

REVIEWED

By SLGFD at 6:39 am, Jun 10, 2022

TOWN OF RICHFIELD, NORTH CAROLINA

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2021

Mayor

Terry Deese

Town Council

Barry Byrd

Kevin Almond

Jay Patel

Cynthia Heglar

Christy NeCaise

Town Officials

Carolyn Capps

Town Clerk

Charles Brown

Town Attorney

TOWN OF RICHFIELD, NORTH CAROLINA
TABLE OF CONTENTS
JUNE 30, 2021

<u>Exhibit</u>		<u>Pages</u>
Financial Section:		
	Independent Auditors' Report	1
	Management's Discussion and Analysis	3
	Basic Financial Statements:	
	Government-wide Financial Statements	
1	Statement of Net Position	10
2	Statement of Activities	11
Fund Financial Statements		
3	Balance Sheet – Governmental Funds and Reconciliation of the Governmental Funds	12
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
6	Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual budget and Actual – General Fund	15
	Notes to the Financial Statements	16
Individual Fund Budgetary Schedules:		
A-1	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	28
Other Schedules:		
C-1	Schedule of Ad Valorem Taxes Receivable	31
C-2	Analysis of Current Tax Levy – Town Wide Levy	32

BASIC FINANCIAL STATEMENTS



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

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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Richfield, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Richfield, North Carolina as of June 30, 2021, and the respective changes in financial position, where appropriate, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

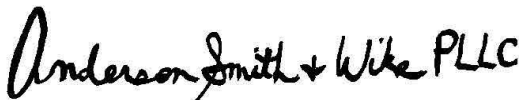
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 9, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The individual fund budgetary schedules and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Anderson Smith & Wike PLLC
May 10, 2022

Management's Discussion and Analysis

Town of Richfield

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

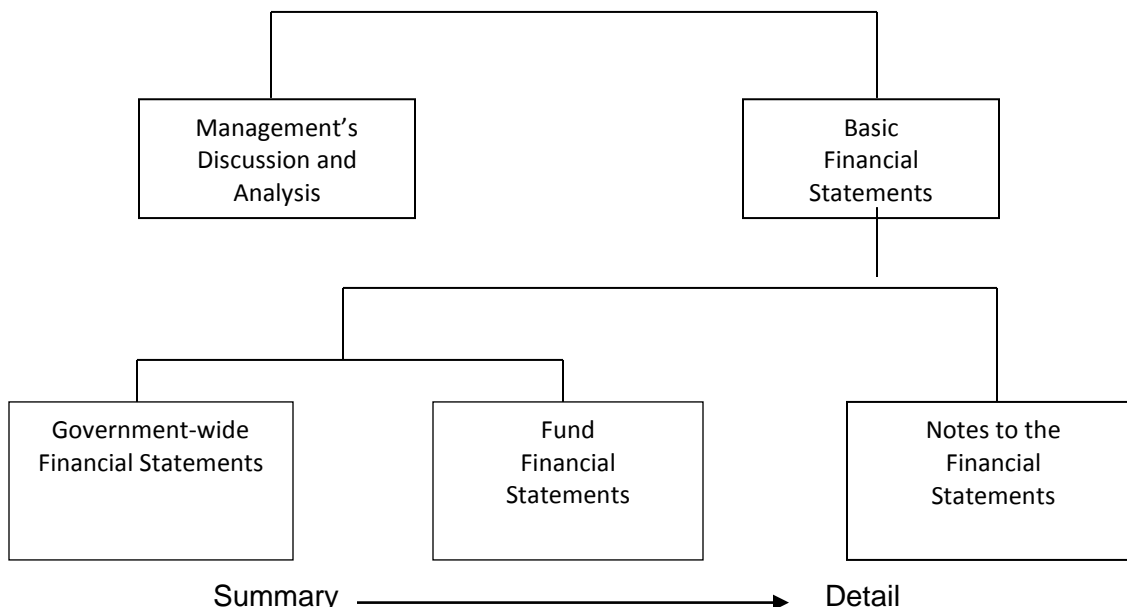
Financial Highlights

- The assets and deferred outflows of resources of the Town of Richfield exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,484,214 (net position).
- As of the close of the current fiscal year, the Town of Richfield's general fund reported fund balance of \$736,646, a decrease of \$371,643 in comparison with the prior year. Approximately 77.6 percent of this total amount, or \$571,971 is available for spending at the government's discretion (unassigned fund balance).

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provided more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

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

Government-wide Financial Statements

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

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

The government-wide statements have one category: 1) governmental activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, transportation, environmental protection, and general administration. Property taxes and state grant funds finance most of these activities.

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 16 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with 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 State laws and State appropriations.

Government-Wide Financial Analysis

Town of Richfield's Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 748,197	\$1,138,848	\$ -	\$ 19,506	\$ 748,197	\$1,158,354
Capital assets and deferred outflows of resources	<u>743,798</u>	<u>221,432</u>	<u>-</u>	<u>-</u>	<u>743,798</u>	<u>221,432</u>
Total assets and deferred outflows of resources	<u>1,491,995</u>	<u>1,360,280</u>	<u>-</u>	<u>19,506</u>	<u>1,491,995</u>	<u>1,379,786</u>
Long-term liabilities	945	1,418	-	-	945	1,418
Other liabilities and Deferred inflows of resources	<u>6,836</u>	<u>26,625</u>	<u>-</u>	<u>19,506</u>	<u>6,836</u>	<u>46,131</u>
Total liabilities and deferred inflows of resources	<u>7,781</u>	<u>28,043</u>	<u>-</u>	<u>19,506</u>	<u>7,781</u>	<u>47,549</u>
Net position:						
Net investment in capital assets	743,798	221,432	-	-	743,798	221,432
Restricted	164,675	154,644	-	-	164,675	154,644
Unrestricted	<u>575,741</u>	<u>956,161</u>	<u>-</u>	<u>-</u>	<u>575,741</u>	<u>956,161</u>
Total Net Position	<u>\$1,484,214</u>	<u>\$1,332,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,484,214</u>	<u>\$1,332,237</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Richfield exceeded liabilities by \$1,484,214 as of June 30, 2021. The Town's net position increased by \$151,977 for the fiscal year ended June 30, 2021. However, the largest portion of \$743,798 of the Town of Richfield's net position is the Town's net investment of capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Richfield uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Richfield's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. Another portion of \$164,675 reflects the portion of net position that is restricted. The remaining portion of \$575,741 represents the portion of net position that is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collections percentage of 98.3%, which is relative compared to the statewide average of 97.0%.
- Local option sales tax revenues increased approximately \$30,000 from the previous year.
- The Town utilized existing cash revenues to purchase and renovate the new Town Hall, which reduced unrestricted net position.

Town of Richfield Changes in Net Position

Figure 3

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program Revenues						
Charges for Services	\$ 35,296	\$ 28,558	\$ -	\$ 90,118	\$ 35,296	\$ 118,676
Operating Grants & Contributions	23,336	24,813	-	-	23,336	24,813
General Revenues:						
Property Taxes	163,535	159,625	-	-	163,535	159,625
Other Taxes	255,538	225,765	-	-	255,538	225,765
Unrestricted investment earnings	572	711	-	5	572	716
Other	9,077	13,236	-	-	9,077	13,236
Total Revenues	<u>487,354</u>	<u>452,708</u>	<u>-</u>	<u>90,123</u>	<u>487,354</u>	<u>542,831</u>
Expenses:						
General Government	181,782	145,443	-	-	181,782	145,443
Public Safety	69,838	49,807	-	-	69,838	49,807
Highways/Streets	31,961	54,626	-	-	31,961	54,626
Environmental Protection	30,174	32,884	-	-	30,174	32,884
Culture and Recreation	21,622	23,411	-	-	21,622	23,411
Sewer Operations	-	-	-	153,359	-	153,359
Total Expenses	<u>335,377</u>	<u>306,171</u>	<u>-</u>	<u>153,359</u>	<u>335,377</u>	<u>459,530</u>
Increase (Decrease) in net position before transfers	151,977	146,537	-	(63,236)	151,977	83,301
Transfers	-	145,564	-	(145,564)	-	-
Special item	-	-	-	(1,145,367)	-	(1,145,367)
Increase (decrease) in net position	151,977	292,101	-	(1,354,167)	151,977	(1,062,066)
Net position, July 1 as previously reported	1,332,237	1,042,824	-	1,354,167	1,332,237	2,396,991
Prior period adjustment	-	(2,688)	-	-	-	(2,688)
Net position, July 1 restated	<u>1,332,237</u>	<u>1,040,136</u>	<u>-</u>	<u>1,354,167</u>	<u>1,332,237</u>	<u>2,394,303</u>
Net position, June 30	<u>\$ 1,484,214</u>	<u>\$ 1,332,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,484,214</u>	<u>\$ 1,332,237</u>

Governmental activities - Governmental activities increased the Town's net position by \$151,977 thereby accounting growth in the net position in the governmental activities of the Town of Richfield.

- Revenues in the governmental activities increased by 7.7 percent over prior year primarily because of an increase in local option sales tax received.

Business-type activities

- During the prior year the Town terminated the provision of sewer operations and transferred the sewer system to Stanly County. Accordingly, the Town no longer engages in business-type activities.

Financial Analysis of the Town of Richfield's Funds

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

Governmental Funds – The focus of the Town of Richfield's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing the Town of Richfield's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General fund is the chief operating fund of the Town of Richfield. At the end of the current fiscal year, unassigned fund balance of the General fund was \$571,971, while total fund balance reached \$736,646. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 77.6 percent of total General fund balance. Unassigned fund balance represents 67.0 percent of General fund expenditures, while total fund balance represents 85.8 percent of the same amount. The town's governing body has not established a policy in a percentage fund balance in case of unforeseen needs. The changes in general fund balance changed for similar reasons as discussed under governmental activities.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

The Town revised the budget to account for revised estimates on receipts of sales taxes and to appropriate those amounts to provide services to the parks and recreation department.

Capital assets and Debt Administration

Capital assets – the Town of Richfield’s investment in capital assets for its governmental activities as of June 30, 2021 totals \$743,798 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Purchase and renovation of the new Town Hall cost the Town \$554,688 for the year and added to the Town’s buildings and land in capital assets. The Town financed the Town Hall with existing cash reserves.

Town of Richfield Capital Assets

Figure 4
(net of depreciation)

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Land	\$ 100,679	\$ 83,679
Buildings	586,486	62,697
Improvements	5,288	6,096
Equipment	1,123	1,711
Vehicles	34,310	46,216
Infrastructure	15,912	21,033
Total	<u>\$ 743,798</u>	<u>\$ 221,432</u>

Long-term Debt – As of June 30, 2021, The Town of Richfield had minimal outstanding long-term debt.

Long-term Debt **Figure 5**

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Compensated absences	\$ 1,891	\$ 2,836
Total	<u>\$ 1,891</u>	<u>\$ 2,836</u>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within the government's boundaries. Additional information regarding the Town of Richfield's long-term debt can be found in Note 3 Long-term obligations section of this report. The legal debt margin for the Town of Richfield is \$5,946,691.

Economic Factors and Next Year's Budgets and Rates

Impact of Coronavirus on Town - On January 30, 2020, the World Health Organization declared the coronavirus "COVID-19" outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or "stay-at-home" restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including that of the Town. While it is unknown how long these conditions will last and what the complete financial impact will be, the Town is closely monitoring the impact of the COVID-19 pandemic on all aspects of their operations and are unable at this time to predict the continued impact that COVID-19 will have on their services, financial position, and operating results in future periods due to numerous uncertainties.

Budget Highlights for the Fiscal Year Ending June 30, 2022

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

As a result of the coronavirus pandemic, the Town has been awarded \$99,115 of grant funding allocations through the American Rescue Plan Act of 2021, Coronavirus State and Local Recovery Fund. These funds must be obligated by December 31, 2024 and fully expended by December 31, 2026. The Town is currently collaborating on a plan to utilize the funds.

Budgeted revenues and expenditures in the General fund decrease by 52.3% over prior year, the largest decrease is the elimination of capital outlay.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Town Administrator, Carolyn Capps, PO Box 158, Richfield, NC 28137 or phoned at (704) 463-1308, or richfieldnc@aol.com.

FINANCIAL SECTION

TOWN OF RICHFIELD, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2021

Exhibit 1

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 577,861	\$ 577,861
Taxes Receivable	5,661	5,661
Due from Other Governments	48,212	48,212
Restricted Cash and Cash Equivalents	116,463	116,463
Total Current Assets	748,197	748,197
Non-current assets:		
Capital Assets		
Land	100,679	100,679
Other Capital Assets, Net of Depreciation	643,119	643,119
Total Capital Assets	743,798	743,798
Total Assets	1,491,995	1,491,995
LIABILITIES		
Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	5,890	5,890
Compensated Absences	946	946
Total Current Liabilities	6,836	6,836
Long-term Liabilities		
Compensated Absences	945	945
Total Long-term Liabilities	945	945
Total Liabilities	7,781	7,781
NET POSITION		
Invested in Capital Assets, Net of Related Debt	743,798	743,798
Restricted for:		
Stabilization State Statute	48,212	48,212
Streets	116,463	116,463
Unrestricted	575,741	575,741
Total Net Position	\$ 1,484,214	\$ 1,484,214

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

TOWN OF RICHFIELD, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit 2

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Total
Primary Government:						
Governmental Activities:						
General Government	\$ 181,782	\$ 22,224	\$ -	\$ -	\$ (159,558)	\$ (159,558)
Public Safety	69,838	9,050	-	-	(60,788)	(60,788)
Transportation	31,961	-	23,336	-	(8,625)	(8,625)
Environmental Protection	30,174	-	-	-	(30,174)	(30,174)
Culture and Recreation	21,622	4,022	-	-	(17,600)	(17,600)
Total Governmental Activities	335,377	35,296	23,336	-	(276,745)	(276,745)
 Total Primary Government	 \$ 335,377	 \$ 35,296	 \$ 23,336	 \$ -	 \$ (276,745)	 (276,745)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purpose					163,535	163,535
Local Option Sales Taxes					195,242	195,242
Other Taxes					60,296	60,296
Unrestricted Investment Earnings					572	572
Miscellaneous					9,077	9,077
Total General Revenues					428,722	428,722
Change in Net Position					151,977	151,977
Net Position, Beginning					1,332,237	1,332,237
Net Position, Ending					\$ 1,484,214	\$ 1,484,214

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

TOWN OF RICHFIELD, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

Exhibit 3

	<u>Major Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Governmental Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 577,861	\$ 577,861
Restricted Cash & Cash Equivalents	116,463	116,463
Receivables, Net:		
Taxes	5,661	5,661
Due from Other Governments	48,212	48,212
Total Assets	<u>\$ 748,197</u>	<u>\$ 748,197</u>
LIABILITIES		
Liabilities:		
Accounts Payable and Accrued Liabilities	<u>\$ 5,890</u>	<u>\$ 5,890</u>
Total Liabilities	<u>5,890</u>	<u>5,890</u>
DEFERRED INFLOWS OF RESOURCES:		
Property Taxes Receivable	<u>5,661</u>	<u>5,661</u>
Total Deferred Inflows of Resources	<u>5,661</u>	<u>5,661</u>
FUND BALANCES		
Restricted:		
Stabilization by State Statute	48,212	48,212
Streets-Powell Bill	116,463	116,463
Unassigned	<u>571,971</u>	<u>571,971</u>
Total Fund Balances	<u>736,646</u>	<u>736,646</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 748,197</u>	<u>\$ 748,197</u>
Reconciliation of fund balances as reported in the balance sheet - governmental funds with net position - governmental activities		
Fund balance as reported in the balance sheet - governmental funds		\$ 736,646
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		743,798
Liabilities for earned revenues considered deferred inflows of resources in fund statements		5,661
Compensated absences		<u>(1,891)</u>
Net position of governmental activities		<u>\$ 1,484,214</u>

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

TOWN OF RICHFIELD, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit 4

	<u>Major Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Governmental</u>
		<u>Fund</u>
REVENUES		
Ad Valorem Taxes	\$ 163,226	\$ 163,226
Unrestricted Intergovernmental	255,538	255,538
Restricted Intergovernmental	23,336	23,336
Permits and Fees	1,502	1,502
Sales and Services	33,794	33,794
Investment Earnings	572	572
Miscellaneous	9,077	9,077
Total Revenues	<u>487,045</u>	<u>487,045</u>
EXPENDITURES		
Current:		
General Government	726,083	726,083
Public Safety	55,365	55,365
Transportation	26,840	26,840
Environmental Protection	30,174	30,174
Culture and Recreation	20,226	20,226
Total Expenditures	<u>858,688</u>	<u>858,688</u>
Excess of revenues over expenditures	<u>(371,643)</u>	<u>(371,643)</u>
Fund Balances, Beginning	<u>1,108,289</u>	<u>1,108,289</u>
Fund Balances, Ending	<u>\$ 736,646</u>	<u>\$ 736,646</u>

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

TOWN OF RICHFIELD, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ (371,643)
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	554,688
Depreciation expense for governmental assets	(32,322)
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	309
Compensated absences	<u>945</u>
Total changes in net position of governmental activities	<u>\$ 151,977</u>

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

TOWN OF RICHFIELD, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit 6

	General Fund			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues:				
Ad Valorem Taxes	\$ 158,000	\$ 158,000	\$ 163,226	\$ 5,226
Unrestricted Intergovernmental	177,620	192,120	255,538	63,418
Restricted Intergovernmental	25,000	25,000	23,336	(1,664)
Permits and Fees	1,700	1,700	1,502	(198)
Sales and Services	30,100	30,100	33,794	3,694
Investments Earnings	310	310	572	262
Miscellaneous	1,300	1,300	9,077	7,777
Total Revenues	<u>394,030</u>	<u>408,530</u>	<u>487,045</u>	<u>78,515</u>
Expenditures:				
Current:				
General Government	727,750	727,750	726,083	1,667
Public Safety	82,000	82,000	55,365	26,635
Transportation	25,000	25,000	26,840	(1,840)
Environmental Protection	38,000	38,000	30,174	7,826
Culture and Recreation	500	15,000	20,226	(5,226)
Total Expenditures	<u>873,250</u>	<u>887,750</u>	<u>858,688</u>	<u>29,062</u>
Revenues over Expenditures	<u>(479,220)</u>	<u>(479,220)</u>	<u>(371,643)</u>	<u>107,577</u>
Other Financing Sources (Uses):				
Fund balance appropriated	<u>479,220</u>	<u>479,220</u>	-	<u>(479,220)</u>
Total Other Financing Sources (Uses)	<u>479,220</u>	<u>479,220</u>	-	<u>(479,220)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(371,643)</u>	<u>\$ (371,643)</u>
Fund Balances, Beginning			<u>1,108,289</u>	
Fund Balances, ending			<u>\$ 736,646</u>	

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

NOTES TO THE FINANCIAL STATEMENTS

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

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Town of Richfield conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Richfield is a municipal corporation that is governed by an elected Mayor and a five-member Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the Town. There are no legally separate entities for which the Town is financially accountable that are required to be included in the reporting entity.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements represent the *governmental activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the Town's fund. Separate statements for each fund category – *governmental* – are presented. The Town has no fiduciary activities or proprietary funds to report. The emphasis of fund financial statements is on major governmental funds displayed in a separate column. There are no non-major funds.

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, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Richfield. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that are billed in periods prior to September 1, 2013, and for limited registrations are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Note 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Richfield because the tax is levied by Stanly County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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 are 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 by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. All amendments must be approved by the governing board and the board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Cash and Cash Equivalents

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

Restricted Assets

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

Town of Richfield Restricted Cash:

Governmental Activities

General Fund:

Streets (Powell Bill)..... \$ 116,463

Ad Valorem Taxes Receivable

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

Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivable that were written off in prior years. As of June 30, 2021, the Town believes all receivables are fully collected.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost are as follows: land, \$10,000; buildings, \$15,000; infrastructure, \$20,000; furniture and equipment \$3,000; vehicles, \$5,000; and computers and software \$3,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at their acquisition value. All other purchased or

Note 1: Summary of Significant Accounting Policies (Continued)

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

Capital Assets (Continued)

constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repair that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 Years
Infrastructure	10-30 Years
Improvements	25 Years
Vehicles	5 Years
Furniture and equipment	10 Years
Computer equipment and software	3 Years

Deferred outflows/inflows of resources

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

Compensated absences

The vacation policies of the Town provide for the accumulation of up to 15 days of earned vacation leave with such leave being fully vested when earned. For the Town's government-wide fund, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensation time. The portion of that time 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 provide for up to five weeks of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Restricted by Stabilization by State Statute - 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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Net Position/Fund Balances (Continued)

Fund Balances (Continued)

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

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

Note 2: Stewardship, Compliance, and Accountability

Noncompliance with North Carolina General Statutes

State law (G.S. 159-34) requires the unit to have its accounts audited as soon as possible after the close of each fiscal year. The audit due date for this audit would have been October 31, 2021. This Statute was not complied with. We recommend, going forward, that the unit take every possible step to have audits completed timely. The Town agrees with this recommendation and will work with their accountant to resolve this issue going forward.

Pursuant to G.S. 159-33 LGC 203 Report (Cash and Investment summary) was not timely filed. The Town's June 30, 2021 report was due by July 31, 2021 but was filed on October 21, 2021. The Town should implement procedures to ensure the timely filing of this report in the future. The Town agrees with this recommendation and will work with their accountant to resolve this issue going forward.

Note 3: Detail Notes on All Funds

A. Assets

Deposits

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

At June 30, 2021, the Town's deposits had a carrying amount of \$694,324, and a bank balance of \$698,015. Of the Bank Balance, \$451,845 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$100.

The Town of Richfield has no policy regarding credit risk.

Receivables – Allowances for Doubtful Accounts

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

Town of Richfield, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

Note 3: Detail Notes on All Funds (Continued)

A. Assets (Continued)

Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2021.

Governmental Activities	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets not being depreciated				
Land	\$ 83,679	\$ 17,000	\$ -	\$ 100,679
Capital assets being depreciated				
Buildings	113,869	537,688	-	651,557
Park development	187,052	-	-	187,052
Equipment	70,323	-	-	70,323
Vehicles	59,530	-	-	59,530
Infrastructure	99,915	-	-	99,915
Total capital assets being depreciated	530,689	537,688	-	1,068,377
Less accumulated depreciation				
Buildings	51,172	13,899	-	65,071
Park development	180,956	808	-	181,764
Equipment	68,612	588	-	69,200
Vehicles	13,314	11,906	-	25,220
Infrastructure	78,882	5,121	-	84,003
Total accumulated depreciation	392,936	32,322	-	425,258
Total capital assets being depreciated, net	137,753			643,119
Total Governmental activity capital assets, net	\$ 221,432			\$ 743,798

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

General Government	\$ 11,332
Public Safety	14,473
Transportation	5,121
Cultural and Recreation	1,396
Total Depreciation Expense	<u>\$ 32,322</u>

Note 3: Detail Notes on All Funds (Continued)

B. Liabilities

Deferred Outflows and Inflows of Resources

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

Taxes Receivable (General Fund)	<u>\$ 5,661</u>
---------------------------------	-----------------

Risk Management

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

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000.

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

Claims, Judgments and Contingent Liabilities

At June 30, 2021, there was no material pending or threatened litigation, claims or assessments involving the Town of Richfield.

Town of Richfield, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

Note 3: Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

Long-Term Obligations

At June 30, 2021, the Town of Richfield had a legal debt margin of \$5,946,691.

Changes in long-term liabilities

The following is a summary of changes in the City's long-term debt for the year ended June 30, 2021:

Changes in Long-Term Liabilities

	July 1			June 30	Current portion
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>of Balance</u>
Governmental activities					
Compensated absences	\$ 2,836	\$ 245	\$ 1,190	\$ 1,891	\$ 946
Total Governmental activities	<u>\$ 2,836</u>	<u>\$ 245</u>	<u>\$ 1,190</u>	<u>\$ 1,891</u>	<u>\$ 946</u>

Fund Balance

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

Total Fund Balance – General Fund	\$ 736,646
Less:	
Stabilization by State Statute	48,212
Streets- Powell Bill	<u>116,463</u>
Unassigned Fund Balance	<u>\$ 571,971</u>

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

Note 4: Jointly Governed Organization

The Town, in conjunction with nine counties and seventy-three other municipalities, established the Centralina Council of Governments (Council). 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 membership fees of \$750 to the Council during the fiscal year ended June 30, 2021.

Note 5: Summary Disclosure of Significant Contingencies

State Assisted Programs

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

Note 6: Impact of Coronavirus on Town

On January 30, 2020, the World Health Organization declared the coronavirus “COVID-19” outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or “stay-at-home” restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including that of the Town. While it is unknown how long these conditions will last and what the complete financial impact will be, the Town is closely monitoring the impact of the COVID-19 pandemic on all aspects of their operations and are unable at this time to predict the continued impact that COVID-19 will have on their services, financial position, and operating results in future periods due to numerous uncertainties.

Note 7: Subsequent Event

On March 11, 2021, the American Rescue Plan Act of 2021 (“ARPA”) was signed into law. The law appropriates \$1.9 trillion of federal funding for COVID-19 relief and economic recovery including provisions directly benefiting state and local governments. North Carolina is expecting to receive over \$8.6 billion for state and local government relief, \$3.2 billion of which is to be distributed to local governments via federal formulas. ARPA funds are restricted to use within broad categories outlined in the Act, though within the categories of eligible uses, recipients have broad flexibility to decide how best to use this funding to meet the needs of their communities. State and local governments must obligate ARPA funds by December 31, 2024, and spend them by December 31, 2026. Subsequent to June 30, 2021, the Town received the first of two equal annual ARPA allocations of \$99,115. The Town is currently collaborating on a plan to utilize the funds received.

INDIVIDUAL FUND
FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

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

TOWN OF RICHFIELD, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit A-1
Page 1 of 3

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ -	\$ 144,288	\$ -
Motor vehicle taxes	-	18,938	-
Total	<u>158,000</u>	<u>163,226</u>	<u>5,226</u>
Unrestricted Intergovernmental:			
Local Option Sales Taxes	-	195,242	-
Utility Franchise Tax	-	52,516	-
Occupancy Tax	-	4,997	-
Beer and Wine Tax	-	2,783	-
Total	<u>192,120</u>	<u>255,538</u>	<u>63,418</u>
Restricted Intergovernmental			
Powell Bill Allocation	-	23,336	-
Total	<u>25,000</u>	<u>23,336</u>	<u>(1,664)</u>
Permits and Fees:			
Privilege Licenses	-	942	-
Zoning	-	560	-
Total	<u>1,700</u>	<u>1,502</u>	<u>(198)</u>
Sales and Services:			
Nextel lease	-	19,722	-
Dumpster rental	-	1,000	-
Park and Recreation fees	-	4,022	-
Rentals	-	9,050	-
Total	<u>30,100</u>	<u>33,794</u>	<u>3,694</u>
Investment Earnings	<u>310</u>	<u>572</u>	<u>262</u>
Miscellaneous expenses	-	9,077	-
Total	<u>1,300</u>	<u>9,077</u>	<u>7,777</u>
Total Revenues	<u>408,530</u>	<u>487,045</u>	<u>78,515</u>

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)
Expenditures:			
General Government			
Salaries and employee benefits	\$ -	\$ 85,996	\$ -
Professional services	-	41,349	-
Other operating expenditures	-	17,557	-
Capital outlay	-	554,688	-
Total	<u>706,250</u>	<u>699,590</u>	<u>6,660</u>
Taxes:			
Collection fees	-	2,193	-
Total	<u>1,000</u>	<u>2,193</u>	<u>(1,193)</u>
Public Buildings:			
Utilities	-	9,187	-
Building and equipment repair	-	3,750	-
Insurance	-	9,714	-
Dues and subscriptions	-	1,649	-
Total	<u>20,500</u>	<u>24,300</u>	<u>(3,800)</u>
Total General Government	<u>727,750</u>	<u>726,083</u>	<u>1,667</u>
Public Safety:			
Police:			
Service contract	-	55,365	-
Total Public Safety	<u>82,000</u>	<u>55,365</u>	<u>26,635</u>
Transportation:			
Streets and Highways:			
Salaries and employee benefits	-	3,229	-
Powell Bill expenditures	-	16,950	-
Maintenance	-	6,661	-
Total Transportation	<u>25,000</u>	<u>26,840</u>	<u>(1,840)</u>
Environmental Protection:			
Solid Waste:			
Service contract	-	30,174	-
Total Environmental Protection	<u>38,000</u>	<u>30,174</u>	<u>7,826</u>

TOWN OF RICHFIELD, NORTH CAROLINA

Exhibit A-1

GENERAL FUND

Page 3 of 3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Positive (Negative)
Culture and Recreation:			
Parks and Recreation:			
Labor	\$ -	\$ 5,549	\$ -
Utilities	-	8,381	-
Maintenance supplies	-	6,296	-
Total	<u>15,000</u>	<u>20,226</u>	<u>(5,226)</u>
Total Expenditures	<u>887,750</u>	<u>858,688</u>	<u>29,062</u>
Revenues over Expenditures	<u>(479,220)</u>	<u>(371,643)</u>	<u>107,577</u>
Other Financing Sources (Uses):			
Fund balance appropriated	<u>479,220</u>	<u>-</u>	<u>(479,220)</u>
Total	<u>479,220</u>	<u>-</u>	<u>(479,220)</u>
Net change in fund balance	<u>\$ -</u>	<u>(371,643)</u>	<u>\$ (371,643)</u>
Fund Balances, beginning		<u>1,108,289</u>	
Fund Balances, ending		<u>\$ 736,646</u>	

Other Schedules

This section includes additional information on property taxes.

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

TOWN OF RICHFIELD, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2021

Exhibit C-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 163,534	\$ 160,718	\$ 2,816
2019-2020	2,697	-	1,553	1,144
2018-2019	1,176	-	659	517
2017-2018	302	-	31	271
2016-2017	215	-	29	186
2015-2016	161	-	11	150
2014-2015	112	-	11	101
2013-2014	291	-	11	280
2012-2013	108	-	2	106
2011-2012	98	-	8	90
2010-2011	<u>192</u>	<u>-</u>	<u>192</u>	<u>-</u>
Totals	<u>\$ 5,352</u>	<u>\$ 163,534</u>	<u>\$ 163,225</u>	<u>5,661</u>

Reconcilement with revenues:

Taxes - ad valorem - General Fund	163,226
Releases	191
Write-off of prior year taxes	<u>(192)</u>
Total collections and credits	<u>\$ 163,225</u>

TOWN OF RICHFIELD, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY - TOWN WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit C-2

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxes at current year's rate	\$ 74,325,000	0.22	\$ 163,515	\$ 144,577	\$ 18,938
Penalties	-	0.22	-	-	-
Total Property Valuation	<u>74,325,000</u>		<u>163,515</u>	<u>144,577</u>	<u>18,938</u>
Abatements	(161,364)	0.22	(355)	(355)	-
Discoveries	<u>170,000</u>	0.22	<u>374</u>	<u>374</u>	<u>-</u>
Total property valuation	<u>\$ 74,333,636</u>				
Net Levy			<u>163,534</u>	<u>144,596</u>	<u>18,938</u>
Uncollected Taxes at June 30, 2021			<u>2,816</u>	<u>2,816</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 160,718</u>	<u>\$ 141,780</u>	<u>\$ 18,938</u>
Current Levy Collection Percentage			<u>98.3%</u>	<u>98.1%</u>	<u>100.0%</u>