

REVIEWED

By SLGFD at 6:45 am, Jan 10, 2022

**Town of Red Springs
Red Springs, North Carolina**

Audited Financial Statements

Year Ended June 30, 2021

Town of Red Springs, North Carolina

Audited Financial Statements

For the Year Ended June 30, 2021

Board of Commissioners

Edward Henderson, Mayor

Chris L.B. Edmonds, Mayor Pro-Tem

Murray McKeithan

Duron Burney

Carolina Sumpter

Elma Patterson

Neil Lea'kes

Administrative Officers

Sharon McFarland, Finance Officer

David Ashburn, Town Manager

Timothy Smith, Town Attorney

Town of Red Springs, North Carolina
Table of Contents
June 30, 2021

Financial Section:	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Statement of Revenues, Expenditures, and Changes in Fund - Balances - Governmental Funds	17
Reconciliation of the Statements of Revenues, Expenditures, and Changes in - Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund	19
Statement of Fund Net Position - Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Notes to the Financial Statements	24
 Required Supplemental Financial Data:	
Schedule of Proportionate Share of Net Pension Liability - Local Government Employees' Retirement System	66
Schedule of Contributions - Local Government Employees' Retirement System.....	67
Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	68

Town of Red Springs, North Carolina
Table of Contents (continued)
June 30, 2021

	<u>Page</u>
Required Supplemental Financial Data (continued):	
Schedule of Total Pension Liability as a Percentage of Covered Payroll.....	69
Schedule of Changes in Total OPEB Liability and Related Ratios.....	70
Individual Fund Statements and Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	71
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Capital Reserve Fund	75
Non-Major Governmental Funds:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – NCORR Loan for Temporary Assistance Grant Fund	76
Enterprise Funds:	
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP):	
Electric Fund	77
Electric Capital Reserve Fund	79
Water and Sewer Fund.....	80
Water and Sewer Capital Project Fund.....	82
Water Treatment Plant Project.....	83

Town of Red Springs, North Carolina
Table of Contents (continued)
June 30, 2021

	<u>Page</u>
 Other Schedules:	
Schedule of Ad Valorem Taxes Receivable	84
Analysis of Current Tax Levy - Town-Wide Levy.....	85
 Compliance Section:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	86
Report on Compliance with Requirements Applicable to Each Major Federal Program; Report on Internal Control over Compliance; In Accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act	88
Report on Compliance with Requirements Applicable to Each Major State Program; Report on Internal Control over Compliance; In Accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act	90
Schedule of Findings and Questioned Costs	92
Corrective Action Plan	96
Summary Schedule of Prior Year Audit Findings	97
Schedule of Expenditures of Federal and State Awards	98

Financial Section



S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Red Springs ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Red Springs ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Red Springs ABC Board were not audited in accordance with *Governmental Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Red Springs, North Carolina as of June 30, 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 4 through 12, Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 66 through 67, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 68 through 69, and the Other Postemployment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 70 to 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.

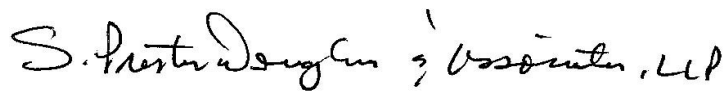
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Red Springs, North Carolina. The combining and individual fund statements, budgetary schedules and other schedules 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 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2021 on our consideration of the Town of Red Springs's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Red Springs's internal control over financial reporting and compliance.

 S. Porter Dugan, CPA

Lumberton, North Carolina
September 17, 2021

Management's Discussion and Analysis

Town of Red Springs, North Carolina
Management's Discussion and Analysis
June 30, 2021

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

Financial Highlights

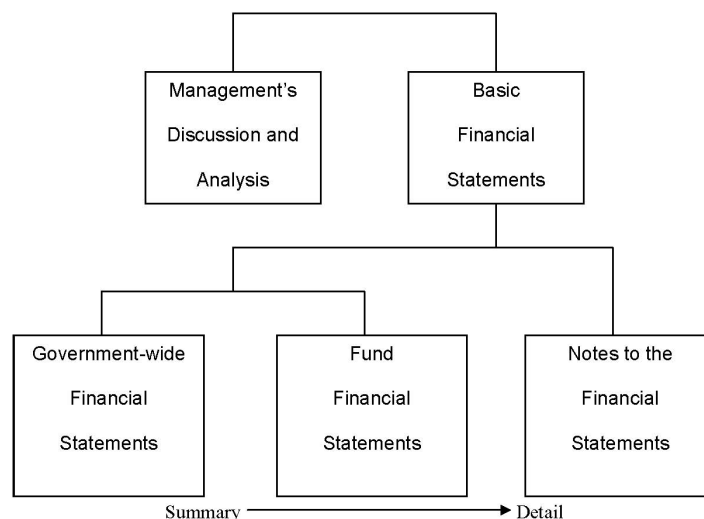
- The assets and deferred outflows of resources of the Town of Red Springs exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$15,599,115 (*net position*).
- The government's total net position increased by \$2,510,284 primarily due to an increase in net position in the Water and Sewer Fund in the amount of \$2,644,096.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,162,053. Approximately 83.70% of this total amount, or \$1,809,731 is available for spending at the government's discretion.
- For the year ended June 30, 2021, the Town's General Fund increased fund balance by \$284,113.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,809,731 or 37.22% of total General Fund expenditures.
- For the year ended June 30, 2021, the Town's Water Treatment Plant Project received grant funds from the USDA totaling \$3,226,292 and received loan proceeds totaling \$2,966,000. These cash inflows were used to pay for project expenditures of \$5,757,103 during the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Town of Red Springs, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Basic Financial Statements

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

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements.

There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

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

Government-Wide Financial Statements.

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

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

The government-wide statements are divided into three categories: 1) governmental activities and 2) business-type activities 3) component units. The governmental activities include most of the Town's basic services such as general government, public safety, and cultural and recreation. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water, sewer, and electric services offered by the Town of Red Springs. Although legally separate from the Town, the ABC Board is important to the Town because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Red Springs, 217 South Main Street, Red Springs, NC 28384.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements.

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

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies that are unexpended 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 determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Town of Red Springs, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Governmental Funds (continued). The Town of Red Springs adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document.

The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds. The Town of Red Springs maintains one type of proprietary fund called an Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise funds to account for its water, sewer, and electric activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and Statement of Activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and Electric Fund, which are considered major funds of the Town.

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 can be found on pages 24-65 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Red Springs' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on beginning on page 66 of this report.

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

Town of Red Springs, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-Wide Financial Analysis

The Town of Red Springs' Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 2,593,063	\$ 2,322,014	\$ 2,564,028	\$ 2,679,832	\$ 5,157,091	\$ 5,001,846
Other noncurrent assets	699,563	-	-	-	699,563	-
Capital assets	3,932,166	3,554,117	16,267,168	10,747,722	20,199,334	14,301,839
Deferred outflows of resources	1,039,482	726,599	387,509	302,223	1,426,991	1,028,822
Total assets and deferred outflows of resources	8,264,274	6,602,730	19,218,705	13,729,777	27,482,979	20,332,507
Long-term liabilities outstanding	4,388,714	3,462,480	5,808,013	2,900,128	10,196,727	6,362,608
Other liabilities	322,799	144,354	431,645	319,342	754,444	463,696
Deferred inflows of resources	919,930	162,039	12,763	32,309	932,693	194,348
Total liabilities and deferred inflows of resources	5,631,443	3,768,873	6,252,421	3,251,779	11,883,864	7,020,652
Net position						
Net investment in capital assets	2,571,335	2,627,196	11,574,165	8,790,700	14,145,500	11,417,896
Restricted	352,322	876,916	83,593	-	435,915	876,916
Unrestricted	(290,826)	(670,255)	1,308,526	1,687,298	1,017,700	1,017,043
Total net position	\$ 2,632,831	\$ 2,833,857	\$ 12,966,284	\$ 10,477,998	\$ 15,599,115	\$ 13,311,855

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred inflows of the Town exceeded liabilities and deferred outflows by \$15,599,115 as of June 30, 2021. The Town's net position increased by \$2,510,284 for the fiscal year ended June 30, 2021.

The largest portion (90.68%), reflects the Town's net investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of Red Springs' net position, \$435,915, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance is \$1,017,700 and is unrestricted.

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

- Property tax collections for the year ended June 30, 2021 were 94.78%, which is an increase from prior year's collection percentage of 93.92%, and is significantly lower than the statewide average of 99%.

Town of Red Springs, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-Wide Financial Analysis (continued)

The Town of Red Springs' Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 407,634	\$ 411,569	\$ 5,437,514	\$ 5,496,955	\$ 5,845,148	\$ 5,908,524
Operating grants and contributions	515,906	189,170	-	-	515,906	189,170
Capital grants and contributions	-	-	3,485,528	612,402	3,485,528	612,402
General revenues:						
Property taxes	1,191,869	1,197,910	-	-	1,191,869	1,197,910
Other taxes	110,195	168,313	-	-	110,195	168,313
Unrestricted intergovernmental	1,231,673	1,152,509	-	-	1,231,673	1,152,509
Other	249,143	1,261,106	3,205	14,600	252,348	1,275,706
Total revenues	3,706,420	4,380,577	8,926,247	6,123,957	12,632,667	10,504,534
Expenses:						
General government	987,646	869,013	-	-	987,646	869,013
Public safety	1,814,690	1,734,391	-	-	1,814,690	1,734,391
Transportation	816,065	977,833	-	-	816,065	977,833
Cultural and recreation	137,766	218,431	-	-	137,766	218,431
Interest on long-term debt	17,476	54,806	-	-	17,476	54,806
Nondepartmental	112,242	-	-	-	112,242	-
Water and sewer	-	-	1,815,130	1,784,542	1,815,130	1,784,542
Sanitation	316,371	311,113	-	-	316,371	311,113
Electric	-	-	4,104,997	4,012,042	4,104,997	4,012,042
Total expenses	4,202,256	4,165,587	5,920,127	5,796,584	10,122,383	9,962,171
Increase (decrease) in net position before transfers	(495,836)	214,990	3,006,120	327,373	2,510,284	542,363
Transfers	517,834	(33,698)	(517,834)	33,698	-	-
Increase (decrease) in net position	21,998	181,292	2,488,286	361,071	2,510,284	542,363
Net position, beginning, restated	2,610,833	2,652,565	10,477,998	10,116,927	13,088,831	12,769,492
Net position - ending	\$ 2,632,831	\$ 2,833,857	\$ 12,966,284	\$ 10,477,998	\$ 15,599,115	\$ 13,311,855

Town of Red Springs, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-Wide Financial Analysis (continued)

Capital and operating grants for governmental activities furnished resources to support the functions of the Town: general government, public safety, transportation, cultural and recreation, and sanitation.

Business-type activities. Business-type activities increased the Town's net position by \$2,956,000 compared to an increase in the prior year of \$361,071. Key elements of the change in net position compared to prior year are as follows:

- Increase in capital grants and contributions revenues totaling \$2,873,126.
- Decrease in charges for services revenues totaling \$59,441.
- Increase in expenses totaling \$123,543.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Red Springs. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1,809,731 or 37.22% of total General Fund expenditures. The remainder of fund balance is reserved to indicate that funds are not available for spending because these funds have already been committed 1) to liquidate contracts and purchase orders of the prior year, or 2) for a variety of other restricted purposes.

General Fund Budgetary Highlights

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories:

- Amendments that adjust for the estimates that are prepared for the original budget ordinance, once exact information is available.
- Amendments that recognize new funding from external sources, such as federal and State grants.
- Amendments that appropriate increases that becomes necessary to maintain services.

Proprietary Funds. The Town of Red Springs' proprietary funds provide the same type of information found in the governmental-wide financial statements, but in more detail.

- Electric Fund decreased net position by \$155,810.
- Water and Sewer Fund increased net position by \$2,644,096.

Town of Red Springs, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Capital Assets and Debt Administration

The Town of Red Springs' investments in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$20,199,334 (net of accumulated depreciation). These assets include land, buildings, infrastructure, machinery and equipment, park facilities, and vehicles.

Major asset transactions during the year include the following:

- Construction in progress for the Water Treatment Plant Project of \$5,757,103.
- \$689,280 in vehicle purchases in fiscal year 2021. This included two new Ford Interceptor police vehicles at the beginning of the year. One was subsequently totaled in May, 2021 through a resident incident. The loan on the vehicle was paid off by the Town's insurance. In mid-year, the Town purchased four used police vehicles for \$40,000 cash from the NC State Surplus. At the end of the year, the Town purchased three new Dodge Durango's that were equipped for police use. One of those was mostly paid for with insurance proceeds for the same resident incident (Town expense was \$12,000). The other two were purchased with anticipated funds from the Asset Forfeiture Program. These are Justice Department funds that are due to the Town for the Police Department's assistance in a raid. A Street Sweeper and Grapple Truck were also purchased in fiscal year 2021.

The Town of Red Springs' Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 704,400	\$ 704,400	\$ 120,034	\$ 120,034	\$ 824,434	\$ 824,434
Buildings	1,697,039	1,715,754	-	-	1,697,039	1,715,754
Substations, lines, and related equipment	-	-	6,594,565	6,976,793	6,594,565	6,976,793
Equipment	407,528	458,529	1,205,011	1,349,673	1,612,539	1,808,202
Vehicles and motorized equipment	973,931	526,166	53,472	44,975	1,027,403	571,141
Construction and progress	149,268	149,268	8,294,086	2,256,247	8,443,354	2,405,515
Total capital assets, net	<u>\$ 3,932,166</u>	<u>\$ 3,554,117</u>	<u>\$ 16,267,168</u>	<u>\$ 10,747,722</u>	<u>\$ 20,199,334</u>	<u>\$ 14,301,839</u>

Additional information on the Town's capital assets can be found in the notes on page 36 of this report.

Town of Red Springs, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Capital Assets and Debt Administration (continued)

Long-term debt. The Town's total debt increased by \$3,835,630, primarily due to a \$2,956,000 increase in revenue bonds received for the Water Treatment Plant Project. Other notable increases include an increase in net OPEB liability of \$515,819.

Town of Red Springs's Outstanding Liabilities
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Direct placement						
installment purchase	\$ 1,067,429	\$ 742,515	\$ 596,188	\$ 655,868	\$ 1,663,617	\$ 1,398,383
Capital leases	293,402	184,406	199,110	333,057	492,512	517,463
Revolving loans	-	-	316,705	343,097	316,705	343,097
Revenue bonds	-	-	3,581,000	625,000	3,581,000	625,000
Net pension obligation (LGERS)	619,288	550,207	317,306	271,253	936,594	821,460
Total pension obligation (LEO)	267,156	253,776	-	-	267,156	253,776
Net OPEB liability	2,023,730	1,634,364	657,242	530,789	2,680,972	2,165,153
Compensated absences	117,709	97,212	35,808	34,899	153,517	132,111
Total outstanding debt	\$ 4,388,714	\$ 3,462,480	\$ 5,703,359	\$ 2,793,963	\$ 10,092,073	\$ 6,256,443

North Carolina's General Statutes limit the amount of general obligation debt that a governmental unit can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Red Springs is presently at \$14,886,650 (the amount of additional debt the town could obligate itself to under NC General Statute).

Additional information pertaining to the Town of Red Springs's long-term debt can be found in the notes on page 55 of this report.

Town of Red Springs, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Economic Factors and Next Year's Budgets and Rates

The following economic indicators reflect the growth of the Town:

Unemployment is up slightly within the Town due to the COVID-19 event. Because of the large number of retirement or government supported residents it has not been near the state or national levels. With the opening of the new Serioplast Company, a plastics manufacturing operation, we will have additional strong paying jobs over the next year.

Budget Highlights for the Fiscal Year Ended June 30, 2022

Governmental Activities: Property tax rates will likely be unchanged at 64 cents per \$100 of valuation. The Town is moving forward with an outside collection agency to improve property tax revenue. Local sales tax has remained relatively strong considering the COVID-19 pandemic. Any additional sales tax or property tax funds will be used to maintain a strong Town budget. The Town has ended the 2020/2021 fiscal year with an approximate 15% cash flow increase over 2019/2020 fiscal year. These efforts have been due to receipt of payments from FEMA and other grants. As a result, the Town was able to pay off the vac truck, radios and Chavis/Locklear Park loans. We have moved forward on the water, AIA sewer, AIA water and CDBG sewer grants within the Town.

Business-Type Activities: Fiscal Year 2019/2020 experienced a decrease in utility revenue due to Governor Cooper's executive order that allowed people to not pay their utility bills for 3 months in that fiscal year and two months in fiscal year 2020/2021. The Town experienced decreased revenue during those two months in fiscal year 2020/2021 but utility bill payments picked up as COVID repayment agreements were collected. With the addition of Serioplast utility usage, the Town's utility companies are forecast to operate in a positive financial position for the upcoming fiscal year.

The Town has also moved forward with multiple grant projects. The Town was granted a \$9.6 million Water Treatment and Distribution project with the USDA. The new plant is scheduled to be up and running by October 2021. The Town received almost a \$2 million CDBG grant for the rehabilitation of sewer lines within the Town. The physical construction on this grant will begin in August 2021. The Town previously received an Asset and Inventory Sewer Assessment grant of \$150,000 from the State of North Carolina Department of Environmental Quality. The sewer grant has been completed and the Town has been approved for a \$150,000 Asset and Inventory Water Assessment grant. This grant is currently in progress. In addition, the Town received a \$500,000 grant from the NC Office of Recovery and Resilience which was used to pay off a Jet Vac truck, engineering work on a storm water and flooding project and money to offset labor costs on projects. The NCORR has also granted the Town a no interest, no fee loan on funds for advancement of pending FEMA payments for disaster reimbursement in the amount of \$1,024 million. The Town took an advance on this loan in the amount of \$546,000 and the funds were distributed to the appropriate departments that suffered hurricane damage. The Town has already received some of the FEMA funding and have applied those funds as payment to this loan.

The Town has transferred \$375,000 from the USDA grant to pay back the Town for consulting and engineering expense that was incurred prior to the beginning of the project funds being distributed. This contributed to ending fiscal year 2020/2021 with an even stronger cash flow, reserve and fund balance.

The Town has moved forward with applying for up to \$40 million in additional grant proceeds. These grant requests are tied to continued upgrades to our utility infrastructure and a downtown streetscape project.

Requests for Information

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

Basic Financial Statements

Town of Red Springs, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government			Red Springs ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,132,587	\$ 732,365	\$ 2,864,952	\$ 159,381
Taxes receivables (net)	36,980	-	36,980	-
Accounts receivable (net)	57,284	724,814	782,098	-
Due from other governments	282,283	41,405	323,688	-
Inventories	-	658,891	658,891	136,740
Leases receivable - current	71,174	-	71,174	-
Restricted cash and cash equivalents	12,755	406,553	419,308	-
Total current assets	2,593,063	2,564,028	5,157,091	296,121
Non-current assets:				
Leases receivable - noncurrent	699,563	-	699,563	-
Capital assets:				
Land, non-depreciable improvements and construction in progress	853,668	8,414,120	9,267,788	-
Other capital assets, net of depreciation	3,078,498	7,853,048	10,931,546	48,534
Total capital assets	3,932,166	16,267,168	20,199,334	48,534
Total assets	7,224,792	18,831,196	26,055,988	344,655
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	1,039,482	387,509	1,426,991	18,188
Total deferred outflows of resources	1,039,482	387,509	1,426,991	18,188
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	322,799	421,960	744,759	43,864
Current portion of long-term liabilities	186,474	158,034	344,508	-
Total current liabilities	509,273	579,994	1,089,267	43,864
Long-term liabilities:				
Due in more than one year	1,292,066	4,570,777	5,862,843	-
Customer deposits	-	114,339	114,339	-
Net pension liability (LGERS)	619,288	317,306	936,594	31,803
Total pension liability (LEO)	267,156	-	267,156	-
Total OPEB liability	2,023,730	657,242	2,680,972	-
Total liabilities	4,711,513	6,239,658	10,951,171	75,667
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	149,135	12,763	161,898	-
Leases	770,795	-	770,795	-
Total deferred inflows of resources	919,930	12,763	932,693	-
NET POSITION				
Net investment in capital assets	2,571,335	11,574,165	14,145,500	48,534
Restricted for:				
Stabilization by State Statute	339,567	-	339,567	-
Streets	12,755	-	12,755	-
Working capital	-	-	-	41,917
Pursuant to loan requirements	-	83,593	83,593	-
Unrestricted (deficit)	(290,826)	1,308,526	1,017,700	196,725
Total net position	\$ 2,632,831	\$ 12,966,284	\$ 15,599,115	\$ 287,176

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

Town of Red Springs, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
			Operating	Capital	Primary Government			
Functions/Programs	Expenses	Charges for	Grants and	Grants and	Governmental	Business-type	Total	Red Springs
		Services	Contributions	Contributions	Activities	Activities		ABC Board
Primary government:								
Governmental Activities:								
General government	\$ 987,646	\$ 40,745	\$ 323,120	\$ -	\$ (623,781)	\$ -	\$ (623,781)	\$ -
Public safety	1,814,690	25,865	101,600	-	(1,687,225)	-	(1,687,225)	-
Transportation	816,065	-	91,186	-	(724,879)	-	(724,879)	-
Cultural and recreation	137,766	1,100	-	-	(136,666)	-	(136,666)	-
Sanitation	316,371	339,924	-	-	23,553	-	23,553	-
Nondepartmental	112,242	-	-	-	(112,242)	-	(112,242)	-
Interest on long-term debt	17,476	-	-	-	(17,476)	-	(17,476)	-
Total governmental activities	4,202,256	407,634	515,906	-	(3,278,716)	-	(3,278,716)	-
Business-type activities:								
Water and sewer	1,815,130	1,320,383	-	3,485,528	-	2,990,781	2,990,781	-
Electric	4,104,997	4,117,131	-	-	-	12,134	12,134	-
Total business-type activities	5,920,127	5,437,514	-	3,485,528	-	3,002,915	3,002,915	-
Total primary government	\$ 10,122,383	\$ 5,845,148	\$ 515,906	\$ 3,485,528	(3,278,716)	3,002,915	(275,801)	-
Component unit:								
ABC Board	\$ 1,068,090	\$ 1,103,545	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,455
Total component units	\$ 1,068,090	\$ 1,103,545	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,455
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,191,869	-	1,191,869	-
Unrestricted intergovernmental					1,231,673	-	1,231,673	-
Other taxes and licenses					110,195	-	110,195	-
Investment earnings, unrestricted					26,091	302	26,393	-
Miscellaneous, unrestricted					223,052	2,903	225,955	-
Total general revenues not including transfers					2,782,880	3,205	2,786,085	-
Transfers					517,834	(517,834)	-	-
Total general revenues and transfers					3,300,714	(514,629)	2,786,085	-
Change in net position					21,998	2,488,286	2,510,284	35,455
Net position, beginning previously reported					2,833,857	10,477,998	13,311,855	251,721
Restatement (Note 7)					(223,024)	-	(223,024)	-
Net position, beginning, restated					2,610,833	10,477,998	13,088,831	251,721
Net position, ending					\$ 2,632,831	\$ 12,966,284	\$ 15,599,115	\$ 287,176

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

Town of Red Springs, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,132,587	\$ -	\$ 2,132,587
Restricted cash and cash equivalents	12,755	-	12,755
Receivables, net:			
Taxes	36,980	-	36,980
Accounts	57,284	-	57,284
Leases receivable	770,737	-	770,737
Due from other governments	282,283	-	282,283
Total assets	<u><u>\$ 3,292,626</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,292,626</u></u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 322,798	\$ -	\$ 322,798
Total liabilities	<u><u>322,798</u></u>	<u><u>-</u></u>	<u><u>322,798</u></u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes receivable	36,980	-	36,980
Leases	770,795	-	770,795
Total deferred inflows of resources	<u><u>807,775</u></u>	<u><u>-</u></u>	<u><u>807,775</u></u>
<u>FUND BALANCES</u>			
Restricted:			
Stabilization by State Statute	339,567	-	339,567
Streets	12,755	-	12,755
Unassigned	1,809,731	-	1,809,731
Total fund balances	<u><u>2,162,053</u></u>	<u><u>-</u></u>	<u><u>2,162,053</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 3,292,626</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,292,626</u></u>

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

Town of Red Springs, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2021

Total fund balances, governmental funds	\$ 2,162,053
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	
Gross capital assets at historical cost	8,012,997
Accumulated depreciation	<u>(4,080,831)</u>
	3,932,166
Deferred outflows of resources related to pensions and are not reported in the funds	1,039,482
Earned revenues considered deferred inflows of resources in fund statements	36,980
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:	
Gross long-term debt	(1,478,540)
Net pension liability	(619,288)
Total pension liability	(267,156)
Total OPEB liability	(2,023,730)
Pension related deferrals	<u>(149,135)</u>
Net position of governmental activities	<u>\$ 2,632,831</u>

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

Town of Red Springs, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	Major Fund General Fund	Total Non-Major Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 1,231,586	\$ -	\$ 1,231,586
Other taxes and licenses	110,195	-	110,195
Unrestricted intergovernmental	1,231,673	-	1,231,673
Restricted intergovernmental	392,369	123,537	515,906
Permits and fees	26,290	-	26,290
Sales and services	407,634	-	407,634
Investment earnings	26,091	-	26,091
Miscellaneous	191,953	-	191,953
Total revenues	3,617,791	123,537	3,741,328
Expenditures:			
Current:			
General government	922,334	-	922,334
Public safety	2,182,623	-	2,182,623
Transportation	672,698	-	672,698
Cultural and recreational	120,147	-	120,147
Sanitation	386,249	-	386,249
Nondepartmental	112,242	-	112,242
Debt service:			
Principal	448,322	123,537	571,859
Interest and other charges	17,476	-	17,476
Total expenditures	4,862,091	123,537	4,985,628
Excess (deficiency) of revenues over expenditures	(1,244,300)	-	(1,244,300)
Other financing sources (uses):			
Transfers from (to) other funds	1,064,628	(546,794)	517,834
Installment purchase proceeds	463,785	546,794	1,010,579
Total other financing sources (uses)	1,528,413	-	1,528,413
Net change in fund balances	284,113	-	284,113
Fund balance, beginning as previously reported	2,100,964	-	2,100,964
Prior period adjustment (Note 7)	(223,024)	-	(223,024)
Fund balance, beginning as restated	1,877,940	-	1,877,940
Fund balance, ending	\$ 2,162,053	\$ -	\$ 2,162,053

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

Town of Red Springs, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
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	\$	284,113
--	----	---------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 687,345	
Loss on disposal of assets	(3,375)	
Depreciation expense for governmental assets	<u>(305,921)</u>	378,049

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	230,353
--	---------

OPEB payments paid and administrative expense are not included on the Statement of Activities	70,303
---	--------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	(39,718)
--	----------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(1,011,126)	
Principal payments on long-term debt	<u>577,216</u>	(433,910)

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	(20,497)	
Pension revenue (expense)	<u>(446,695)</u>	(467,192)

Total changes in net position of governmental activities	\$	<u>21,998</u>
---	-----------	----------------------

Town of Red Springs, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,201,700	\$ 1,234,200	\$ 1,231,586	\$ (2,614)
Other taxes and licenses	154,649	154,649	110,195	(44,454)
Unrestricted intergovernmental	1,070,345	1,070,345	1,231,673	161,328
Restricted intergovernmental	675,827	675,827	392,369	(283,458)
Permits and fees	33,000	33,000	26,290	(6,710)
Sales and services	525,798	525,798	407,634	(118,164)
Investment earnings	4,365	4,365	26,091	21,726
Miscellaneous	172,161	205,927	191,953	(13,974)
Total revenues	<u>3,837,845</u>	<u>3,904,111</u>	<u>3,617,791</u>	<u>(286,320)</u>
Expenditures:				
Current:				
General government	1,064,584	1,053,024	922,334	130,690
Public safety	1,189,685	2,219,143	2,182,623	36,520
Transportation	527,596	725,917	672,698	53,219
Cultural and recreational	183,813	183,813	120,147	63,666
Sanitation	304,127	405,834	386,249	19,585
Nondepartmental	112,242	112,242	112,242	-
Debt service:				
Principal retirement	448,322	448,322	448,322	-
Interest and other charges	17,476	17,476	17,476	-
Total expenditures	<u>3,847,845</u>	<u>5,165,771</u>	<u>4,862,091</u>	<u>303,680</u>
Revenues over (under) expenditures	<u>(10,000)</u>	<u>(1,261,660)</u>	<u>(1,244,300)</u>	<u>17,360</u>
Other financing sources (uses):				
Transfers (to) from	-	797,875	1,064,628	266,753
Installment purchase proceeds	10,000	463,785	463,785	-
Total other financing sources (uses)	<u>10,000</u>	<u>1,261,660</u>	<u>1,528,413</u>	<u>266,753</u>
Fund balance appropriated	-	-	-	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	284,113	<u>\$ 284,113</u>
Fund balance, beginning as previously reported			2,100,964	
Prior period adjustment (Note 7)			(223,024)	
Fund balance, beginning as restated			<u>1,877,940</u>	
Fund balance, ending			<u>\$ 2,162,053</u>	

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

Town of Red Springs, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2021

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 381,366	\$ 350,999	\$ 732,365
Restricted cash and cash equivalents	319,865	86,688	406,553
Accounts receivable (net)	539,834	184,980	724,814
Due from other governments	14,711	26,694	41,405
Due from other funds	176,644	-	176,644
Inventories	494,449	164,442	658,891
Total current assets	1,926,869	813,803	2,740,672
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	-	8,414,120	8,414,120
Other capital assets, net of depreciation	831,616	7,021,432	7,853,048
Capital assets (net)	831,616	15,435,552	16,267,168
Total assets	2,758,485	16,249,355	19,007,840
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	121,858	150,626	272,484
OPEB deferrals	57,020	58,005	115,025
Total deferred outflows of resources	178,878	208,631	387,509
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	334,939	87,021	421,960
Due to other funds	-	176,644	176,644
Compensated absences - current	5,000	5,000	10,000
Current portion of long-term debt	54,564	93,470	148,034
Total current liabilities	394,503	362,135	756,638
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Customer deposits	111,244	3,095	114,339
Compensated absences	8,470	17,338	25,808
Net pension liability	144,992	172,314	317,306
Total OPEB liability	285,712	371,530	657,242
Noncurrent portion of long term debt	442,628	4,102,341	4,544,969
Total noncurrent liabilities	993,046	4,666,618	5,659,664
Total liabilities	1,387,549	5,028,753	6,416,302
DEFERRED INFLOWS OF RESOURCES			
OPEB deferrals	5,548	7,215	12,763
Total deferred inflows of resources	5,548	7,215	12,763
NET POSITION			
Net investment in capital assets	334,424	11,239,741	11,574,165
Pursuant to loan requirements	83,593	-	83,593
Unrestricted	1,126,249	182,277	1,308,526
Total net position	\$ 1,544,266	\$ 11,422,018	\$ 12,966,284

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

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

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Operating revenues:			
Charges for services	\$ 4,106,983	\$ 1,282,629	\$ 5,389,612
Water and sewer taps	-	13,950	13,950
Other operating revenues	10,148	23,804	33,952
Total operating revenues	4,117,131	1,320,383	5,437,514
Operating expenses:			
Electric operations	1,191,231	-	1,191,231
Electric power purchases	2,777,827	-	2,777,827
Water treatment and distribution	-	560,371	560,371
Waste collection and treatment	-	699,091	699,091
Depreciation	101,054	480,777	581,831
Total operating expenses	4,070,112	1,740,239	5,810,351
Operating income (loss)	47,019	(419,856)	(372,837)
Nonoperating revenues (expenses):			
Investment earnings	14	288	302
Interest and other charges	(40,242)	(74,891)	(115,133)
Total nonoperating revenue (expenses)	(40,228)	(74,603)	(114,831)
Income (loss) before contributions and transfers	6,791	(494,459)	(487,668)
Capital contributions	-	3,485,528	3,485,528
Transfers (to) from other funds	(162,601)	(355,233)	(517,834)
Insurance proceeds	-	8,260	8,260
Total contributions and transfers	(162,601)	3,138,555	2,975,954
Change in net position	(155,810)	2,644,096	2,488,286
Net position, beginning	1,700,076	8,777,922	10,477,998
Total net position, ending	\$ 1,544,266	\$ 11,422,018	\$ 12,966,284

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

Town of Red Springs, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 4,253,293	\$ 1,435,343	\$ 5,688,636
Cash paid for goods and services	(3,362,314)	(533,979)	(3,896,293)
Cash paid to employees for services	(616,669)	(738,390)	(1,355,059)
Net cash provided (used) by operating activities	274,310	162,974	437,284
Cash flows from non-capital financing activities:			
Transfers in (out)	(162,601)	(355,233)	(517,834)
Increase in due to other funds	257,840	(78,832)	179,008
Net cash provided (used) by non-capital financing activities	95,239	(434,065)	(338,826)
Cash flows from capital and related financing activities:			
Capital contributions and grants	-	4,007,802	4,007,802
Insurance proceeds	-	8,260	8,260
Loan proceeds	-	2,966,000	2,966,000
Acquisition and construction of capital assets	-	(6,100,278)	(6,100,278)
Principal paid on bond and note agreements	(68,760)	(161,259)	(230,019)
Interest paid on bond note agreements	(40,242)	(74,891)	(115,133)
Net cash provided (used) by capital and related financing activities	(109,002)	645,634	536,632
Cash flows from investing activities:			
Interest on investments	14	288	302
Net cash provided (used) by investing activities	14	288	302
Net increase (decrease) in cash and cash equivalents	260,561	374,831	635,392
Cash and cash equivalents - beginning of year	440,670	62,856	503,526
Cash and cash equivalents - end of year	\$ 701,231	\$ 437,687	\$ 1,138,918

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

Town of Red Springs, North Carolina
Statement of Cash Flows
Proprietary Fund (continued)
For the Year Ended June 30, 2021

	Major Enterprise Funds		Total
	Water and Sewer Fund	Electric Fund	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 47,019	\$ (419,856)	\$ (372,837)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	101,054	480,777	581,831
Change in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	38,288	2,242	40,530
Change in assets, deferred outflows of resources	(26,821)	(13,717)	(40,538)
Increase (decrease) in pension liability	95,660	76,846	172,506
(Decrease) in deferred inflows of resources - pensions	(8,497)	(11,049)	(19,546)
Increase (decrease) in payables and accrued liabilities	25,177	49,252	74,429
Increase (decrease) in compensated absences	2,430	(1,521)	909
Total adjustments	227,291	582,830	810,121
Net cash provided (used) by operating activities	\$ 274,310	\$ 162,974	\$ 437,284

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

Notes to the Financial Statements

Town of Red Springs, North Carolina
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Red Springs, North Carolina conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A - Reporting Entity

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

Town of Red Springs ABC Board

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

B - Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – government and proprietary – are presented. The Town has no fiduciary funds to report. The emphasis of the fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from the 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.

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B - Basis of Presentation - Fund Accounting (continued)

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental funds:

NCORR Loan for Temporary Assistance Grant Fund - This fund is used to account for FEMA grant funds that are restricted for use for a particular purpose.

The Town reports the following major enterprise funds:

Electric Fund - This fund is used to account for the Town's electric fund operations. Two funds have been consolidated into the Electric Fund for financial reporting purposes which includes the Electric Capital Reserve Fund.

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations. Two funds have been consolidated into the Water and Sewer Fund for financial reporting purposes which include: Water and Sewer Capital Project Fund and the Water Treatment Plant Project. The budgetary comparison for these funds has been included in the supplemental information.

C - Measurement Focus and Basis of Accounting

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

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

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

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

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad Valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts.

Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Red Springs because the tax is levied by the County and then remitted to and distributed by the State. Most intergovernmental revenue 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 Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D - Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Project Special Revenue Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

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

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

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Restricted Assets (continued)

Town of Red Springs' Restricted Cash

Governmental Activities:

General Fund

Streets	\$ 12,755
---------	-----------

Total governmental activities	12,755
-------------------------------	--------

Business-type activities:

Electric Fund

Customer deposits	111,244
-------------------	---------

Capital reserves	208,621
------------------	---------

Water/Sewer Fund

Customer deposits	3,095
-------------------	-------

Unspent bond proceeds	83,593
-----------------------	--------

Total business-type activities	406,553
--------------------------------	---------

Total restricted cash	\$ 419,308
-----------------------	------------

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenue is reported net of such discounts.

5. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventories

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased, with the exception of postage purchased. The inventories of the Town's enterprise funds and those of the Town of Red Spring ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when held for resale rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmentwide and fund financial statements and expensed as the items are used.

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Capital Assets

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

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

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

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

	<u>Estimated Useful Lives</u>
Buildings	15-25
Parking lot improvements	20
Equipment	5-10

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meets this criterion; pension deferrals and OPEB deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid license, property taxes receivable, other receivables, deferrals of pension expense that result from the implementation of GASB Statements 68, capital leases related deferrals, and deferrals of OPEB expense that result from the implementation of GASB 75.

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Long-Term Obligations

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

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

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. The ABC Board allows a maximum of ten days earned vacation leave per year. The leave is considered earned at the beginning of the year, but does not accumulate from year to year. For the Town's government-wide, proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded within the funds as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. The ABC Board provides for an accumulation of up to thirty days per employee. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Net Position / Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted Fund Balance – This classification includes 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 non-spendable. 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.

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Net Position / Fund Balances (continued)

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

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

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

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

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

12. Defined Benefit Cost-Sharing Plans

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

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

The Town was not in compliance with Revenue Bonds debt service coverage ratio requirements for the year ended June 30, 2021. The Bond Order requires the debt service ratio to be no less than 110%. The Town's debt service ratio was 36.58% for the year ended June 30, 2021. The Town will closely monitor this ratio going forward.

B - Deficit in Fund Balance of Individual Funds not appropriated in subsequent year's budget ordinance

None

C - Excess of Expenditures over Appropriations

None

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A - Assets

1. Deposits

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

At June 30, 2021, the Town's deposits had a carrying amount of \$940,449 and a bank balance of \$1,098,666. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$159,381 and the bank balance was \$193,415. All of the bank balance was covered by federal depository insurance. At June 30, 2021, the Town's petty cash fund totaled \$50.

2. Investments

At June 30, 2021, the Town of Red Springs had \$2,343,761 invested with the North Carolina Capital Management Trust's Government Portfolio which earned a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk. The ABC Board has no such investments.

3. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are for the year ended June 30, 2021 are net of the following allowance for doubtful accounts:

General Fund:	
Taxes receivable	\$ 283,003
Total General Fund	<u>283,003</u>
Enterprise Funds:	
Water	148,353
Electric	211,165
Total Enterprise Fund	<u>359,518</u>
Total allowance for doubtful accounts	<u>\$ 642,521</u>

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Lease Receivable

The Town entered into a \$828,317 lease with Eco Building Corporation on October 1, 2020 for the lease of the Town's Sanfatex building. Under the terms of the lease, payments of principal and interest totaling \$8,333 are to be paid to the Town in monthly installments, including interest at 3.85% through September 30, 2030. The property is pledged as collateral while the lease is outstanding. At June 30, 2021, the lease receivable balance was \$770,737 and the lease-related deferred inflow was \$770,795. Of the \$770,737 in lease receivable at June 30, 2021, \$71,174 is considered the current (due within one year) with the remaining \$699,563 scheduled to be paid after one year. For the year ended June 30, 2021, lease revenue was \$57,522 and lease interest income was \$25,754.

Annual lease payments during the lease agreement, including interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 71,174	\$ 28,426
2023	73,963	25,637
2024	76,861	22,739
2025	83,003	19,727
2026	86,256	16,597
2027-2031	379,480	32,663
Total	<u>\$ 770,737</u>	<u>\$ 145,789</u>

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

5. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 704,400	\$ -	\$ -	\$ 704,400
Construction in progress	149,268	-	-	149,268
Total capital assets not being depreciated	853,668	-	-	853,668
Capital assets being depreciated:				
Buildings	2,619,173	38,419	-	2,657,592
Equipment	980,672	10,085	-	990,757
Vehicles and motorized equipment	2,907,976	638,841	35,837	3,510,980
Total capital assets being depreciated	6,507,821	687,345	35,837	7,159,329
Less accumulated depreciation for:				
Buildings	903,419	57,134	-	960,553
Equipment	522,143	61,086	-	583,229
Vehicles and motorized equipment	2,381,810	187,701	32,462	2,537,049
Total accumulated depreciation	3,807,372	305,921	32,462	4,080,831
Total capital assets being depreciated, net	2,700,449			3,078,498
Governmental activities capital assets, net	\$ 3,554,117			\$ 3,932,166

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

General government	\$ 68,987
Public safety	111,744
Transportation	122,575
Cultural and recreational	2,615
Total depreciation expense	<u>\$ 305,921</u>

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

5. Capital Assets (continued)

Business-type activities:

Electric Fund:

Capital assets not being depreciated:

Construction in progress

Total capital assets not being depreciated

Capital assets being depreciated:

Substations, lines, and related equipment

Furniture and maintenance equipment

Vehicles

Total capital assets being depreciated

Less accumulated depreciation for:

Substations, lines, and related equipment

Furniture and maintenance equipment

Vehicles

Total accumulated depreciation

Total capital assets being depreciated, net

Electric fund capital assets, net

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Substations, lines, and related equipment	2,558,539	-	-	2,558,539
Furniture and maintenance equipment	958,571	-	-	958,571
Vehicles	386,976	-	-	386,976
Total capital assets being depreciated	3,904,086	-	-	3,904,086
Less accumulated depreciation for:				
Substations, lines, and related equipment	2,376,046	928	-	2,376,974
Furniture and maintenance equipment	241,748	88,205	-	329,953
Vehicles	353,622	11,921	-	365,543
Total accumulated depreciation	2,971,416	101,054	-	3,072,470
Total capital assets being depreciated, net	932,670			831,616
Electric fund capital assets, net	<u>\$ 932,670</u>			<u>\$ 831,616</u>

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

5. Capital Assets (continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 120,034	\$ -	\$ -	\$ 120,034
Construction in progress	2,256,247	6,037,839	-	8,294,086
Total capital assets not being depreciated	2,376,281	6,037,839	-	8,414,120
Capital assets being depreciated:				
Plant and distribution systems	16,316,591	-	-	16,316,591
Furniture and maintenance equipment	894,523	12,000	-	906,523
Vehicles	185,350	50,439	-	235,789
Total capital assets being depreciated	17,396,464	62,439	-	17,458,903
Less accumulated depreciation for:				
Plant and distribution systems	9,521,292	382,299	-	9,903,591
Furniture and maintenance equipment	261,673	68,457	-	330,130
Vehicles	173,729	30,021	-	203,750
Total accumulated depreciation	9,956,694	480,777	-	10,437,471
Total capital assets being depreciated, net	7,439,770			7,021,432
Water and Sewer fund capital assets, net	\$ 9,816,051			\$ 15,435,552

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

5. Capital Assets (continued)

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
ABC Board:				
Capital assets not being depreciated:				
Land	\$ 6,422	\$ -	\$ -	\$ 6,422
Total capital assets not being depreciated	6,422	-	-	6,422
Capital assets being depreciated:				
Buildings & improvements	135,344	-	-	135,344
Parking lot improvements	8,512	-	-	8,512
Equipment	125,067	-	-	125,067
Total capital assets being depreciated	268,923	-	-	268,923
Less accumulated depreciation for:				
Buildings & improvements	111,612	286	-	111,898
Parking lot improvements	7,098	1,414	-	8,512
Equipment	104,201	2,200	-	106,401
Total accumulated depreciation	222,911	3,900	-	226,811
Total capital assets being depreciated, net	46,012			42,112
ABC capital assets, net	\$ 52,434			\$ 48,534

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Red Springs employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Red Springs's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Red Springs were \$383,922 for the year ended June 30, 2021.

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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

At June 30, 2021, the Town reported a liability of \$936,594 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 Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan, 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 Town's proportion was 0.02621%, which was a decrease of 0.00387% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense (revenue) of \$552,018. At June 30, 2021, the Town 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	\$ 118,276	\$ -
Changes of assumptions	69,701	-
Net difference between projected and actual earnings on pension plan investments	131,801	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	166,936	32,580
Town contributions subsequent to the measurement date	383,922	-
Total	<u>\$ 870,636</u>	<u>\$ 32,580</u>

\$383,922 reported as deferred outflows of resources related to pensions resulting from Town 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	\$ 161,635
2023	166,854
2024	86,638
2025	39,006
2026	-
Thereafter	-

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental 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:

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

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 1,900,249	\$ 936,594	\$ 135,731

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

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

The Town of Red Springs administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more 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 Town law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	1
Active plan members	11
Total	<u>12</u>

2. Summary of Significant Accounting Policies

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

3. 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	2.50 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 as of December 31, 2019. Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

4. Contributions

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

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

At June 30, 2021, the Town reported a total pension liability of \$267,156. 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 Town recognized pension expense of \$16,280.

	Deferred Outflow of	Deferred Inflows of
Differences between expected and actual experience	\$ 34,587	\$ 86,528
Changes of assumptions	57,061	3,760
Total	\$ 91,648	\$ 90,288

\$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, 2021. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended June 30:

2022	\$ (4,869)
2023	(4,677)
2024	5,382
2025	5,507
2026	17
Thereafter	-

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

4. Contributions (continued)

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 281,656	\$ 267,156	\$ 253,517

	2021
Beginning balance	\$ 253,776
Service cost	13,081
Interest on the total pension liability	8,068
Differences between expected and actual experience in the measurement of the total pension liability	(58,043)
Changes of assumptions or other inputs	62,845
Benefit payments	(12,571)
Ending balance of the total pension liability	<u>\$ 267,156</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.

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 552,018	\$ 16,280	\$ 568,298
Pension Liability	936,594	267,156	1,203,750
Proportionate share of the net pension liability	0.02621%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	118,276	34,587	152,863
Changes of assumptions	69,701	57,061	126,762
Net difference between projected and actual earnings on plan investments	131,801	-	131,801
Changes in proportion and differences between contributions and proportionate share of contributions	166,936	-	166,936
Benefit payments and administrative costs paid subsequent to the measurement date	383,922	-	383,922
Deferred of Inflows of Resources			
Difference between expected and actual experience	-	86,528	86,528
Changes of assumptions	-	3,760	3,760
Changes in proportion and differences between contributions and proportionate share of contributions	32,580	-	32,580

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$27,516. No amounts were forfeited.

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

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to Town employees not engaged in law enforcement. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Employees not Engaged in Law Enforcement. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. The Town's employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$56,352, which consisted of \$29,500 from employees, and \$26,852 from the Town.

e. Other Postemployment Benefits

1. Healthcare Benefits

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

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

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

e. Other Postemployment Benefits (continued)

1. Healthcare Benefits (continued)

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

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

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

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	<u>Employees</u>
Inactive employees or beneficiaries currently receiving benefits	13
Active plan members	45
Total	<u>58</u>

Total OPEB Liability

The Town's total OPEB liability of \$2,680,972 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

e. Other Postemployment Benefits (continued)

1. Healthcare Benefits (continued)

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases	
General employees	3.50% - 7.75%, average, including inflation
Law enforcement officers	3.50% - 7.35%, average, including inflation
Discount rate	
Prior measurement date	3.89 percent
Measurement date	3.50 percent
Healthcare cost trend rates	
Pre-medicare	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026
Medicare	5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021

Changes in the OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2020	\$ 2,165,153
Changes for the year	
Service costs	38,121
Interest	75,498
Changes in assumptions	459,691
Differences between expected and actual experience	35,644
Benefit payments	(93,135)
Net changes	<u>515,819</u>
Total OPEB Liability as of June 30, 2021	<u><u>\$ 2,680,972</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 Total Data Set for Healthy Annuitants Mortality Table.

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.

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

e. Other Postemployment Benefits (continued)

1. Healthcare Benefits (continued)

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

	<u>1% Decrease</u>	<u>(2.21%) Discount rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 3,145,021	\$ 2,680,972	\$ 2,313,408

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

	<u>1% Decrease</u>	<u>(2.21%) Discount rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 2,273,295	\$ 2,680,972	\$ 3,201,446

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$197,478. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	\$ 45,259	\$ 2,276
Changes of assumptions	326,313	36,754
Benefit payments and plan administrative expense made subsequent to the measurement date	93,135	-
Total	<u>\$ 464,707</u>	<u>\$ 39,030</u>

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

e. Other Postemployment Benefits (continued)

1. Healthcare Benefits (continued)

\$93,135 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 115,813
2023	141,898
2024	62,096
2025	-
2026	-
Thereafter	-

2. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

f. Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

Contributions to pension plan in current fiscal year	\$ 383,922
Benefit payments made and administrative expenses for OPEB made subsequent to measurement date	93,135
Differences between expected and actual experience	198,420
Changes of assumptions	453,075
Net difference between projected and actual	131,801
Changes in proportion and differences between employer contributions and proportionate share of contributions	166,638
Total	\$ 1,426,991

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

	Statement of Net Position	General Fund Balance sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 36,980
Leases	770,795	770,795
Differences between expected and actual experience	88,804	-
Changes in assumptions	40,514	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,580	-
Total	\$ 932,693	\$ 807,775

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

2. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in a self-funded risk-financing pool administered by the North Carolina League of Municipalities. These pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, police professional liability and public officials' liability in excess of \$1,000,000; property in excess of \$500,000 and \$1,000,000 up to statutory limits, for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Town does not have any flood insurance.

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

The Town of Red Springs ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The ABC Board has commercial property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

3. Claims, Judgments and Contingent Liabilities

At June 30, 2021, there were no outstanding suits against the Town. The Town attorney also stated they were not aware of any unasserted claims or assessments that must be disclosed.

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

4. Long-Term Obligations

a. Installment Purchase

Governmental Activities:

The Town has a note payable to Branch Banking & Trust Company for the purchase of a street sweeper. The balance on the note at June 30, 2021 was \$97,375 to be paid in quarterly installments of \$7,836, including interest at 2.60%. The street sweeper is listed as collateral.

The Town has a note payable to USDA for the construction of a community center. The balance on the loan at June 30, 2021 was \$76,185 to be paid in annual installments of \$7,152, including interest at 4.25%.

The Town has a note payable to USDA for the construction of a community center. The balance on the loan at June 30, 2021 was \$46,810 to be paid in annual installments of \$4,292, including interest at 4.25%.

The Town has a note payable to Southern Bank & Trust for the purchase of a building. The balance of the note at June 30, 2021 was \$5,509 to be paid in monthly installments of \$3,218, including interest at 6.06%. The building is listed as collateral.

The Town has a note payable to USDA for the construction of a building. The balance on the loan at June 30, 2021 was \$81,113 to be paid in annual installments of \$9,345, including interest at 4.625%.

The Town has a note payable to USDA for the installation of an elevator. The balance on the loan at June 30, 2021 was \$26,201 to be paid in annual installments of \$5,506, including interest at 4.125%.

The Town has a note payable to USDA for the construction of a community center. The balance on the loan at June 30, 2021 was \$62,789 to be paid in annual installments of \$6,020, including interest at 4.25%.

The Town has a note payable to USDA for the purchase of a fire truck. The balance on the loan at June 30, 2021 of \$166,427 to be paid in annual installments of \$15,114, including interest at 3.75%.

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

4. Long-Term Obligations (continued)

a. Installment Purchase (continued)

Annual debt service payments of the installment purchase agreements as of June 30, 2021, including interest, are as follows:

Years Ending June 30:	Governmental Activities	
	Principal	Interest
2022	\$ 84,169	\$ 24,057
2023	85,204	21,292
2024	82,641	18,460
2025	80,307	16,517
2026	80,307	16,517
2027-2031	119,024	30,389
2032-2036	30,757	7,769
Total	<u>\$ 562,409</u>	<u>\$ 135,001</u>

Business-type Activities:

Serviced by Enterprise Funds:

The Town has an Electric Fund/Water Sewer Fund meter capital project loan to Branch Banking & Trust Company. The loan is a drawdown loan and was approved for \$850,000. The balance on the loan at June 30, 2021 was \$596,188. The loan is to be paid in annual installments of \$83,820, including interest of 2.69%.

Annual debt service payments of the installment purchase agreements as of June 30, 2021, including interest, are as follows:

Years Ending June 30:	Business-Type Activities	
	Principal	Interest
2022	\$ 67,783	\$ 16,037
2023	69,607	14,213
2024	71,479	12,341
2025	73,402	10,418
2026	73,402	10,418
2027-2031	240,515	10,971
Total	<u>\$ 596,188</u>	<u>\$ 74,399</u>

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

4. Long-Term Obligations (continued)

b. General Obligation Indebtedness

At June 30, 2021, the Town did not have any general obligation debt outstanding.

At June 30, 2021, the Town of Red Springs had a legal debt margin of \$14,886,650.

c. Revolving Loans

Governmental Activities:

Effective July 9, 2020, the Town was approved for a \$1,024,608 State Revolving Loan for Temporary Cash Assistance to Local Governments. This agreement was between the NCORR and the Town. This is a principal-only loan and is scheduled to terminate on July 9, 2023. Before and during the terms of the agreement, the Town will use loan proceeds to cover eligible expenses that are eligible for reimbursement by FEMA. As of June 30, 2021, the Town had drawn a total of \$546,795 and principal payments of \$123,537.

\$ 423,258

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

<u>Year Ending June 30</u>	<u>Principal</u>
2022	\$ -
2023	-
2024	423,258
2025	-
2026	-
Total	<u>\$ 423,258</u>

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

4. Long-Term Obligations (continued)

c. Revolving Loans (continued)

Business-type Activities:

In August 2012, the Town was approved for a \$358,533 State Revolving Loan. The term of the loan is schedule for 20 years, with annual principal payments of \$17,165 due May 1st of each year. As of June 30, 2021, the Town had drawn a total of \$205,978. \$ 205,978

In August 2012, the Town was approved for a \$429,630 State Revolving Loan, which would include \$214,815 of principal forgiveness. The term of the loan is schedule for 20 years, with annual principal payments of \$10,741 due May 1st of each year. As of June 30, 2021, the Town had drawn a total of \$110,727. 110,727
Total revolving loans \$ 316,705

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

<u>Year Ending June 30</u>	<u>Principal</u>
2022	\$ 26,392
2023	26,392
2024	26,392
2025	26,392
2026	26,392
2027-2031	131,960
2032-2035	52,785
Total	<u><u>\$ 316,705</u></u>

d. Revenue Bonds

\$694,000 Water and Sewer Revenue Bonds, Series 2012, issued to help finance wastewater treatment plant improvements. Principal installments are due annually on June 1, at an annual interest rate of 4.375%. As of June 30, 2021, the balance of the revenue bonds was \$615,000.

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

4. Long-Term Obligations (continued)

d. Revenue Bonds (continued)

\$2,966,000 Water and Sewer Revenue Bond Anticipation Note, issued to help finance water treatment plant improvements until completion of the project. Once the Water Treatment Plant Project is completed, the grant proceeds from the USDA will pay off this revenue bond. Annual interest rate of 2.04% due annually. Principal is due on July 20, 2022 maturity date. As of June 30, 2021, the balance of the revenue bonds was \$2,966,000.

The future payments of the revenue bond for the years ending June 30, 2021 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 11,000	\$ 26,906
2023	2,977,000	26,425
2024	12,000	25,944
2025	12,000	25,419
2026	70,000	118,606
2027-2031	70,000	101,850
2032-2036	87,000	80,938
2037-2041	110,000	54,688
2042-2046	135,000	54,688
2047-2051	97,000	22,575
Total	<u>\$ 3,581,000</u>	<u>\$ 538,039</u>

The Town was not in compliance with the covenants as to rates, fees, rentals and charges in Section 3.04 of the Bond Order, authorizing the issue of the Water and Sewer Revenue Bonds, Series 2011. Section 3.04 of the Bond Order requires the debt service coverage ratio to be no less than 110%.

Operating revenues	\$ 1,320,383
Operating expenses*	(1,259,462)
Operating income	60,921
Nonoperating revenues (expenses)**	(47,259)
Income available for debt service	13,662
Debt service, principal and interest	
paid (revenue bond only)	\$ 37,344
Debt service coverage ratio	36.58%

*This does not include the depreciation expense of \$480,777.

** This does not include revenue bond interest paid of \$27,344.

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

4. Long-Term Obligations (continued)

e. Capital Leases

Governmental Activities:

The Town has a capital lease with an original amount of \$92,658 with Caterpillar Financial for the purchase of an excavator and attachments. The balance on the lease at June 30, 2021 was \$46,018 to be paid in annual installments of \$23,061, including interest at 3.85%.

The Town has a capital lease with an original amount of \$143,564 for the purchase of a Grapple Truck. The balance on the lease at June 30, 2021 was \$110,853 to be paid in annual installments of \$30,120, including interest at 3.42%.

The Town has a capital lease with an original amount of \$239,004 for the purchase of a Sweeper Truck. The balance on the lease at June 30, 2021 was \$186,620 to be paid in annual installments of \$50,178, including interest at 2.98%.

The Town has a capital lease with an original amount of \$81,762 for the purchase of police vehicles. The balance on the lease at June 30, 2021 was \$31,673 to be paid in annual installments of \$18,585, including interest at 5.99%.

Annual debt service payments of the capital lease agreements as of June 30, 2021, including interest, are as follows:

Years Ending <u>June 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 79,033	\$ 4,468
2023	77,201	3,414
2024	75,222	2,319
2025	73,156	1,181
2026	70,552	2,257
Total	<u>\$ 375,164</u>	<u>\$ 13,638</u>

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

4. Long-Term Obligations (continued)

e. Capital Leases

Business-type Activities:

The Town has a capital lease with an original amount of \$266,785 with Altec Industries, Inc. for the purchase of a derrick digger truck. The balance on the lease at June 30, 2021 was \$199,110 to be paid in annual installments of \$49,777, including interest at 4.75%.

Annual debt service payments of the capital lease agreements as of June 30, 2021, including interest, are as follows:

Years Ending	Business-Type Activities	
	Principal	Interest
<u>June 30:</u>		
2022	\$ 49,777	\$ 14,776
2023	49,777	11,847
2024	49,777	8,788
2025	49,779	5,593
2026	-	-
Total	<u>\$ 199,110</u>	<u>\$ 41,003</u>

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

4. Long-Term Obligations (continued)

f. Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations as of June 30, 2021.

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Direct placement					
Installment purchase	\$ 742,515	\$ -	\$ (180,106)	\$ 562,409	\$ 62,490
Revolving loan	-	546,795	(123,537)	423,258	-
Capital leases	184,406	464,331	(273,573)	375,164	113,984
Compensated absences	97,212	20,497	-	117,709	10,000
Net pension obligation (LGERS)	550,207	69,081	-	619,288	-
Total pension obligation (LEO)	253,776	13,380	-	267,156	-
Net OPEB Liability	1,634,364	389,366	-	2,023,730	-
Governmental activity long-term liabilities	<u>\$ 3,462,480</u>	<u>\$ 1,503,450</u>	<u>\$ (577,216)</u>	<u>\$ 4,388,714</u>	<u>\$ 186,474</u>

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Water and Sewer Fund:					
Direct placement					
Installment purchase	\$ 306,924	\$ -	\$ (8,818)	\$ 298,106	\$ 33,892
Capital leases	116,049	-	(116,049)	-	20,672
Revolving loans	343,097	-	(26,392)	316,705	27,906
Revenue bonds	625,000	2,966,000	(10,000)	3,581,000	11,000
Compensated absences	19,908	2,430	-	22,338	5,000
Net pension obligation (LGERS)	148,136	24,178	-	172,314	-
Net OPEB Liability	300,048	71,482	-	371,530	-
Total Water and Sewer Fund	<u>1,859,162</u>	<u>3,064,090</u>	<u>(161,259)</u>	<u>4,761,993</u>	<u>98,470</u>
Electric Fund:					
Direct placement					
Installment purchase	\$ 348,944	\$ -	\$ (50,862)	\$ 298,082	\$ 33,892
Capital leases	217,008	-	(17,898)	199,110	20,672
Compensated absences	14,991	-	(1,521)	13,470	5,000
Net pension obligation (LGERS)	123,117	21,875	-	144,992	-
Net OPEB Liability	230,741	54,971	-	285,712	-
	<u>934,801</u>	<u>76,846</u>	<u>(70,281)</u>	<u>941,366</u>	<u>59,564</u>
Total business-type activities	<u>\$ 2,793,963</u>	<u>\$ 3,140,936</u>	<u>\$ (231,540)</u>	<u>\$ 5,703,359</u>	<u>\$ 158,034</u>

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

C - Interfund Balances and Activity

Balances Due to/from Other Funds

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

Due to the Electric Fund for the allocation of costs from the:	
Water and Sewer Fund	\$ 176,643
Total	<u>\$ 176,643</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, consist of the following:

	Amount
From the Water Treatment Plan Project Fund to the General Fund to reimburse expenditures at June 30, 2021.	\$ 199,891
From the NCORR Grant Fund to the General Fund to reimburse expenditures at June 30, 2021.	428,288
From the NCORR Loan for Temp Assistance Grant Fund to the Water and Sewer Fund to reimburse expenditures at June 30, 2021.	118,506
From the Water and Sewer Capital Project Fund to the Water and Sewer Fund to reimburse expenditures at June 30, 2021.	169,269
From the Water and Sewer Capital Project Fund to the Water and Sewer Fund to reimburse expenditures at June 30, 2021.	309,231
From the Electric Capital Reserve Fund to the General Fund to transfer money to clear due to/due from balances.	164,490
From the General Fund to the Electric Fund to fund the required USDA reserves.	35,382
	<u>\$ 1,425,057</u>

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

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

D - Net Investment in Capital Assets

	Governmental	Business-Type
Capital assets	\$ 3,932,166	\$ 16,267,168
less: long-term debt	(1,360,831)	(4,693,003)
Net investment in capital asset	<u>\$ 2,571,335</u>	<u>\$ 11,574,165</u>

E - Fund Balance

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

<i>Total fund balance - General Fund</i>	\$ 2,162,053
Less:	
Stabilization by State Statute	339,567
Streets-Powell Bill	12,755
Remaining fund balance	\$ 1,809,731

NOTE 4 - JOINTLY GOVERNED ORGANIZATIONS

The Town, in conjunction with twenty other local governments, is a member of the North Carolina Town Electric Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The twenty-one members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2021 were \$2,777,827.

The Town, in conjunction with several other municipalities and counties participates in the Lumber River Council of Governments (COG). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The Town paid \$1,131 to the Council during the fiscal year ended June 30, 2021.

Town of Red Springs, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 5 - JOINT VENTURES

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

NOTE 6 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 7 - RESTATEMENTS

Prior Period Adjustments

During the fiscal year ended June 30, 2021, the Town determined that fund balance at July 1, 2020 was overstated by \$223,024 in error in the General Fund. The overstated was related to a receivable balance due from FEMA totaling \$223,024 that was later determined not to be collectible at June 30, 2020. An adjustment to the beginning fund balance in the General Fund has been recorded in the amount of \$223,024. The net effect of the adjustment decreases beginning fund balance by \$223,024.

NOTE 8 - SUBSEQUENT EVENTS

Subsequent events were evaluated through September 17, 2021, which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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 to Local Government Employees' Retirement System.
- Schedule of Changes in Total Pension Liability.
- Schedule of Total Pension Liability as a Percentage of covered Payroll.
- Schedule of Changes in Total OPEB Liability and Related Ratios.

Town of Red Springs, North Carolina
Town of Red Springs' 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
Red Springs' proportion of the net pension liability (asset) (%)	0.0262%	0.0301%	0.0311%	0.0299%	0.0315%	0.0315%	0.03212%	0.02900%
Red Springs' proportion of the net pension liability (asset) (\$)	\$ 936,595	\$ 821,460	\$ 737,324	\$ 457,247	\$ 668,536	\$ 141,505	\$ (189,426)	\$ 349,561
Red Springs' covered-employee payroll	\$ 2,172,659	\$ 2,096,901	\$ 2,070,244	\$ 1,951,780	\$ 1,854,259	\$ 1,775,143	\$ 1,778,788	\$ 1,680,542
Red Springs' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.11%	39.17%	35.62%	23.43%	36.05%	7.97%	-10.65%	20.80%
Plan fiduciary net position as a percentage of the total pension liability.**	91.63%	94.18%	91.47%	98.09%	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.

Town of Red Springs, North Carolina
Town of Red Springs' Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 332,419	\$ 332,419	\$ 307,233	\$ 297,558	\$ 276,313	\$ 250,548	\$ 247,240	\$ 244,397
Contributions in relation to the contractually required contribution	332,419	332,419	307,233	297,558	276,313	250,548	247,240	244,397
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Red Springs' covered payroll	\$ 2,285,820	\$ 2,172,659	\$ 2,096,901	\$ 2,070,244	\$ 1,951,780	\$ 1,854,259	\$ 1,775,143	\$ 1,778,788
Contributions as a percentage of covered-employee payroll	14.54%	15.30%	14.65%	14.37%	14.16%	13.51%	13.93%	13.74%

Town of Red Springs, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officer's Special Separation Allowance
Last Five Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 253,776	\$ 178,614	\$ 165,127	\$ 241,793	\$ 240,656
Service Cost	13,081	13,065	11,965	12,298	5,902
Interest on the total pension liability	8,068	6,469	5,189	9,314	7,314
Differences between expected and actual experience in the measurement of the total pension liability	(58,043)	52,558	2,950	(107,075)	3,927
Changes of assumptions or other inputs	62,845	4,877	(4,810)	9,770	(1,006)
Benefit payments	(12,571)	(1,807)	(1,807)	(973)	(15,000)
Ending balance of the total pension liability	<u>\$ 267,156</u>	<u>\$ 253,776</u>	<u>\$ 178,614</u>	<u>\$ 165,127</u>	<u>\$ 241,793</u>

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

Town of Red Springs, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officer's Special Separation Allowance
Last Five Fiscal Years

	<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
Total pension liability	\$ 267,156	\$	253,776	\$	178,613	\$	165,127	\$	315,969
Covered payroll	579,336		710,048		637,885		630,403		689,233
Total pension liability as a percentage of covered payroll	46.11%		35.74%		28.00%		26.19%		45.84%

Notes to the schedules:

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

Town of Red Springs, North Carolina
Schedule of Changes in the Total OPEB Liability
and Related Ratios
Last Four Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Cost	\$ 38,121	\$ 39,007	\$ 41,702	\$ 47,799
Interest	75,498	78,947	73,347	66,977
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	35,644	34,200	19,682	(29,872)
Changes of assumptions or other inputs	459,691	1,541	(111,514)	(203,839)
Benefit payments	(93,135)	(35,700)	(72,133)	(20,160)
Net change in total OPEB liability	515,819	117,995	(48,916)	(139,095)
 Total OPEB Liability - Beginning	 2,165,153	 2,047,158	 2,096,074	 2,235,169
Total OPEB Liability - Ending	<u>\$ 2,680,972</u>	<u>\$ 2,165,153</u>	<u>\$ 2,047,158</u>	<u>\$ 2,096,074</u>
 Covered payroll	 1,969,808	 1,969,808	 1,898,924	 1,898,924
Total OPEB liability as a percentage of covered payroll	136.10%	109.92%	107.81%	110.00%

Notes to the Schedule

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

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

Individual Fund Statements and Schedules

General Fund

Town of Red Springs, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 1,200,603	\$
Penalties and interest		30,983	
Total	<u>1,234,200</u>	<u>1,231,586</u>	<u>(2,614)</u>
Other taxes and licenses:			
License and fees		271	
Fire district tax		109,924	
Total	<u>154,649</u>	<u>110,195</u>	<u>(44,454)</u>
Unrestricted intergovernmental:			
Local option sales tax		950,204	
Utility franchise tax		191,936	
ABC profit distribution		54,473	
Excise tax on motor fuels		15,949	
Beer and wine tax		13,682	
Solid waste disposal tax		2,439	
Court costs		2,990	
Total	<u>1,070,345</u>	<u>1,231,673</u>	<u>161,328</u>
Restricted intergovernmental:			
FEMA funds		18,049	
CARES Act funds		112,242	
Powell bill allocation		91,186	
Other grants		69,292	
School resource officer reimbursement		101,600	
Total	<u>675,827</u>	<u>392,369</u>	<u>(283,458)</u>
Permits and fees:			
Building permits		25,705	
Zoning permits		585	
Total	<u>33,000</u>	<u>26,290</u>	<u>(6,710)</u>
Sales and services:			
Sanitation fees		339,924	
Utility reimbursement		10,650	
Cemetery revenues		17,745	
Recreation revenues		1,100	
Fire department		523	
Police department		25,342	
Property rentals		12,350	
Total	<u>\$ 525,798</u>	<u>\$ 407,634</u>	<u>\$ (118,164)</u>

Town of Red Springs, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Investment earnings	\$ 4,365	\$ 26,087	\$ 21,722
Miscellaneous revenues:			
Insurance proceeds		67,308	
Lease revenue		57,522	
Sale of capital assets		32,108	
Other revenues		35,015	
Total	<u>205,927</u>	<u>191,953</u>	<u>(13,974)</u>
Total revenues	<u>3,904,111</u>	<u>3,617,787</u>	<u>(286,324)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and benefits		15,638	
Other operating expenditures		31,063	
Total	<u>54,344</u>	<u>46,701</u>	<u>7,643</u>
Finance:			
Salaries and employee benefits		185,671	
Other operating expenditures		235,870	
Capital outlay		4,760	
Total	<u>497,285</u>	<u>426,301</u>	<u>70,984</u>
Human resources:			
Salaries and employee benefits		39,529	
Other operating expenditures		5,849	
Total	<u>46,231</u>	<u>45,378</u>	<u>853</u>
Legal:			
Salaries and employee benefits		32,346	
Total	<u>32,346</u>	<u>32,346</u>	<u>-</u>
Administration:			
Salaries and benefits		86,325	
Other operating expenditures		39,927	
Total	<u>153,053</u>	<u>126,252</u>	<u>26,801</u>
Public buildings:			
Salaries and employee benefits		32,282	
Other operating expenditures		174,655	
Capital outlay		38,419	
Total	<u>269,765</u>	<u>245,356</u>	<u>24,409</u>
Total general government	<u>\$ 1,053,024</u>	<u>\$ 922,334</u>	<u>\$ 130,690</u>

Town of Red Springs, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Public Safety:			
Police:			
Salaries and employee benefits	\$	\$ 1,097,466	\$
Other operating expenditures		233,154	
Capital outlay		240,037	
Total	<u>1,571,010</u>	<u>1,570,657</u>	<u>353</u>
Fire:			
Salaries and employee benefits		118,546	
Other operating expenditures		92,364	
Capital outlay		334,251	
Total	<u>580,869</u>	<u>545,161</u>	<u>35,708</u>
Planning and Zoning:			
Salaries and employee benefits		62,315	
Other operating expenditures		4,490	
Total	<u>67,264</u>	<u>66,805</u>	<u>459</u>
Total public safety	<u>2,219,143</u>	<u>2,182,623</u>	<u>36,520</u>
Transportation:			
Streets and highways:			
Salaries and benefits		324,111	
Other operating expenditures		262,480	
Total	<u>625,168</u>	<u>586,591</u>	<u>38,577</u>
Powell Bill expenditures:			
Other operating expenditures		3,986	
Contracted services		82,121	
Total	<u>100,749</u>	<u>86,107</u>	<u>14,642</u>
Total transportation	<u>725,917</u>	<u>672,698</u>	<u>53,219</u>
Cultural and recreation:			
Parks and recreation:			
Salaries and employee benefits		43,263	
Other operating expenditures		76,884	
Total	<u>\$ 183,813</u>	<u>\$ 120,147</u>	<u>\$ 63,666</u>

Town of Red Springs, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Sanitation:			
Salaries and benefits	\$	\$ 216,943	\$
Other operating expenditures		99,430	
Capital outlay		69,876	
Total	<u>405,834</u>	<u>386,249</u>	<u>19,585</u>
Nondepartmental:			
Other operating expenditures		112,242	
Total	<u>112,242</u>	<u>112,242</u>	<u>-</u>
Debt service:			
Principal		448,322	
Interest		17,476	
Total	<u>465,798</u>	<u>465,798</u>	<u>-</u>
Total expenditures	<u>5,165,771</u>	<u>4,862,091</u>	<u>303,680</u>
Revenues over (under) expenditures	<u>(1,261,660)</u>	<u>(1,244,304)</u>	<u>17,356</u>
Other financing sources (uses):			
Installment purchase proceeds	463,785	463,785	-
Transfers (to) from other funds	<u>797,875</u>	<u>1,065,730</u>	<u>267,855</u>
Total	<u>1,261,660</u>	<u>1,529,515</u>	<u>267,855</u>
Fund balance appropriated	-	-	-
Net change in fund balances	<u>\$ -</u>	<u>285,211</u>	<u>\$ 285,211</u>
A Capital Reserve Fund is consolidated into the General Fund for reporting purposes:			
Investment earnings		\$ 4	
Transfer to General Fund		(1,102)	
Fund balance, beginning as previously reported		2,100,964	
Prior period adjustment (Note 7)		<u>(223,024)</u>	
Fund balance, beginning as restated		<u>1,877,940</u>	
Fund balance, ending		<u>\$ 2,162,053</u>	

Town of Red Springs, North Carolina
Capital Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest income	\$ -	\$ 4	\$ -
Total revenues	<u>-</u>	<u>4</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>4</u>	<u>-</u>
Other financing sources:			
Transfer to General Fund	(1,102)	(1,102)	-
Total other sources (uses)	<u>(1,102)</u>	<u>(1,102)</u>	<u>-</u>
Fund balance appropriated	1,102	-	1,102
Revenues and other sources over (under) expenditures and other (uses)	<u>\$ -</u>	<u>(1,098)</u>	<u>\$ -</u>
Change in net position		<u>\$ (1,098)</u>	

Non-Major Governmental Fund

Town of Red Springs, North Carolina
NCORR Loan for Temporary Assistance Grant Fund
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental					
FEMA grant	\$ 546,795	\$ -	\$ 123,537	\$ 123,537	\$ (423,258)
Total revenues	<u>546,795</u>	<u>-</u>	<u>123,537</u>	<u>123,537</u>	<u>(423,258)</u>
Expenditures					
Debt service - NCORR	546,795	-	123,537	123,537	423,258
Total	<u>546,795</u>	<u>-</u>	<u>123,537</u>	<u>123,537</u>	<u>423,258</u>
Total expenditures	<u>546,795</u>	<u>-</u>	<u>123,537</u>	<u>123,537</u>	<u>423,258</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:					
Transfer to General Fund	(428,288)	-	(428,288)	(428,288)	-
Transfer to Water and Sewer Fund	(118,506)	-	(118,506)	(118,506)	-
NCORR Loan Proceeds	546,794	-	546,794	546,794	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Enterprise Funds

Town of Red Springs, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non – GAAP)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Electricity sales	\$	\$ 3,854,139	\$
Sales tax - lights		199,850	
Reconnection and late fees		52,994	
Miscellaneous revenues		10,148	
	<u>4,549,850</u>	<u>4,117,131</u>	<u>(432,719)</u>
Nonoperating revenues:			
Interest earnings		2	
Total	<u>150</u>	<u>2</u>	<u>(148)</u>
Total revenues	<u>4,550,000</u>	<u>4,117,133</u>	<u>(432,867)</u>
Expenditures:			
Electrical operations:			
Power purchases		2,777,827	
Salaries and benefits		616,669	
Other operating expenditures		538,290	
Total	<u>4,442,887</u>	<u>3,932,786</u>	<u>510,101</u>
Debt service:			
Principal retirement		68,760	
Interest and fees		40,242	
Total	<u>109,002</u>	<u>109,002</u>	<u>-</u>
Total expenditures	<u>4,551,889</u>	<u>4,041,788</u>	<u>510,101</u>
Revenues over (under) expenditures	<u>\$ (1,889)</u>	<u>\$ 75,345</u>	<u>\$ 77,234</u>

Town of Red Springs, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non – GAAP) (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfers in (out)	\$ 1,889	\$ 1,889	\$ -
Total other financing sources (uses)	<u>1,889</u>	<u>1,889</u>	<u>-</u>
 Revenues and other sources over expenditures and other uses:	 <u>\$ -</u>	 77,234	 <u>\$ 77,234</u>
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
 Reconciling items:			
Depreciation		(101,054)	
Interest income		12	
Decrease in compensated absences		1,521	
Increase in net pension liability		(21,875)	
Decrease in deferred outflows of resources - pensions		(3,873)	
Increase in deferred inflows of resources - pensions		(6,190)	
Increase in OPEB liability		(54,971)	
Increase in deferred outflows of resources - OPEB		40,619	
Decrease in deferred inflows of resources - OPEB		8,497	
Transfers in (out)		(164,490)	
Principal retirement		68,760	
Total reconciling items		<u>(233,044)</u>	
 Change in net position		 <u>\$ (155,810)</u>	

Town of Red Springs, North Carolina
Electric Capital Reserve Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non – GAAP)
For the Year Ending June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Interest income	\$ -	\$ 12	\$ -
Total revenues	<u>-</u>	<u>12</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>12</u>	<u>-</u>
Other financing sources (uses):			
Transfers in (out)	(164,490)	(164,490)	-
Total other financing sources (uses)	<u>(164,490)</u>	<u>(164,490)</u>	<u>-</u>
Change in net position		<u>\$ (164,478)</u>	

Town of Red Springs, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ending June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Water sales	\$	\$ 566,775	\$
Sewer charges		715,854	
Water and sewer taps		13,950	
Other operating revenues		23,804	
Total	<u>1,600,757</u>	<u>1,320,383</u>	<u>(280,374)</u>
Nonoperating revenues:			
Interest earnings		147	
Total nonoperating revenues	<u>85</u>	<u>147</u>	<u>62</u>
Total revenues	<u>1,600,842</u>	<u>1,320,530</u>	<u>(280,312)</u>
Expenditures:			
Water treatment and distribution:			
Water department:			
Salaries and benefits		84	
Supplies		34,965	
Other operating expenditures		33,650	
Total	<u>95,716</u>	<u>68,699</u>	<u>27,017</u>
Water treatment plant:			
Salaries and benefits		352,231	
Chemicals		62,424	
Other operating expenditures		60,799	
Capital outlay		57,378	
Total	<u>642,424</u>	<u>532,832</u>	<u>109,592</u>
Total water treatment and distribution	<u>738,140</u>	<u>601,531</u>	<u>136,609</u>
Waste collection and treatment:			
Sewer department:			
Salaries and benefits		253,789	
Supplies		21,902	
Other operating expenditures		62,286	
Total	<u>\$ 384,379</u>	<u>\$ 337,977</u>	<u>\$ 46,402</u>

Town of Red Springs, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP) (continued)
For the Year Ending June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Expenditures (continued):			
Wastewater treatment plant:			
Salaries and benefits	\$	\$ 132,286	\$
Chemicals		22,590	
Other operating expenditures		177,113	
Capital outlay		5,061	
Total	<u>382,727</u>	<u>337,050</u>	<u>45,677</u>
Total waste collection and treatment	<u>767,106</u>	<u>675,027</u>	<u>92,079</u>
Debt service:			
Principal retirement		161,259	
Interest and fees		74,891	
Total	<u>236,150</u>	<u>236,150</u>	<u>-</u>
Total expenditures	<u>1,741,396</u>	<u>1,512,708</u>	<u>228,688</u>
Revenues over (under) expenditures	<u>(140,554)</u>	<u>(192,178)</u>	<u>(51,624)</u>
Other financing sources (uses):			
Transfers in (out)	35,382	323,158	287,776
Insurance proceeds	11,712	8,260	(3,452)
Fund balance appropriated	93,460	-	(93,460)
Total other financing sources (uses)	<u>140,554</u>	<u>331,418</u>	<u>190,864</u>
Revenues and other sources over expenditures and other uses:	<u>\$ -</u>	<u>139,240</u>	<u>\$ 139,240</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		62,439	
Depreciation		(480,777)	
Interest income		141	
Transfers in (out)		(678,391)	
Capital contributions		3,485,528	
Increase in compensated absences		(2,430)	
Increase in net pension liability		(24,178)	
Decrease in deferred outflows of resources - pensions		(4,280)	
Increase in deferred inflows of resources - pensions		(6,842)	
Increase in OPEB liability		(71,482)	
Increase in deferred outflows of resources - OPEB		52,820	
Decrease in deferred inflows of resources - OPEB		11,049	
Principal retirement		161,259	
Total reconciling items		<u>2,504,856</u>	
Change in net position		<u>\$ 2,644,096</u>	

Town of Red Springs, North Carolina
Water and Sewer Capital Project Fund
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:					
NCDENR grant	\$ 150,000	\$ 69,734	\$ 60,750	\$ 130,484	\$ (19,516)
CDBG grant	1,988,741	42,668	198,486	241,154	(1,747,587)
NCORR grant	500,000	500,000	-	500,000	-
Total revenues	2,638,741	612,402	259,236	871,638	(1,767,103)
Expenditures - NCDENR grant					
Engineering/design	150,000	69,734	60,750	130,484	19,516
Expenditures - CDBG grant					
Engineering/design	212,533	33,182	179,351	212,533	-
Construction	1,392,324	-	-	-	1,392,324
Contingency	143,409	-	4,218	4,218	139,191
Administration	240,475	9,486	14,917	24,403	216,072
Total	1,988,741	42,668	198,486	241,154	1,747,587
Expenditures - NCORR grant					
Consulting	21,500	-	21,500	21,500	-
Total	21,500	-	21,500	21,500	-
Total expenditures	2,160,241	112,402	280,736	393,138	1,767,103
Revenues over (under) expenditures	478,500	500,000	(21,500)	478,500	-
Other financing sources:					
Transfer to General Fund	(309,231)	-	(309,231)	(309,231)	-
Transfer to Water and Sewer Fund	(169,269)	-	(169,269)	(169,269)	-
Total other financing sources (uses)	(478,500)	-	(478,500)	(478,500)	-
Revenues and other sources over (under) expenditures and other (uses)	\$ -	\$ 500,000	\$ (500,000)	\$ -	\$ -

Town of Red Springs, North Carolina
Water Treatment Plant Project
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:					
Grant proceeds - USDA	\$ 4,887,000	\$ -	\$ 3,226,292	\$ 3,226,292	\$ (1,660,708)
Interest income	-	-	141	141	141
Total revenues	<u>4,887,000</u>	<u>-</u>	<u>3,226,433</u>	<u>3,226,433</u>	<u>(1,660,567)</u>
Expenditures:					
Interest	90,000	-	-	-	90,000
Construction	5,615,019	-	5,417,897	5,417,897	197,122
Engineering	970,000	371,600	323,225	694,825	275,175
Legal	50,000	-	12,371	12,371	37,629
Administration	10,000	247	3,260	3,507	6,493
Equipment	20,000	-	350	350	19,650
Contingency	551,981	-	-	-	551,981
Total expenditures	<u>7,307,000</u>	<u>371,847</u>	<u>5,757,103</u>	<u>6,128,950</u>	<u>1,178,050</u>
Revenues over (under) expenditures	<u>(2,420,000)</u>	<u>(371,847)</u>	<u>(2,530,670)</u>	<u>(2,902,517)</u>	<u>(482,517)</u>
Other financing sources:					
Loan proceeds	2,200,000	-	2,966,000	2,966,000	766,000
Transfer from General Fund	20,000	20,000	-	20,000	-
Transfer to General Fund	(199,891)	-	(199,891)	(199,891)	-
Transfer from Water Fund	200,000	200,000	-	200,000	-
Fund balance appropriated	199,891	-	-	-	(199,891)
Total other financing sources (uses)	<u>2,420,000</u>	<u>220,000</u>	<u>2,766,109</u>	<u>2,986,109</u>	<u>566,109</u>
Revenues and other financing sources over (under) expenditures and other (uses)	<u>\$ -</u>	<u>\$ (151,847)</u>	<u>\$ 235,439</u>	<u>\$ 83,592</u>	<u>\$ 83,592</u>

Other Schedules

This section contains additional information on property taxes.

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

Town of Red Springs, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2021</u>
2020-2021	\$ -	\$ 1,190,932	\$ 1,128,765	\$ 62,167
2019-2020	75,253	-	32,953	42,300
2018-2019	49,343	-	12,939	36,404
2017-2018	42,141	-	8,005	34,136
2016-2017	34,954	-	6,486	28,468
2015-2016	34,527	-	5,239	29,288
2014-2015	26,826	-	4,210	22,616
2013-2014	28,824	-	3,844	24,980
2012-2013	26,761	-	3,975	22,786
2011-2012	20,763	-	4,500	16,263
2010-2011	19,272	-	18,697	575
2009-2010	1,036	-	1,036	-
	<u>\$ 359,700</u>	<u>\$ 1,190,932</u>	<u>\$ 1,230,649</u>	<u>319,983</u>

Less: allowance for uncollectible accounts - General Fund	<u>283,003</u>
---	----------------

Ad valorem taxes receivable - net	<u>\$ 36,980</u>
-----------------------------------	------------------

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 1,231,586
---------------------------------	--------------

Reconciling items:

Interest collected	(30,983)
--------------------	----------

Discounts, releases, and other credits	<u>30,046</u>
--	---------------

Subtotal	<u>(937)</u>
----------	--------------

Total collections and credits	<u>\$ 1,230,649</u>
-------------------------------	---------------------

Town of Red Springs, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2021

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 186,083,125	0.64	\$ 1,190,932	\$ 1,053,689	\$ 137,243
Total	<u>\$ 186,083,125</u>		<u>1,190,932</u>	<u>1,053,689</u>	<u>137,243</u>
Uncollected taxes at June 30, 2021			<u>(62,167)</u>	<u>(62,167)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,128,765</u>	<u>\$ 991,522</u>	<u>\$ 137,243</u>
Current levy collection percentage			<u>94.78%</u>	<u>94.10%</u>	<u>100.00%</u>

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

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

Independent Auditor's Report

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

We have audited, 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, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Red Springs, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Red Springs' basic financial statements and have issued our report thereon dated September 17, 2021.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (items 2021-001 and 2021-002).

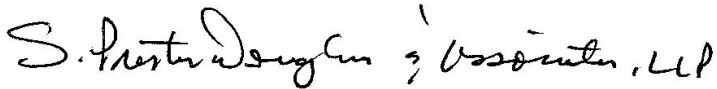
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Red Springs' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2021-001.

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.

A handwritten signature in black ink that reads "S. Porter Douglas, Jr., CPA". The signature is written in a cursive style with a large, stylized "S" and "D".

Lumberton, North Carolina
September 17, 2021

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Red Springs' compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Red Springs' major federal programs for the year ended June 30, 2021. The Town of Red Springs' major federal 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 Federal statutes and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major State Program

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

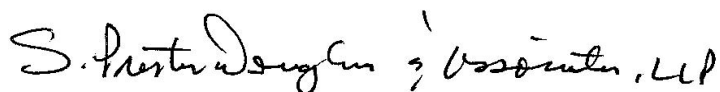
Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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 material weaknesses or significant deficiencies. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Lumberton, North Carolina
September 17, 2021

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the Town of Red Springs' compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town's major State programs for the year ended June 30, 2021. The Town of Red Springs' 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 the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Red Springs' 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 US 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 Town of Red Springs' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

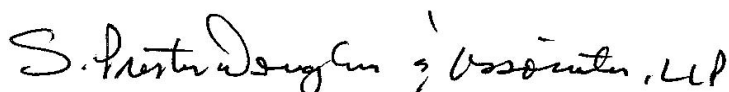
Report on Internal Control Over Compliance

The management of the Town of Red Springs is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Red Springs' 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control 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 correct, 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 material weaknesses or significant deficiencies. 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.



Lumberton, North Carolina
September 17, 2021

Town of Red Springs, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section I. Summary of Auditor's Results
--

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	_____ yes <u> X </u> no
• Significant deficiency(s) identified that are not considered to be material weaknesses	<u> X </u> yes _____ none reported
• Noncompliance material to financial statements	<u> X </u> yes _____ no

Federal Awards

Internal control over major federal programs

• Material weakness(es) identified?	_____ yes	<u> X </u> no
• Significant deficiency(s) identified that are not considered to be material weaknesses	_____ yes	<u> X </u> no

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____ yes	<u> X </u> no
---	-----------	-----------------

Identification of major federal programs:

<u>Names of Federal Program or Cluster</u>	<u>CFDA</u> <u>Numbers</u>
Water and Waste Disposal Systems for Rural Communities	10.760

Dollar threshold used to distinguish between Type A
And Type B programs

\$750,000

Auditee qualified as low-risk auditee?	_____ yes	<u> X </u> no
--	-----------	-----------------

Town of Red Springs, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Fiscal Year Ended June 30, 2021

Section I. Summary of Auditor's Results (continued)
--

State Awards

Internal control over major federal programs

- Material weakness(es) identified? _____ yes _____ X no
- Significant deficiency(s) identified that are not
considered to be material weaknesses _____ yes _____ X no

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

Any audit finding disclosed that is required to
be reported in accordance with the State
Single Audit Implementation Act _____ yes _____ X no

Identification of major State programs:

Program Name

State Grants for Financially Distressed Local Governments

State Revolving Loans for Temporary Cash Assistance to
Local Governments

Town of Red Springs, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Fiscal Year Ended June 30, 2021

Section II. Financial Statement Findings

SIGNIFICANT DEFICIENCY

Finding 2021-001 Noncompliance with Debt Service Coverage Ratio Requirements

Criteria: In accordance with Water and Sewer Revenue Bonds, Series 2011, Section 3.04 of the Bond Order requires the debt service coverage ratio to be no less than 110%.

Condition: The debt service coverage ratio was 36.58% during the year ended June 30, 2021.

Effect: The Town was not in compliance with the debt covenants. The income available for debt service per the debt service coverage ratio calculated needed to be higher by \$27,416 in the Water and Sewer Fund to be in compliance.

Cause: The Finance Director and Town Manager monitored the debt service ratio throughout the year after consulting with auditors after the previous year's finding. In error, the pension and OPEB expense were not included in the ongoing monitoring of the ratio.

Repeat Finding: This was a repeat finding (2020-002).

Recommendation: We recommend that the Finance Director perform a review of the debt service coverage ratio, which includes all relevant factors that impact the debt service ratio.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 96.

Town of Red Springs, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Fiscal Year Ended June 30, 2021

Financial Statement Findings (continued)

SIGNIFICANT DEFICIENCY

Finding 2021-002 Material Prior Period Adjustments

Criteria: FEMA receivables are not reimbursable (receivable) until the applicable Project Worksheets have been approved.

Condition: Beginning General Fund fund balance at July 1, 2020 was materially overstated by a FEMA receivable totaling \$223,024, which was not reimbursable at July 1, 2020.

Effect: June 30, 2020 audited financial statements presented balances were materially misstated which could cause the users of the financial statements to be misinformed about the Town's financial position and operating results.

Cause: Management and the auditors had a joint misunderstanding on what was reimbursable from FEMA at June 30, 2020 based on a conversation with a contact at the Local Government Commission.

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

Recommendation: We recommend that the Finance Director carefully review all FEMA related balance sheet and income statement activity for proper accounting during the financial statement close process.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 96.

Section III. Federal Award Findings and Questioned Costs

None reported.

TOWN OF RED SPRINGS

Mayor Edward Henderson
Mayor Pro Tem Chris L.B. Edmonds
Commissioner Duron Burney
Commissioner Neal Lea'kes
Town Manager David Ashburn



Commissioner Caroline Sumpter
Commissioner Murray McKeithan
Commissioner Elma Patterson
Town Clerk Barbara McColl

Correction Action Plan For the Year Ended June 30, 2021

SIGNIFICANT DEFICIENCY

Finding 2021-001 Noncompliance with Debt Service Coverage Ratio Requirements

Name of Contact Person: Sharon McFarland, Finance Director

Corrective Action:

Key factors contributing to the underfunding of the debt service ratio for the Water and Sewer Revenue Bonds, Series 2011 was disruption from the COVID-19 pandemic and the Governor's EO 124 and 142, as well as the addition of a debt service payment for a vac truck in the Water/Sewer Department. The vac truck debt was retired through a grant from the NC Office of Resiliency and Recovery and, currently, the Town is recovering the missed Covid-19 revenues while customers are making their payments on their COVID-19 repayment plans. The Water/Sewer Department also had a charge off obsolete equipment of \$60,000. The Town did review the debt service calculation on a regular basis; however, the Town was missing a component of the calculation. If the Town had calculated this correctly, there was \$30,000 in compensation that had not been reallocated to another department and the 110% required ratio would have been met. This ratio will be calculated correctly in the future. The past two fiscal years has been usual from an accounting standpoint, as there have been many charge offs/adjustments made to correct inventory and bookkeeping entries from years past. We do not expect to see this issue in the audit for fiscal year 2022.

Proposed Completion Date:

The Finance Director will check the corrected debt service ratio monthly basis. If the Water/Sewer Department is not meeting the ratio requirements, the Town will take one or more of the following actions: 1) change the salary allocations, lower other expenses, or increase rates. This will be resolved by December 31, 2021.

SIGNIFICANT DEFICIENCY

Finding 2021-002 Material Prior Period Adjustments

Name of Contact Person: Sharon McFarland, Finance Director

Corrective Action:

Through a misunderstanding of the process of recording FEMA funding, a receivable was created in fiscal year 2020 for the difference between FEMA project worksheet (PW) and the amount the Town had expended on hurricane related expenses. In talking with the LGC, and after that audit report was submitted, the Town realized that this was an incorrect entry, and the clearing entry was posted in fiscal year 2021.

Proposed Completion Date:

Effective immediately, the Town will thoroughly research the recording procedures for any grant or reimbursement prior to making any entries.

Town of Red Springs, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2021

Finding:	2020-001 – Material Prior Period Adjustments
Status:	This finding has not been corrected. Repeated as finding 2021-002.
Finding:	2020-002 – Noncompliance with Debt Service Coverage Ratio Requirements
Status:	This finding has not been corrected. Repeated as finding 2021-001.
Finding:	2020-003 – Improper Recording of Federal and State Awards
Status:	This finding has been corrected.
Finding:	2019-001 – Segregation of Duties
Status:	This finding has been corrected.
Finding:	2019-002 – Inadequate internal control over preparation of financial statements being audited.
Status:	This finding has been corrected.
Finding:	2019-003 – Inadequate controls over reconciliation of records.
Status:	This finding has been corrected.
Finding:	2019-004 – Deficit Fund Balance
Status:	This finding has been corrected.
Finding:	2019-005 – Budget Violations
Status:	This finding has been corrected.
Finding:	2018-001 – Segregation of Duties
Status:	This finding has been corrected.
Finding:	2018-002 – Inadequate internal control over preparation of financial statements being audited.
Status:	This finding has been corrected.
Finding:	2018-003 – Inadequate controls over reconciliation of records.
Status:	This finding has been corrected.
Finding:	2018-004 – Deficit Fund Balance
Status:	This finding has been corrected.
Finding:	2018-005 – Budget Violations
Status:	This finding has been corrected.

Town of Red Springs, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2021

Grantor/Pass-through Grant/Program Title	Federal CFDA Number	Award Number/State Pass-through Grantor's Number	Federal (Direct Pass- through) Expenditures	State Expenditures
Federal Grants:				
Direct Programs:				
US Department of Agriculture				
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 5,757,103	\$ -
US Department of Justice				
Bulletproof Vest Partnership Grant	16.607		3,035	-
Pass Through:				
US Department of Health and Human Resources				
CARES Act Provider Relief Fund	93.498	02-76	112,242	-
State Grants:				
Direct Programs:				
NC Department of Public Safety				
State Grants for Financially Distressed Local Governments			-	500,000
State Revolving Loans for Temporary Cash Assistance to Local Governments			-	546,795
Total Department of Public Safety			-	1,046,795
NC Department of Environmental Quality				
Grant for Sewer Mapping		E-AIA-W-19-0146	-	60,750
Community Development Block Grant		CDBG 18-I-3038	-	241,657
Total Department of Environmental Quality			-	302,407
NC Department of Transportation				
Powell Bill			-	86,107
Total assistance			\$ 5,872,380	\$ 1,442,714

Notes to the Schedule of Expenditures of Federal and State 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 Town of Red Springs 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 selected portion of the operations of the Town of Red Springs, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Red Springs.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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

Note 4: Loan Balance

The outstanding balance of the USDA revenue bonds is \$2,966,000. The outstanding balance of the NCORR state revolving loan is \$423,258.