(3,718,983)
Revenues and other sources over expenditures and other uses	\$ -	\$ 17,773	\$ 13,986	\$ 31,759	\$ 31,759

OTHER SCHEDULES

This section contains additional information on property taxes

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy
- Principal Property Taxpayers

City of Raeford, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2021	\$ -	\$ 2,559,867	\$ 2,497,359	\$ 62,508
2020	64,036	-	28,647	35,389
2019	35,037	-	8,367	26,670
2018	28,683	-	6,073	22,610
2017	21,183	-	8,753	12,430
2016	9,463	-	3,990	5,473
2015	4,292	-	503	3,789
2014	2,556	-	144	2,412
2013	6,156	-	-	6,156
2012	6,950	-	83	6,867
2011	5,547	-	635	4,912
2010	4,391	-	4,391	-
	<u>\$ 188,294</u>	<u>\$ 2,559,867</u>	<u>\$ 2,558,945</u>	189,216
Less: allowance for uncollectible accounts:				
General Fund				<u>56,850</u>
Ad valorem taxes receivable - net				<u>\$ 132,366</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 2,523,110
Reconciling items:				
Interest collected				(15,634)
Taxes written off				16,028
Discounts				28,068
Fees and other				<u>7,373</u>
Subtotal				<u>35,835</u>
Total collections and credits				<u>\$ 2,558,945</u>

City of Raeford, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
June 30, 2021

				Total Levy	
	City - Wide			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Real and personal property	\$ 492,098,511	0.48	\$ 2,362,073	\$ 2,362,073	\$ -
Senior citizen exemption	(5,200,080)	0.48	(24,960)	(24,960)	-
Motor vehicles	45,586,721	0.48	218,816	-	218,816
			2,555,929	2,337,113	218,816
Late listing penalty	-		4,105	4,105	-
Total	532,485,152		2,560,034	2,341,218	218,816
Discoveries:					
Real and personal	24,700	0.48	118	118	-
Motor vehicles	-		-	-	-
	24,700		118	118	-
Penalties	-		16	16	-
			134	134	-
Releases	(62,700)	0.48	(301)	(301)	-
Late listing penalty	-		-	-	-
	(62,700)		(301)	(301)	-
Total property valuation	<u>\$ 532,447,152</u>				
Net levy			2,559,867	2,341,051	218,816
Uncollected taxes at June 30, 2021			(62,508)	(62,508)	-
Current year's taxes collected			<u>\$ 2,497,359</u>	<u>\$ 2,278,543</u>	<u>\$ 218,816</u>
Current levy collection percentage			<u>97.56%</u>	<u>97.33%</u>	<u>100.00%</u>
Prior year collection percentage			<u>97.36%</u>	<u>97.14%</u>	<u>100.00%</u>

City of Raeford, North Carolina
Principal Property Taxpayers
(Dollars in Thousands)

Fiscal Year 2021				
Taxpayer	Type of Business	2020 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Unilever Manufacturing, Inc.	Manufacturer	\$ 124,116,344	1	24.41%
Butterball, LLC	Manufacturer	48,719,722	2	9.58%
Burlington Industries, Inc.	Manufacturer	11,740,248	3	2.31%
First Health	Medical	6,533,020	4	1.28%
Alpla, Inc.	Manufacturer	6,526,133	5	1.28%
Duke Energy Progress	Public Utility	4,368,481	6	0.86%
Hoke Cotton Warehouse	Service	3,933,000	7	0.77%
Integrity Raeford, LLC	Medical	3,868,550	8	0.76%
OHI Asset NC	Medical	3,382,130	9	0.67%
Crayton-Raeford Ventures, LLC	Manufacturer	3,150,000	10	0.62%
		\$ 216,337,628		

Source: City of Raeford Tax Department

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*
- Independent Auditor's Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance; In Accordance With OMB Uniform Guidance; and the State Single Audit Implementation Act
- Schedule of Findings and Questioned Costs
- Schedule of Corrective Action Plan
- Schedule of Expenditures of Federal and State Awards
- Schedule of Prior Year Audit Findings

HAIGH, BYRD & LAMBERT, LLP

CERTIFIED PUBLIC ACCOUNTANTS
1007 HAY STREET
FAYETTEVILLE, NORTH CAROLINA 28305

**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***

To the Honorable Mayor
and Members of the City Council
City of Raeford, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Raeford, North Carolina, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprises the City of Raeford, North Carolina's basic financial statements, and have issued our report thereon dated January 24, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Raeford, 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 the City of Raeford, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Raeford, 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 the 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items [2021-001] and [2021-002] that we consider to be significant deficiencies.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City of Raeford, 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 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*.

City of Raeford, North Carolina's Response to Findings

The City of Raeford, North Carolina's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Raeford, 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.



Certified Public Accountants
Fayetteville, North Carolina
January 24, 2022

HAIGH, BYRD & LAMBERT, LLP

CERTIFIED PUBLIC ACCOUNTANTS
1007 HAY STREET
FAYETTEVILLE, NORTH CAROLINA 28305

**Independent Auditor's Report on Compliance For
Each Major State Program; Report on Internal Control Over
Compliance; In Accordance with OMB Uniform Guidance; and
the State Single Audit Implementation Act**

To the Honorable Mayor
and Members of the City Council
City of Raeford, North Carolina

Report on Compliance for Each Major State Program

We have audited the City of Raeford, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Raeford, North Carolina's major state programs for the year ended June 30, 2021. The City of Raeford, North Carolina's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Raeford, North Carolina's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Raeford, North Carolina's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the City of Raeford, North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Haigh, Byrd + Lambert, LLP

Certified Public Accountants
Fayetteville, North Carolina
January 24, 2022

CITY OF RAEFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2021

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant Deficiency(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

No major federal awards

State Awards

Type of auditors' report issued on compliance for major state programs: **Unmodified**

Internal control over major state programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant Deficiency(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported
- Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? ☐ Yes ☒ No

Identification of major state programs:

Program name

Division of Water Infrastructure – Connect NC Bond

CITY OF RAEFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED JUNE 30, 2021

Section II. Financial Statement Findings

Finding: 2021-001

Significant Deficiency

FINANCIAL REPORTING

Criteria: An effective system of internal control contemplates that management can prepare financial statements, complete with appropriate disclosures, that are fairly presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition: *Financial Statement Preparation:* The City did not provide the auditors with complete and accurate financial statements and disclosures presented in accordance with generally accepted accounting principles. In accordance with your request, we drafted the City of Raeford, North Carolina's financial statements and footnote disclosures.

Effect: Lack of a thorough review process could result in misstatements or omissions in the financial statements.

Cause: Due to economical purposes, management has limited staff to perform these functions.

Identification of a repeat finding:

This is a repeat finding from the immediate previous audit, 2020-001.

Recommendation: We encourage financial management to take full responsibility in the preparation of the financial statements with complete disclosures in accordance with GAAP.

Views of responsible officials and planned corrective actions:

The City of Raeford concurs with the finding. The City Council, Manager and Finance Director will review the processes within the finance department to determine what opportunities exist to improve upon internal control and independent review. The City of Raeford's governing board feels that there are limited financial resources at this time for additional staff and training in the finance department and that it is not cost beneficial to obtain additional assistance in this area. The City of Raeford's governing board will review the draft financial statements for material errors and reasonableness in amounts.

CITY OF RAEFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) YEAR ENDED JUNE 30, 2021

Section II. Financial Statement Findings (continued)

Finding: 2021-002

Significant Deficiency

INTERNAL CONTROLS

Criteria: Duties should be segregated and alternative controls used to compensate for lack of separation.

Condition: With a limited number of personnel for certain functions, there are inherent limitations of the effectiveness of certain controls due to the lack of segregation of duties among City personnel.

Effect: Transactions could be mishandled.

Cause: There is a limited number of personnel in the City of Raeford, North Carolina's finance office.

Identification of a repeat finding:

This is a repeat finding from the immediate previous audit, 2020-002.

Recommendation: 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 City of Raeford concurs with the finding. The City Council, Manager and Finance Director will review the processes within the finance department to determine what opportunities exist to improve upon internal control. The City of Raeford's governing board feels that there are limited financial resources at this time for additional staff and training in the finance department and that it is not cost beneficial to obtain additional assistance in this area. The City of Raeford's governing board will take a more active role in reviewing financial reports.

CITY OF RAEFORD, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Section III. Federal Award Findings and Questioned Costs

Not Applicable – no major federal awards

Section IV. State Award Findings and Questioned Costs

None Reported



CITY OF RAEFORD

John K. McNeill, III, Mayor
Dennis Baxley, City Manager
Regina Sutherland, City Attorney
Betty S. Smith, City Clerk

315 N. Main Street, Raeford, NC, 28376-2629
Telephone (910) 875-8161, Fax 875-8165

City Council:
Charles Allen
Robert Conoly
John Jordan
Mary Neil King
Wayne Willis

SCHEDULE OF CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2021

Finding#: 2021-001

Name of Contact Person: Scott Edwards, Finance Officer

Corrective Action Plan: The City Council, Manager, and Finance Director will review the processes within the finance department to determine what opportunities exist to improve upon independent review. The City of Raeford's governing board feels that there are limited financial resources at this time for additional staff and training in the finance department and that it is not cost beneficial to obtain additional assistance in this area. The City of Raeford's governing board will review the draft financial statements for material errors and reasonableness in amounts.

Proposed Completion Date: Immediate

Finding#: 2021-002

Name of Contact Person: Scott Edwards, Finance Officer

Corrective Action Plan: The City Council, Manager, and Finance Director will review the processes within the finance department to determine what opportunities exist to improve upon internal controls. The City of Raeford's governing board feels that there are limited financial resources at this time for additional staff and training in the finance department and that it is not cost beneficial to obtain additional assistance in this area. The City of Raeford's governing board will review financial reports.

Proposed Completion Date: Immediate

City of Raeford, North Carolina
Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2021

Grantor / Pass-through Grantor / Program Title	Federal Assistance Number	State / Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Federal Awards:</u>					
<u>U.S. Dept. of Justice</u> Passed-through N.C. Department of Public Safety: Edward Byrne Memorial Justice Assistance Grant Program	16.738		21,399		
<u>U.S. Dept. of Housing and Urban Development</u> Passed-through N.C. Department of Commerce: Community Development Block Grant - NR	14.228-1	17-C-2996	18,750		7,090
<u>U.S. Department of Homeland Security</u> Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		67,193		
<u>U.S. Department Of Treasury</u> Passed-through the N.C. Office of State Budget and Management: NC Pandemic Recovery Office Passed-through Hoke County: COVID-19 - Coronavirus Relief Fund	21.019		167,833		
Total Assistance - Federal Programs			275,175	-	7,090
<u>State Awards:</u>					
<u>N.C. Department of Environment Quality</u> Division of Water Infrastructure - Connect NC Bond		E-SRP-W-17-0116		2,839,017	102,400
<u>N.C. Department of Transportation</u> Powell Bill		37920	-	24,147	-
Total Assistance - State Programs			-	2,863,164	102,400
Total Assistance			\$ 275,175	\$ 2,863,164	\$ 109,490

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the City of Raeford under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a select portion of the operations of the City of Raeford, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Raeford.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

The City of Raeford has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Powell Bill Funds

Powell Bill expenditures as reported above represent eligible expenditures reported to the North Carolina Department of Transportation for the fiscal year ending June 30, 2021. The City is required to report annually to the North Carolina Department of Transportation on the accumulated unexpended Powell Bill funds. Unexpended Powell Bill funds are accounted for and maintained within the general fund. The total unexpended balance on-hand at June 30, 2021 is \$670,823.

Note 5: Coronavirus Relief Funds

The City of Raeford received \$555,163 of funding from the Coronavirus Relief Fund (21.019) from Hoke County. Raeford has a plan to spend these funds approved by OSBM. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties. However, under the state statute, municipalities are not liable to the County for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 30, 2021.

Note 6: Connect NC Bond

The City of Raeford had a loan balance outstanding at June 30, 2021 in relation to the Connect NC Bond program of \$2,839,017. Loans made during the year are included in the SEFSA.

CITY OF RAEFORD, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021**

Finding: 2020-001

Status: Noted similar finding in the current year. (2021-001)

Finding: 2020-002

Status: Noted similar finding in the current year. (2021-002)