

REVIEWED

By SLGFD at 3:56 pm, Dec 22, 2021

TOWN OF RICHLANDS

RICHLANDS, NORTH CAROLINA

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2021**

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INTRODUCTORY SECTION

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- List of Principal Officials
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TOWN OF RICHLANDS, NORTH CAROLINA

BOARD OF ALDERMEN

McKinley Smith
Mayor

Kent Painter

Thompson L. Brown

Paul Conner

Kandy Koonce

Marilyn Bunce

ADMINISTRATION

Gregg Whitehead
Town Administrator

Doreen Putney
Town Clerk/Finance Officer

William A. Horne
Chief – Police Department

Johnathan Jarman
Public Works Director

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Town of Richlands, North Carolina
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June 30, 2021

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Local Government Employees' Retirement System's Schedules of the proportionate Share of the Net Pension Asset (Liability) and contributions on pages 5 through 12, 46 and 47, 48 and 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Williams • Scarborough • Gray, LLP

Williams • Scarborough • Gray, LLP
Jacksonville, North Carolina
November 30, 2021

Management's Discussion and Analysis

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

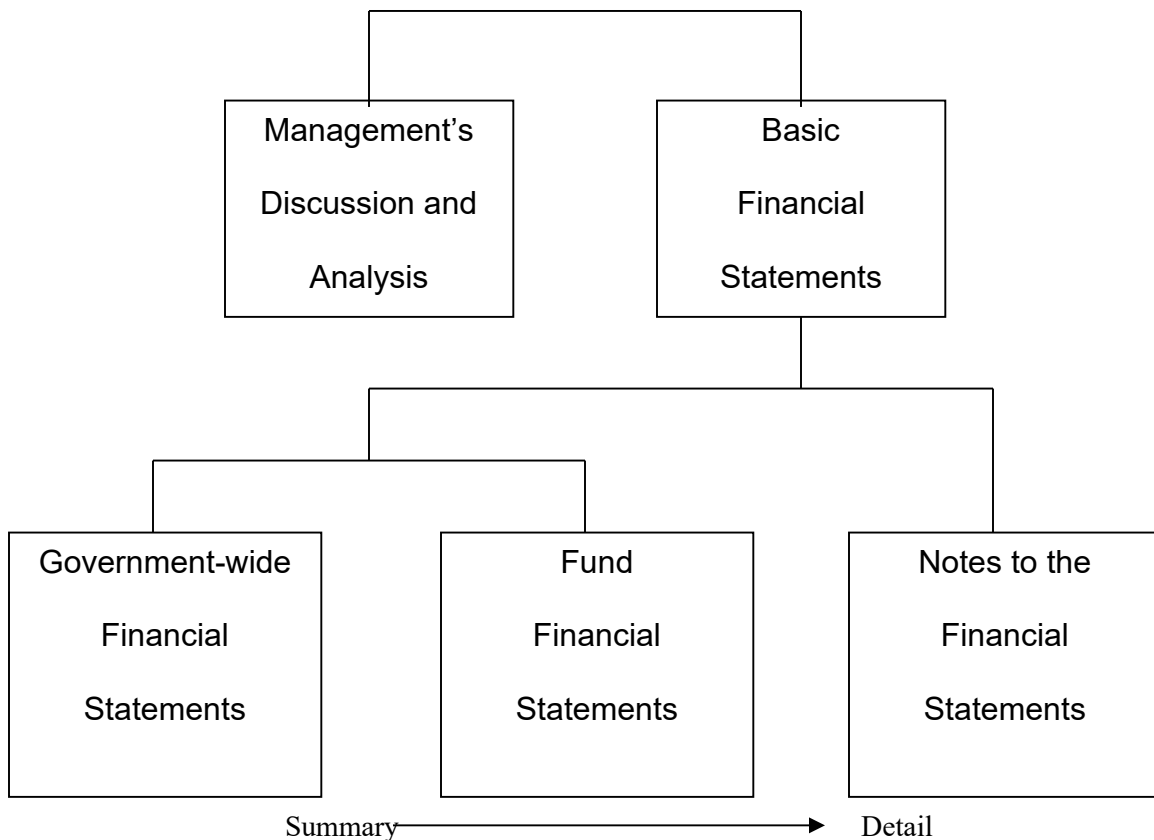
- The assets of the Town of Richlands exceeded its liabilities at the close of the fiscal year by \$1,908,083 (*net position*).
- The government's total net position increased by \$158,443.
- As of the close of the current fiscal year, the Town of Richlands' governmental funds reported ending fund balances of \$1,208,258, an increase of \$239,498 in comparison with the prior year. Approximately 89 percent of this total amount, or \$1,023,770, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,023,770, or 73 percent of total general fund expenditures for the fiscal year.
- The Town of Richlands installment purchase debt decreased by \$36,106 during the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

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

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

Government-Wide Financial Analysis

Town of Richlands Net Position

Figure 2

	Governmental Activities	
	2021	2020
Current and other assets	\$ 1,211,360	\$ 960,370
Capital assets	111,096	1,166,901
Deferred outflows of resources	249,415	155,665
Total assets and deferred outflows of resources	1,571,871	2,282,936
Long-term liabilities outstanding	531,217	429,323
Other liabilities	110,907	95,982
Deferred inflows of resources	21,664	7,991
Total liabilities and deferred inflows of resources	663,788	533,296
Net position:		
Invested in capital assets, net of related debt	1,048,426	1,093,425
Restricted	122,382	89,072
Unrestricted	737,275	567,143
Total net position	\$ 1,908,083	\$ 1,749,640

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

Management Discussion and Analysis
Town of Richlands

\$1,908,083 as of June 30, 2021. The Town's net position increased by \$158,443 for the fiscal year ended June 30, 2021. The largest portion of net position (55%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Richlands uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Richlands' net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$122,382, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$737,275 is unrestricted.

Town of Richlands Changes in Net Position
Figure 3

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 257,264	\$ 240,051
Operating grants and contributions	81,340	214,737
Capital grants and contributions	1,230	1,000
General revenues:		
Property taxes	663,980	634,257
Grants and contributions not restricted to specific programs	621,073	511,098
Other	23,915	22,380
Total revenues	<u>1,648,802</u>	<u>1,623,523</u>
Expenses:		
General government	417,049	433,165
Public safety	552,932	553,768
Highways/streets and sanitation	514,956	676,674
Interest on long-term debt	5,422	5,922
Total expenses	<u>1,490,359</u>	<u>1,669,529</u>
Increase (decrease) in net position	158,443	(46,006)
Net position, July 1	<u>1,749,640</u>	<u>1,795,646</u>
Net position, June 30	<u>\$ 1,908,083</u>	<u>\$ 1,749,640</u>

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

Governmental activities. Governmental activities increased the Town's net position by \$239,498, thereby accounting for 100% of the total increase in the net position of the Town of Richlands.

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

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Richlands. At the end of the current fiscal year, the Town of Richlands fund balance available in the General Fund was \$1,023,770, while total fund balance was \$1,146,152. The Town currently has an available fund balance of 73% of total General Fund expenditures, while total fund balance represents 81% of that same amount.

At June 30, 2021, the governmental funds of Town of Richlands reported a combined fund balance of \$1,146,152, a 26 percent increase over last year.

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

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

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

Capital Asset and Debt Administration

Capital assets. The Town of Richlands' investment in capital assets for its governmental activities as of June 30, 2021, totals \$1,111,096 (net of accumulated depreciation). These assets include buildings, construction in progress, land, machinery and equipment, park facilities, and vehicles.

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

Figure 4

	Governmental Activities	
	2021	2020
Land	\$ 365,898	\$ 365,898
Buildings and infrastructure	619,186	647,166
Machinery and equipment	105,648	119,367
Vehicles and motorized equipment	20,364	34,470
Total	<u>\$ 1,111,096</u>	<u>\$ 1,166,901</u>

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

Long-term Debt. As of June 30, 2021, the Town of Richlands had total debt outstanding of \$113,271. The Town's debt represents installment purchases for government activities.

The Town of Richlands' total debt decreased by \$36,106 (24%) during the past fiscal year. This decrease is attributed to scheduled principal payments of \$36,106.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Richlands is \$13,071,480.

Economic Factors and Next Year's Budgets and Rates

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

- The 2020 Census established a residential population in Richlands of 2,290, which reflects a growth rate of 50.6% since the 2010 census. Though these figures reflect consistent residential growth since 2010, the residential market for new housing construction has been lower in recent years.
- The recent completion of 1 million gallon regional waste water treatment plant adjacent to Richlands should continue to help remove environmental barriers to new development in town.
- The Town does not have a significant manufacturing or industrial base. However, the addition of a major big box retailer located within a quarter mile of Richlands should continue to improve the small business development in town.
- Low unemployment. The Town of Richlands is too small to be statistically categorized in unemployment figures. However, the Onslow County unemployment rate of 7.2% is within the statistical margin of the State average of 7.3%.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The Town does not expect and significant changes in revenue in relation to the prior year and is budgeting a decrease in revenue of about 6% to \$1,549,200.

Budgeted expenditures in the General Fund are expected to decrease approximately 6%.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Gregg Whitehead, Town Administrator, PO Box 245, Richlands, NC 28574.

**BASIC
FINANCIAL STATEMENTS**

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Town of Richlands, North Carolina
STATEMENT OF NET POSITION
June 30, 2021

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,049,992
Restricted cash	24,197
Taxes receivables (net)	6,937
Accrued interest receivable on taxes	3,101
Accounts receivable (net)	<u>127,133</u>
Total current assets	1,211,360
Non-current assets:	
Capital assets:	
Land	365,898
Other capital assets, net of depreciation	<u>745,198</u>
Total capital assets	<u>1,111,096</u>
Total assets	<u><u>\$ 2,322,456</u></u>
DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 249,415</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 26,221
Compensated absences	48,034
Current portion of long-term liabilities	<u>36,652</u>
Total current liabilities	110,907
Long-term liabilities:	
Net pension liability	310,173
Total pension liability	144,425
Due in more than one year	<u>76,619</u>
Total liabilities	<u><u>\$ 642,124</u></u>
DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 21,664</u></u>
NET POSITION	
Net investment in capital assets	\$ 1,048,426
Restricted for:	
Stabilization by State Statute	98,185
Streets	24,197
Unrestricted	<u>737,275</u>
Total net position	<u><u>\$ 1,908,083</u></u>

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

Town of Richlands, North Carolina
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental Activities:			
General government	\$ 417,049	\$ 50,956	\$ 7,100
Public safety	552,932	21,969	22,105
Streets and sanitation	514,956	184,339	52,135
Interest on long-term debt	<u>5,422</u>	<u>-</u>	<u>-</u>
Total primary government	<u>1,490,359</u>	<u>257,264</u>	<u>81,340</u>
General revenues:			
Taxes:			
Property taxes, levied for general purpose			
Grants and contributions not restricted to specific programs			
Investment earnings			
Miscellaneous			
Total general revenues, special items, and transfers			
Change in net position			
Net position-beginning			
Net position-ending			

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

Net (Expense) Revenue and Changes in Net Position		
Capital Grants and Contributions	Primary Government	
	Governmental Activities	Total
\$ 1,230	\$ (357,763)	\$ (357,763)
-	(508,858)	(508,858)
-	(278,482)	(278,482)
-	(5,422)	(5,422)
<u>1,230</u>	<u>(1,150,525)</u>	<u>(1,150,525)</u>
	663,980	663,980
	621,073	621,073
	117	117
	<u>23,798</u>	<u>23,798</u>
	<u>1,308,968</u>	<u>1,308,968</u>
	158,443	158,443
	<u>1,749,640</u>	<u>1,749,640</u>
<u>\$ 1,908,083</u>	<u>\$ 1,908,083</u>	<u>\$ 1,908,083</u>

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

Town of Richlands, North Carolina
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	<u>Total Governmental General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,049,991
Restricted cash	24,197
Receivables, net:	
Taxes	6,937
Accounts receivable, net	127,133
Total assets	<u>\$ 1,208,258</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	\$ 26,220
Total liabilities	<u>26,220</u>
Deferred inflows of resources:	
Property taxes receivable	6,937
Franchise/Telecom taxes receivable	28,949
Total deferred inflows of resources	<u>35,886</u>
Fund balances:	
Restricted	
Stabilization by State Statute	98,185
Streets	24,197
Unassigned	1,023,770
Total fund balances	<u>1,146,152</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,208,258</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Accrued interest receivable on taxes recorded on net assets but not on fund statements.	3,101
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,111,096
Net pensions liability is not a financial use and therefore is not reported in the fund	(310,173)
Total pensions liability is not a financial use and therefore is not reported in the fund	(144,425)
Contributions to the pension plan in current fiscal year and other pension related items shown as deferred outflows of resources on the Statement of Net Position	249,415
Liabilities for earned but deferred inflows of resources in fund statements.	35,886
Pension related deferrals	(21,664)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(161,305)</u>
Net position of governmental activities	<u>\$ 1,908,083</u>

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

Town of Richlands, North Carolina
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2021

	Total Governmental Funds
REVENUES	
Ad valorem taxes	\$ 663,966
Unrestricted intergovernmental	619,854
Restricted intergovernmental	75,470
Permits and fees	8,550
Sales and services	246,351
Investment earnings	117
Miscellaneous	<u>30,605</u>
Total revenues	<u>1,644,913</u>
EXPENDITURES	
Current:	
General government	380,894
Public safety	497,809
Streets and sanitation	487,840
Debt service:	
Principal	36,106
Interest and other charges	<u>5,422</u>
Total expenditures	<u>1,408,071</u>
Excess (deficiency) of revenues over expenditures	<u>236,842</u>
OTHER FINANCING SOURCES (USES)	
Sale of fixed assets	<u>2,656</u>
Total other financing sources	<u>2,656</u>
Net change in fund balance	239,498
Fund balances - beginning of year	<u>906,654</u>
Fund balances - end of year	<u><u>\$ 1,146,152</u></u>

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

Town of Richlands, North Carolina
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2021

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

Net changes in fund balances - governmental funds	\$ 239,498
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.	(55,805)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	61,143
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	1,233
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	36,106
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	(101,090)
Net pension obligation (LEO)	(18,653)
Compensated absences	(3,989)
Total changes in net position of governmental activities	<u>\$ 158,443</u>

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

Town of Richlands, North Carolina
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	General Fund			Variance with Final
	Original	Final	Actual Amounts	Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 626,500	\$ 626,500	\$ 663,966	\$ 37,466
Unrestricted intergovernmental	512,800	512,800	619,854	107,054
Restricted intergovernmental	56,100	56,100	75,470	19,370
Permits and fees	2,000	2,000	8,550	6,550
Sales and services	254,700	254,700	246,351	(8,349)
Investment earnings	2,000	2,000	117	(1,883)
Miscellaneous	11,500	26,135	30,605	4,470
Total revenues	1,465,600	1,480,235	1,644,913	164,678
EXPENDITURES				
Current:				
General government	384,600	409,757	380,894	28,863
Public safety	516,900	539,550	497,809	41,741
Streets and sanitation	524,450	535,468	487,840	47,628
Debt service:				
Principal	35,728	35,728	36,106	(378)
Interest and other charges	5,922	5,922	5,422	500
Total expenditures	1,467,600	1,526,425	1,408,071	118,354
Revenues over (under) expenditures	(2,000)	(46,190)	236,842	283,032
OTHER FINANCING SOURCES (USES)				
Installment purchase obligation	-	-	-	-
Sale of fixed assets	2,000	2,000	2,656	656
Appropriated fund balance	-	44,190	-	(44,190)
Total other financing sources (uses)	2,000	46,190	2,656	(43,534)
Change in net position	\$ -	\$ -	239,498	\$ 239,498
Fund balances - beginning of year			906,654	
Fund balances - end of year			\$ 1,146,152	

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

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Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation - Fund Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. These statements report the governmental activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements : The fund financial statements provide information about the Town's funds.

The Town reports the following major governmental funds:

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

C. Measurement Focus and Basis of Accounting

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

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

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

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

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

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

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

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by the Onslow County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market fund, is measured at fair value. As of June 30, 2021, the Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

3. Restricted Assets

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

Restricted Cash - General Fund	Streets	<u>\$ 24,197</u>
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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.

5. Allowances for Doubtful Accounts

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

6. Capital Assets

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

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

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

Asset Class	Estimated Useful Lives
Infrastructure	50
Buildings	30
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

7. Long-Term Obligations

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

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

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meets this criterion, contributions made to the pension plan in the 2021 fiscal year and changes in proportion and differences between employer contributions and proportional share of contributions. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only three items that meet the criterion for this category - prepaid taxes, property taxes receivable and pension deferrals.

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

9. Compensated Absences

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

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

10. Net Position/Fund Balances

Net Position

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

Net investment in capital assets was calculated excluding the \$50,599 installment purchase balance obtained in October 2012. The funds related to this purchase were recognized as an expense, not capitalized, in the prior fiscal year.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

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

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

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

11. Defined Benefit Cost-Sharing Plans

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

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

II. Detail Notes on All Funds

A. Assets

1. Deposits

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

\$754,738. Of the balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's change fund totaled \$100.

2. Investments

At June 30, 2021, the Town of Richlands had \$319,350 invested with the North Carolina Capital Management Trust's Government Portfolio with carried a credit rating of AAAM by Standard and Poor's. The investment is considered Fair Value Level 2. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices. The Town has no policy regarding credit risk.

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

	<u>Reported Value</u>	<u>Fair Value</u>
North Carolina Cash Management Trust	<u>\$ 319,350</u>	<u>\$ 319,350</u>

3. Receivables

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

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

	<u>General Fund</u>
Taxes receivable	<u>\$ 6,937</u>
State and county sales tax	75,295
Local government sales tax	5,947
ABC revenues	16,942
Utility franchise tax	4,796
Telecommunication tax	<u>24,153</u>
Accounts receivable	<u>\$ 127,133</u>

4. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Government Activities:				
Capital assets not being depreciated:				
Land	<u>365,898</u>	<u>-</u>	<u>-</u>	<u>365,898</u>
Total capital assets not being depreciated	<u>365,898</u>	<u>-</u>	<u>-</u>	<u>365,898</u>
Capital assets being depreciated:				
Buildings and infrastructure	960,709	-	-	960,709
Machinery and equipment	266,133	-	-	266,133
Vehicles and motorized equipment	<u>310,800</u>	<u>-</u>	<u>-</u>	<u>310,800</u>
Total capital assets being depreciated	<u>1,537,642</u>	<u>-</u>	<u>-</u>	<u>1,537,642</u>
 Less accumulated depreciation for:				
Buildings	313,543	27,980	-	341,523
Machinery and equipment	146,766	13,719	-	160,485
Vehicles and motorized equipment	<u>276,330</u>	<u>14,106</u>	<u>-</u>	<u>290,436</u>
Total capital assets being depreciated	<u>736,639</u>	<u>55,805</u>	<u>-</u>	<u>792,444</u>
 Governmental activity capital assets, net	<u>\$ 1,166,901</u>			<u>\$ 1,111,096</u>

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

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

General government	\$ 34,479
Public safety	13,888
Streets and sanitation	<u>7,438</u>
Total depreciation expense	<u>\$ 55,805</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

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

Contributions . Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.15% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$61,143 for the year ended June 30, 2020.

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

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

At June 30, 2021, the Town reported a liability of \$310,173 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 of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.00868%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$101,090. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,169	\$ -
Changes of assumptions	23,083	-
Net difference between projected and actual earnings on pension plan investments	43,648	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,403	17,333
Town contributions subsequent to measurement date	61,143	-
Total	<u>\$ 168,446</u>	<u>\$ 17,333</u>

The \$61,143 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 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	\$ 24,591
2023	34,787
2024	17,676
2025	12,916
Thereafter	-

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.

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

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:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 629,308	\$ 310,173	\$ 44,950

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.

b. Law Enforcement Officers Special Separation Allowance

(1) Plan Description

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019 the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>7</u>
Total	<u>8</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.

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

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

(3) Actuarial Assumption

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

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

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

Mortality rates are projected to the valuation date using MP-2019, projected forward generationally from the valuation date using MP-2019.

(4) Contributions

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

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

At June 30, 2021, the Town reported a total pension liability of \$144,425. 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 \$22,495.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 41,627	\$ 2,958
Changes of assumptions and other inputs	37,223	1,373
Benefit payments and admin costs made subsequent to measurement date	2,119	-
Total	<u>\$ 80,969</u>	<u>\$ 4,331</u>

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

\$2,113 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 15,351
2023	15,399
2024	15,760
2025	16,338
2026	11,671
Thereafter	-

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 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 one percentage point lower (0.93 percent) or one 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	\$ 159,051	\$ 144,425	\$ 131,126

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

	2021
Beginning balance	\$ 51,568
Service Cost	7,243
Interest on the pension liability	1,625
Changes of assumptions or other inputs	40,998
Difference between expected and actual experience	46,438
Benefit payments	(3,447)
Ending balance of the total pension liability	<u>\$ 144,425</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 Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

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

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

	LGRS	LEOSSA	Total
Pension Expense	\$ 101,090	\$ 22,495	\$ 123,585
Pension Liability	310,173	144,425	454,598
Proportionate share of the net pension liability	0.00868%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	39,169	41,627	80,796
Changes of assumptions	23,083	37,223	60,306
Net difference between projected and actual earnings on pension plan investments	43,648	-	43,648
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,403	-	1,403
Benefit payments and admin costs made subsequent to measurement date	-	2,119	2,119
Town contributions subsequent to measurement date	61,143	-	61,143
Deferred Inflows of Resources			
Differences between expected and actual experience	-	2,958	2,958
Changes in assumptions and other inputs	-	1,373	1,373
Changes in proportion and differences between Town contributions and proportionate share of contributions	17,333	-	17,333

c. **Supplemental Retirement Income Plan for Law Enforcement Officers**

(1) Plan description

The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the 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.

(2) Funding Policy

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

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 \$26,101, which consisted of \$16,772 from the Town and \$9,328 from the law enforcement officers.

The Town has also elected to contribute to the Plan for general employees as well as for law enforcement officers. Contributions for general employees for the year ended June 30, 2020 were \$15,408, which consisted of \$11,573 from the Town and \$3,835 from the general employees.

2. Other Employment Benefit

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

3. Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 61,143
Benefit payments and admin costs made subsequent to measurement date	2,119
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,403
Differences between expected and actual experience	80,796
Changes in assumptions and other inputs	60,306
Net difference between projected and actual expected earnings	43,648
	<u>\$ 249,415</u>

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

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

	Statement of Net Position	General Fund Balance Sheet
Property taxes receivable	\$ -	\$ 6,937
Franchise/Telecom taxes receivable	-	28,949
Change in proportion and differences in employer contributions and proportionate share of contributions	17,333	-
Differences between actual and expected experience	2,958	-
Changes in assumptions	1,373	-
Total	<u>\$ 21,664</u>	<u>\$ 35,886</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town does not hold any flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Town Clerk is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

5. Long-Term Obligations

a. Installment Purchases

As of June 30, 2021, the Town has three outstanding installment purchase agreements.

The first agreement was executed on August 11, 2011 for \$66,000, to finance the renovation of the community center and requires principal payments beginning August 2013 with an interest rate of 4.125 percent. Ending balance of \$53,0077.

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

The second agreement was executed on October 30, 2012 for \$253,001, to finance street improvement expenditures and requires principal payments beginning October 2013 with an interest rate of 2.69 percent. Ending balance of \$50,599.

The third agreement was executed on August 22, 2019 for \$29,022, to finance purchase of a police vehicle and requires principal payments beginning August 2019 with an interest rate of 5.99 percent. Ending balance of \$9,663.

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2022	36,652	4,126
2023	27,131	2,795
2024	1,907	2,038
2025	1,986	1,959
2026	2,068	1,877
Thereafter	43,527	15,562
Total	<u>\$ 113,271</u>	<u>\$ 28,357</u>

At June 30, 2021 the Town of Richlands had a legal debt margin of \$13,071,480.

b. Changes in Long-Term Liabilities

	Balance at July 1, 2020	Additions	Retirements and Transfers	Balance at June 30, 2021	Current Portion of Balance
Governmental activities					
Installment purchase	\$ 149,377	\$ -	\$ 36,106	\$ 113,271	\$ 36,652
Total pension liability (LEO)	51,568	92,857	-	144,425	-
Net pension liability (LGRS)	264,353	45,820	-	310,173	-
Compensated absences	44,045	3,989	-	48,034	48,034
Governmental activity long-term liabilities	<u>509,343</u>	<u>142,666</u>	<u>36,106</u>	<u>615,903</u>	<u>84,686</u>

C. Net Investment in Capital Assets

Capital Assets	<u>Governmental</u> \$ 1,111,096
less: long-term debt	62,670
Net investment in capital assets	<u><u>\$ 1,048,426</u></u>

Town of Richlands, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2021

Net investment in capital assets was calculated excluding the \$50,599 installment purchase balance obtained in October 2012. The outflow related to this purchase was recognized as an expense, not capitalized, in the year incurred.

D. Fund Balance

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

Total fund balance-General Fund	\$ 1,146,152
Less:	
Stabilization by State Statute	98,185
Streets-Powell Bill	24,197
Appropriated Fund Balance in 2022 Budget	-
Remaining Fund Balance	\$ 1,023,770

There were no outstanding encumbrances at June 30, 2021.

III. Summary Disclosure Significant Contingencies

Federal and State Assisted Programs

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

IV. Subsequent Events

Subsequent events were evaluated through November 30, 2021, which is the date the financial statements were available to be issued.

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Required Supplementary Financial Data

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

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

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Richlands' proportion of the net pension liability (asset) (%)	0.00868%	0.00968%	0.00989%	0.00908%	0.00924%	0.00929%	0.00820%
Richlands' proportion of the net pension liability (asset) (\$)	\$ 310,173	\$ 264,353	\$ 234,625	\$ 138,717	\$ 196,104	\$ 41,693	\$ (48,359)
Richlands' covered-employee payroll	\$ 572,579	\$ 596,870	\$ 572,133	\$ 549,364	\$ 533,823	\$ 496,351	\$ 445,542
Richlands' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	54.17%	44.29%	41.01%	25.25%	36.74%	8.40%	-10.85%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Town of Richlands, North Carolina
TOWN OF RICHLANDS' CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SEVEN FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 61,143	\$ 53,573	\$ 48,504	\$ 45,106	\$ 41,888	\$ 36,787	\$ 35,884
Contributions in relation to the contractually required contribution	61,143	53,573	48,504	45,106	41,888	36,787	35,884
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Richlands' covered-employee payroll	\$ 583,612	\$ 572,579	\$ 596,870	\$ 572,133	\$ 549,364	\$ 533,823	\$ 496,351
Contributions as a percentage of covered- employee payroll	10.48%	9.36%	8.13%	7.88%	7.62%	6.89%	7.23%

Town of Richlands, North Carolina
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
June 30, 2021

	2021	2020	2019	2018
Beginning balance	\$ 51,568	\$ 35,522	\$ 32,023	\$ 25,227
Service Cost	7,243	7,243	7,230	6,588
Interest on the total pension liability	1,625	1,293	1,012	974
Difference between expected and actual experience	46,438	4,881	(2,345)	(5,897)
Changes of assumptions and other inputs	40,998	2,629	(2,398)	5,131
Benefit payments	(3,447)	-	-	-
Ending balance of the total pension liability	<u>\$ 144,425</u>	<u>\$ 51,568</u>	<u>\$ 35,522</u>	<u>\$ 32,023</u>

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

Town of Richlands, North Carolina
**SCHEDULE OF TOTAL PENSION LIABILITY AS A
 PERCENTAGE OF COVERED PAYROLL
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 June 30, 2021**

	2021	2020	2019	2018
Total pension liability	\$ 144,425	\$ 51,568	\$ 35,522	\$ 32,023
Covered payroll	316,579	308,280	290,918	292,085
Total pension liability as a percentage of covered payroll	45.62%	16.73%	12.21%	10.96%

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

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INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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

Town of Richlands, North Carolina
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Ad valorem taxes:				
Taxes	\$ -	\$ 658,555	\$ -	\$ 637,300
Penalties and interest	-	5,411	-	2,455
Total	626,500	663,966	37,466	639,755
Unrestricted intergovernmental:				
Local option sales taxes	-	415,805	-	329,668
Utilities sales tax	-	102,051	-	103,663
Beer and wine tax	-	8,061	-	8,030
ABC profit distribution	-	66,340	-	42,483
Video programming sales tax	-	19,429	-	19,459
Telecommunications sales tax	-	8,168	-	9,592
Total	512,800	619,854	107,054	512,895
Restricted intergovernmental:				
Powell Bill allocation	-	52,135	-	53,493
Federal and state grants	-	23,335	-	44,604
Total	56,100	75,470	19,370	98,097
Permits and fees:				
Building permits	-	8,550	-	4,550
Total	2,000	8,550	6,550	4,550
Sales and services:				
Rents and concessions	-	62,012	-	68,511
Garbage and recycling fees	-	184,339	-	162,867
Total	254,700	246,351	(8,349)	231,378
Investment earnings:	2,000	117	(1,883)	2,485
Miscellaneous:				
Miscellaneous	-	28,242	-	15,797
Court refunds, parking fees	-	2,363	-	4,123
Total	26,135	30,605	4,470	19,920
Total revenues	\$ 1,480,235	\$ 1,644,913	\$ 164,678	\$ 1,509,080

Town of Richlands, North Carolina
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL (continued)
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures:				
General government:				
Governing body:				
Fees - elected officials	\$ -	\$ 9,698	\$ -	\$ 9,698
Operating expenses	-	42,329	-	50,957
Contracted services	-	32,864	-	30,579
Total	100,673	84,891	15,782	91,234
Administration:				
Salaries and employee benefits	-	231,158	-	225,463
Operating expenses	-	23,407	-	26,306
Contracted services	-	12,945	-	9,350
Total	274,911	267,510	7,401	261,119
General buildings and grounds				
Operating expenses	-	11,776	-	10,578
Contracted services	-	16,717	-	17,923
Capital outlay	-	-	-	51,164
Total	34,173	28,493	5,680	79,665
Total general government	409,757	380,894	28,863	432,018
Public safety:				
Police:				
Salaries and employee benefits	-	397,598	-	420,271
Operating expenses	-	47,812	-	45,673
Contracted services	-	22,399	-	13,266
Capital outlay	-	-	-	29,022
Total	509,550	467,809	41,741	508,232
Fire:				
Contracted services	30,000	30,000	-	30,000
Total	30,000	30,000	-	30,000
Total public safety	539,550	497,809	41,741	538,232

Town of Richlands, North Carolina
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL (continued)
For the Fiscal Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Variance Positive (Negative)	Actual
Streets and sanitation:				
Salaries and employee benefits	\$ -	\$ 196,425	\$ -	\$ 193,490
Operating expenses	-	91,599	-	92,717
Contracted services	-	187,603	-	176,751
Powell Bill	-	12,213	-	14,353
Total streets and sanitation	535,468	487,840	47,628	477,311
Debt service:				
Principal retirement	-	36,106	-	37,164
Interest and other charges	-	5,422	-	5,922
Total debt service	41,650	41,528	122	43,086
Total expenditures	1,526,425	1,408,071	118,354	1,490,647
Revenues over (under) expenditures	(46,190)	236,842	283,032	18,433
Other financing sources (uses):				
Sale of fixed assets	2,000	2,656	-	4,098
Appropriated fund balance	44,190	-	-	-
Total other financing sources	46,190	2,656	(43,534)	33,120
Net change in fund balance	\$ -	239,498	\$ 239,498	51,553
Fund balances:				
Beginning of year, July 1		906,654		855,101
End of year, June 30		\$ 1,146,152		\$ 906,654

OTHER SCHEDULES

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

Town of Richlands, North Carolina
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 653,574	\$ 650,409	\$ 3,165
2019-2020	4,738	-	3,341	1,397
2018-2019	1,608	-	398	1,210
2017-2018	920	-	159	761
2016-2017	996	-	177	819
2015-2016	868	-	177	691
2014-2015	820	-	180	640
2013-2014	2,184	-	194	1,990
2012-2013	3,479	-	221	3,258
2011-2012	968	-	191	777
2010-2011	<u>1,051</u>	<u>-</u>	<u>1,051</u>	<u>-</u>
	<u>\$ 17,632</u>	<u>\$ 653,574</u>	<u>\$ 656,498</u>	<u>14,708</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>7,771</u>
Ad valorem taxes receivable - net				<u>\$ 6,937</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				663,966
Releases and adjustments				(1,694)
Taxes written off				<u>-</u>
Subtotal				662,272
Less: Interest collected				<u>(5,774)</u>
Total collections and credits				<u>\$ 656,498</u>

Town of Richlands, North Carolina
ANALYSIS OF CURRENT TAX LEVY
For the Fiscal Year Ended June 30, 2021

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax Levy - Town-wide	<u>160,169,750</u>	0.40	<u>640,679</u>	<u>576,722</u>	<u>63,957</u>
Total	160,169,750		640,679	576,722	63,957
Discoveries - current and prior years	<u>3,223,750</u>		<u>12,895</u>	<u>12,895</u>	<u>-</u>
Total property valuation	<u><u>\$ 163,393,500</u></u>				
Net levy			653,574	589,617	63,957
Uncollected taxes at June 30, 2021			<u>(3,165)</u>	<u>(3,165)</u>	<u>-</u>
Current year's taxes collected					
June 30, 2021			<u>\$ 650,409</u>	<u>\$ 586,452</u>	<u>\$ 63,957</u>
Current levy collected percentage			99.52%	99.46%	100.00%