

CITY OF RANDLEMAN, NORTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020



CITY OF RANDLEMAN, NORTH CAROLINA

Board of Aldermen

Clarence Jernigan, Mayor
Gary Betts, Mayor Pro-Tempore
Nancy Henderson, Alderman
Melissa Blalock, Alderman
Sharon Leonard, Alderman
Renee Bryant, Alderman

City Officials

William Johnson, City Manager
Susan Hogan, Finance Director
Connie Cross, City Clerk/Dep. Finance Director
Bob Wilhoit, City Attorney
Steve Leonard, Police Chief
Marty Leonard, Fire Chief
Don Peeler, Public Works Director
Robin Hughes, Parks and Recreation Director
Greg Patton, Planning Director
Donna Toomes, Library Director
Garry Glass, Wastewater Director

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FINANCIAL SECTION



Independent Auditor's Report

To the Honorable Mayor and
Board of Alderman
City of Randleman, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Randleman, North Carolina (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Randleman, North Carolina as of June 30, 2020, and the respective changes in financial position, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12; the Local Government Employees' Retirement System - Schedule of Proportionate Share of the Net Pension Liability, and Schedule of Contributions on page 57; the Law Enforcement Officers' Special Separation Allowance - Schedule of Changes in Total Pension Liability, and Schedule of Total Pension Liability as a Percentage of Covered Payroll on page 58, and the Schedule of Changes in Total OPEB Liability and Related Ratios on page 59; be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors 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 City of Randleman, North Carolina's basic financial statements. The introductory section, combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary 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, based on our audit and the procedures as described above, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2021, on our consideration of the City of Randleman, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Randleman, North Carolina's internal control over financial reporting and compliance.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
January 5, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

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

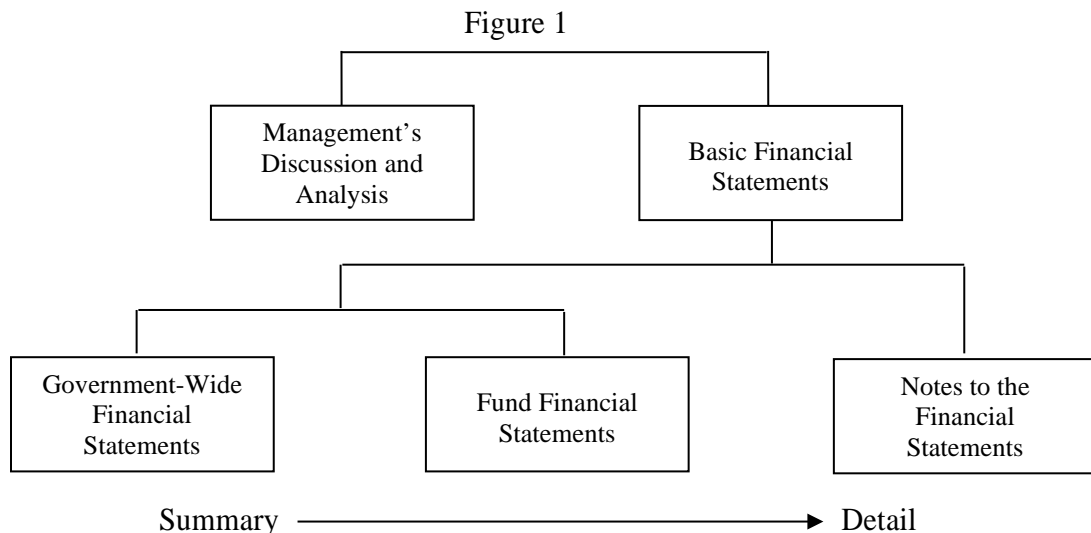
Financial Highlights

- The assets and deferred outflows of resources of the City of Randleman exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$19,385,920 (net position).
- The government's total net position increased by \$89,000 primarily due to property tax collections in the General Fund and utility charges in the Water and Sewer Fund.
- As of the close of the current fiscal year, the City of Randleman's governmental funds reported combined ending fund balances of \$5,515,091 an increase of \$38,387 in comparison with the prior year. Approximately 18% of this total amount, or \$966,172 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,233,238, or 79%, of total General Fund expenditures for the fiscal year.
- City of Randleman maintained its BBB+ bond rating from Standard & Poor's Corporation.

Overview of the Financial Statements

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

Required Components of Annual Financial Report



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Randleman. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City because the City exercises control over the Board by appointing its members, in addition, the Board is required to distribute its profits to the City.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

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

The City of Randleman adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. 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 Fund - The City of Randleman has one kind of proprietary fund or enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Randleman uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow Exhibit 11 of the audit report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Randleman's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information is included within this report.

Interdependence with Other Entities - The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Government-Wide Financial Analysis
City of Randleman's Net Position

Figure 2

	Business-Type					
	Governmental Activities		Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 5,706,993	\$ 5,669,841	\$ 3,296,121	\$ 3,190,741	\$ 9,003,114	\$ 8,860,582
Capital assets	9,792,210	9,595,887	6,405,345	6,263,940	16,197,555	15,859,827
Deferred outflows of resources	720,487	708,811	60,402	116,616	780,889	825,427
Total assets and deferred outflows	16,219,690	15,974,539	9,761,868	9,571,297	25,981,558	25,545,836
Long-term liabilities	3,380,999	2,849,243	2,494,429	2,616,926	5,875,428	5,466,169
Other liabilities	84,013	113,707	180,961	179,467	264,974	293,174
Deferred inflows of resources	393,815	409,048	61,421	80,525	455,236	489,573
Total liabilities and deferred inflows	3,858,827	3,371,998	2,736,811	2,876,918	6,595,638	6,248,916
Net investment in capital assets	8,989,404	9,010,887	5,352,757	5,110,510	14,342,161	14,121,397
Restricted	966,172	1,188,909	-	-	966,172	1,188,909
Unrestricted	2,405,287	2,402,745	1,672,300	1,583,869	4,077,587	3,986,614
Total net position	<u>\$ 12,360,863</u>	<u>\$ 12,602,541</u>	<u>\$ 7,025,057</u>	<u>\$ 6,694,379</u>	<u>\$ 19,385,920</u>	<u>\$ 19,296,920</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Randleman exceeded liabilities and deferred inflows of resources by \$19,385,920 as of June 30, 2020. One of the largest portions, \$14,342,161 or 74%, reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Randleman uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Randleman's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Randleman's net position, \$966,172, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,077,587 is unrestricted.

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

- A collection rate of 99.12% for property taxes including Motor Vehicle taxes.
- Continual examination of departmental spending to conserve resources and boost fund balance.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

City of Randleman's Changes in Net Position

Figure 3

	Business-Type					
	Governmental Activities		Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 482,316	\$ 558,703	\$ 2,687,099	\$ 2,669,577	\$ 3,169,415	\$ 3,228,280
Operating grants and contributions	132,148	133,062	-	-	132,148	133,062
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	2,760,718	2,553,399	-	-	2,760,718	2,553,399
Other taxes	214	218	-	-	214	218
Grants and contributions not restricted to specific programs	2,013,846	2,210,725	-	-	2,013,846	2,210,725
Unrestricted investment earnings	107,708	152,634	-	-	107,708	152,634
Other	82,496	118,345	-	-	82,496	118,345
Total revenues	<u>5,579,446</u>	<u>5,727,086</u>	<u>2,687,099</u>	<u>2,669,577</u>	<u>8,266,545</u>	<u>8,396,663</u>
Expenses:						
General government	808,163	741,759	-	-	808,163	741,759
Public safety	3,160,758	2,975,597	-	-	3,160,758	2,975,597
Public works	708,740	610,424	-	-	708,740	610,424
Cultural and recreation	807,493	842,520	-	-	807,493	842,520
Economic development	335,970	305,789	-	-	335,970	305,789
Water and sewer	-	-	2,356,421	2,028,662	2,356,421	2,028,662
Total expenses	<u>5,821,124</u>	<u>5,476,089</u>	<u>2,356,421</u>	<u>2,028,662</u>	<u>8,177,545</u>	<u>7,504,751</u>
Increase in net position before transfers	(241,678)	250,997	330,678	640,915	89,000	891,912
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	<u>(241,678)</u>	<u>250,997</u>	<u>330,678</u>	<u>640,915</u>	<u>89,000</u>	<u>891,912</u>
Net position beginning	<u>12,602,541</u>	<u>12,351,544</u>	<u>6,694,379</u>	<u>6,053,464</u>	<u>19,296,920</u>	<u>18,405,008</u>
Net position, June 30,	<u>\$ 12,360,863</u>	<u>\$ 12,602,541</u>	<u>\$ 7,025,057</u>	<u>\$ 6,694,379</u>	<u>\$ 19,385,920</u>	<u>\$ 19,296,920</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

Governmental Activities - Governmental activities decreased the City's net position by \$241,678.

Business-Type Activities - Business-type activities decreased the City's net position by \$330,678.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Randleman. At the end of the current fiscal year, the City of Randleman's fund balance available in the General Fund was \$4,233,238, while the total fund balance increased to \$5,259,410. The Governing Body of the City of Randleman has determined that the City should maintain an available fund balance of 10% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 79% of General Fund expenditures, while total fund balance represents 98% of the same amount.

At June 30, 2020, the governmental funds of the City of Randleman reported a combined fund balance of \$5,515,091 with a net increase in fund balance of \$38,387. Included in this change in fund balance are increases in fund balance of the General Fund and the Capital Projects Funds.

General Fund Budgetary Highlights - The City amended the budget prior to the end of the fiscal year to reflect revenues that were not anticipated at the beginning of the year as well as expenditures for capital items. 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.

Proprietary Fund - The City of Randleman's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,672,300. The total increase in net position for the Water and Sewer Fund amounted to \$330,678.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Capital Asset and Debt Administration

Capital Assets - The City of Randleman's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totaled \$16,197,555 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Waterline repairs and replacements for a total of \$657,073
- Police department renovations for a total of \$449,829
- Baseball field improvements for a total of \$112,469

City of Randleman's Capital Assets
(net of accumulated depreciation)
Figure 4

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 801,808	\$ 790,598	\$ 7,275	\$ 7,275	\$ 809,083	\$ 797,873
Construction in progress	472,133	22,304	313,520	136,220	785,653	158,524
Land improvements	1,196,415	1,124,222	-	-	1,196,415	1,124,222
System improvements	-	-	2,070,879	2,169,341	2,070,879	2,169,341
Water rights	-	-	1,177,791	1,207,053	1,177,791	1,207,053
Buildings and improvements	4,134,931	4,304,244	482,379	530,970	4,617,310	4,835,214
Water distribution system	-	-	1,950,899	1,858,995	1,950,899	1,858,995
Infrastructure	1,303,911	1,369,212	-	-	1,303,911	1,369,212
Machinery and equipment	1,484,092	1,795,515	330,770	354,086	1,814,862	2,149,601
Vehicles	161,912	-	-	-	161,912	-
Other	237,008	189,792	71,832	-	308,840	189,792
Total	<u>\$ 9,792,210</u>	<u>\$ 9,595,887</u>	<u>\$ 6,405,345</u>	<u>\$ 6,263,940</u>	<u>\$ 16,197,555</u>	<u>\$ 15,859,827</u>

Additional information regarding the City's capital assets can be found in NOTE 3.A. of the basic financial statements.

Long-Term Debt - As of June 30, 2020, the City of Randleman had total bonded debt outstanding of \$2,684,061. None of the current debt is backed by the full faith and credit of the City. The remainder of the City's debt is secured by specific assets financed by the debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

General Obligation Bonds, Installment Purchases and Notes

Figure 5

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Direct placement						
installment purchases	\$ 668,169	\$ 487,500	\$ 242,667	\$ 260,000	\$ 910,836	\$ 747,500
Notes payable	-	-	963,304	1,030,210	963,304	1,030,210
PTRWA obligation	-	-	809,921	893,430	809,921	893,430
Total OPEB liability	1,187,779	1,033,754	209,608	196,906	1,397,387	1,230,660
Net pension liability						
(LGERS)	982,236	862,163	218,278	197,089	1,200,514	1,059,252
Total pension liability						
(LEO)	311,808	260,625	-	-	311,808	260,625
Compensated absences	231,007	205,201	50,651	39,291	281,658	244,492
Total	<u>\$ 3,380,999</u>	<u>\$ 2,849,243</u>	<u>\$ 2,494,429</u>	<u>\$ 2,616,926</u>	<u>\$ 5,875,428</u>	<u>\$ 5,466,169</u>

City of Randleman's Outstanding Debt

The City of Randleman's total debt increased by \$409,259 (7.5%) during the past fiscal year. Key factors in this increase were the issuance of a new note payable for a tanker truck; increase of \$141,262 in the net pension liability for the Local Government Employees' Retirement System (LGERS); and increase of \$166,727 in other post-employment benefits. Increases were offset by planned debt service principal payments of \$265,248.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Randleman as of June 30, 2020 was \$34,712,092. The City had no general obligation bonds outstanding at June 30, 2020.

Economic Factors

The City of Randleman is situated in one of the best regions for business growth in the United States according to Site Selection magazine which named the Greensboro-High Point Metropolitan area as one of the nation's top ten regions for business growth and economic development. Randolph County is included in this area.

Unemployment - The City of Randleman's unemployment rate as of June 30, 2020 stands at 4.4%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

Transportation Upgrade – The North Carolina Department of Transportation completed construction of US Highway 311 Bypass which became part of Interstate 74 and intersects with US Highway 220 just south of Randleman. US Highway 220 is designated as part of the future Interstate 73 which is projected to run from Sault Ste. Marie, Michigan to Myrtle Beach, South Carolina when completed. This situates Randleman at the crossroads of two major interstates with the potential for significant development, both commercial and residential, at our doorstep.

Piedmont Triad Regional Water Authority - The water plant went online in October 2010. As a member of the water authority, the City is now receiving the majority of its water from the Randleman Regional Reservoir. With an allotment of 1 million gallons of water per day, the City is able to provide ample amounts of water to its residents and businesses.

Next Year's Budgets and Rates

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

- Tourism to the City has continued to increase. With the continuation of the City's Annual Food Truck State Championship and the Market and Music Summer Concert Series this upward trend is expected to continue.
- The City approved a \$6,569,200 general fund budget for fiscal year 2020-2021. This budget represents a 1.0% decrease from the fiscal year 2019-2020 amended budget.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Office, City of Randleman, 204 S. Main St., Randleman, NC 27317.

BASIC FINANCIAL STATEMENTS

CITY OF RANDLEMAN, NORTH CAROLINA
Statement of Net Position
June 30, 2020

Exhibit 1

	Primary Government			City of Randleman ABC Board
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 4,632,945	\$ 2,547,780	\$ 7,180,725	\$ 459,390
Receivables:				
Taxes receivable, net	36,007	-	36,007	-
Accounts receivable	72,539	639,599	712,138	-
Inventory and prepaid expenses	-	96,780	96,780	158,468
Due from other governments	267,925	11,962	279,887	-
Restricted cash and cash equivalents	697,577	-	697,577	-
Total current assets	5,706,993	3,296,121	9,003,114	617,858
Non-current assets:				
Capital assets:				
Land and construction in progress	1,273,941	320,795	1,594,736	80,170
Other capital assets, net of depreciation	8,518,269	6,084,550	14,602,819	282,458
Total non-current assets	9,792,210	6,405,345	16,197,555	362,628
Total assets	15,499,203	9,701,466	25,200,669	980,486
Deferred Outflows of Resources				
Pension deferrals	654,870	59,862	714,732	16,149
OPEB deferrals	65,617	540	66,157	44,885
Total deferred outflows of resources	720,487	60,402	780,889	61,034
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	84,013	88,822	172,835	81,080
Customer deposits	-	70,408	70,408	-
Other current payables	-	21,731	21,731	60,982
Current portion of long-term liabilities	180,637	179,061	359,698	-
Total current liabilities	264,650	360,022	624,672	142,062
Long-term liabilities:				
Due in more than one year	3,200,362	2,315,368	5,515,730	265,215
Total liabilities	3,465,012	2,675,390	6,140,402	407,277
Deferred Inflows of Resources				
Prepaid taxes	13	-	13	-
Pension deferrals	73,915	16,010	89,925	-
OPEB deferrals	319,887	45,411	365,298	2,910
Total deferred inflows of resources	393,815	61,421	455,236	2,910
Net Position				
Net investment in capital assets	8,989,404	5,352,757	14,342,161	362,628
Restricted for:				
Stabilization by State Statute	268,595	-	268,595	-
Streets	697,577	-	697,577	-
Working capital	-	-	-	66,075
Unrestricted	2,405,287	1,672,300	4,077,587	202,630
Total net position	\$ 12,360,863	\$ 7,025,057	\$ 19,385,920	\$ 631,333

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

CITY OF RANDLEMAN, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 808,163	\$ -	\$ -	\$ -
Public safety	3,160,758	-	-	-
Public works	708,740	360,637	120,148	-
Cultural and recreational	807,493	121,679	12,000	-
Economic and physical development	335,970	-	-	-
Total governmental activities	5,821,124	482,316	132,148	-
Business-type activities:				
Water and sewer	2,356,421	2,687,099	-	-
Total business-type activities	2,356,421	2,687,099	-	-
Total primary government	\$ 8,177,545	\$ 3,169,415	\$ 132,148	\$ -
Component Unit:				
ABC Board	\$ 1,682,990	\$ 1,722,696	\$ -	\$ -
Total component unit	\$ 1,682,990	\$ 1,722,696	\$ -	\$ -

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

CITY OF RANDLEMAN, NORTH CAROLINA
Statement of Activities (Continued)
For the Year Ended June 30, 2020

Exhibit 2

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			City of Randleman ABC Board
	Governmental Activities	Business-type Activities	Total	
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ (808,163)	\$ -	\$ (808,163)	\$ -
Public safety	(3,160,758)	-	(3,160,758)	-
Public works	(227,955)	-	(227,955)	-
Cultural and recreational	(673,814)	-	(673,814)	-
Economic and physical development	(335,970)	-	(335,970)	-
Total governmental activities	(5,206,660)	-	(5,206,660)	-
Business-type activities:				
Water and sewer	-	330,678	330,678	-
Total business-type activities	-	330,678	330,678	-
Total primary government	(5,206,660)	330,678	(4,875,982)	-
Component Unit:				
ABC Board	\$ -	\$ -	\$ -	\$ 39,706
Total component unit	-	-	-	39,706
General Revenues:				
Taxes:				
Property taxes, levied for general purpose	2,760,718	-	2,760,718	-
Other taxes and licenses	214	-	214	-
Grants and contributions not restricted to a specific purpose	2,013,846	-	2,013,846	-
Unrestricted investment earnings	107,708	-	107,708	471
Miscellaneous revenues	82,496	-	82,496	-
Total general revenues and transfers	4,964,982	-	4,964,982	471
Change in net position	(241,678)	330,678	89,000	40,177
Net position- beginning	12,602,541	6,694,379	19,296,920	591,156
Net position, ending	\$ 12,360,863	\$ 7,025,057	\$ 19,385,920	\$ 631,333

CITY OF RANDLEMAN, NORTH CAROLINA

Exhibit 3

Balance Sheet

Governmental Funds

June 30, 2020

	Major Fund	Total Non-Major Fund	Total Governmental Funds
	General Fund		
Assets			
Cash and cash equivalents	\$ 4,377,264	\$ 255,681	\$ 4,632,945
Restricted cash	697,577	-	697,577
Receivables:			
Taxes receivable, net	36,007	-	36,007
Accounts receivable	72,539	-	72,539
Due from other governments	267,925	-	267,925
Total assets	<u>\$ 5,451,312</u>	<u>\$ 255,681</u>	<u>\$ 5,706,993</u>
Liabilities			
Accounts payable and accrued liabilities	<u>\$ 84,013</u>	<u>\$ -</u>	<u>\$ 84,013</u>
Deferred inflows of resources			
Taxes and fees receivable	107,876	-	107,876
Prepaid taxes	13	-	13
Total deferred inflows of resources	<u>107,889</u>	<u>-</u>	<u>107,889</u>
Fund Balances:			
Restricted for:			
Stabilization by state statute	268,595	-	268,595
Streets	697,577	-	697,577
Assigned:			
Capital projects	-	255,681	255,681
Subsequent year's expenditures	60,000	-	60,000
Unassigned	4,233,238	-	4,233,238
Total fund balances	<u>5,259,410</u>	<u>255,681</u>	<u>5,515,091</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,451,312</u>	<u>\$ 255,681</u>	

CITY OF RANDLEMAN, NORTH CAROLINA
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
For the Year Ended June 30, 2020

Exhibit 4

Amounts reported for governmental activities in the statement of net position
(Exhibit 1) are different because:

Total Fund Balance, Governmental Funds		\$ 5,515,091
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Gross capital assets at historical cost	\$ 19,415,715	
Accumulated depreciation	<u>(9,623,505)</u>	9,792,210
Deferred outflows of resources related to pensions are not reported in the funds		654,870
Deferred outflows of resources related to OPEB are not reported in the funds		65,617
Earned revenues considered deferred inflows of resources in fund statements		107,876
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:		
Gross long-term debt	(692,701)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year)	(206,475)	
Net pension liability	(982,236)	
Total pension liability	(311,808)	
OPEB liability	<u>(1,187,779)</u>	(3,380,999)
Deferred inflows of resources related to pensions are not reported in the funds		(73,915)
Deferred inflows of resources related to OPEB are not reported in the funds		<u>(319,887)</u>
Net position of governmental activities		<u><u>\$ 12,360,863</u></u>

CITY OF RANDLEMAN, NORTH CAROLINA

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2020

	Major Fund General Fund	Total Non-Major Fund	Total Governmental Funds
Revenues			
Ad valorem taxes	\$ 2,732,259	\$ -	\$ 2,732,259
Other taxes and licenses	214	-	214
Intergovernmental revenues:			
Unrestricted	2,013,846	-	2,013,846
Restricted	132,148	-	132,148
Sales and services	482,316	-	482,316
Investment earnings	107,708	-	107,708
Miscellaneous revenue	82,496	-	82,496
Total revenues	<u>5,550,987</u>	<u>-</u>	<u>5,550,987</u>
Expenditures			
Current:			
General government	702,599	-	702,599
Public safety	2,577,376	-	2,577,376
Public works	573,434	-	573,434
Cultural and recreational	658,020	-	658,020
Economic and physical development	166,600	-	166,600
Capital outlay	554,164	449,829	1,003,993
Debt service:			
Principal retirement	97,500	-	97,500
Interest	11,247	-	11,247
Total expenditures	<u>5,340,940</u>	<u>449,829</u>	<u>5,790,769</u>
Excess (deficiency) of revenues over expenditures	<u>210,047</u>	<u>(449,829)</u>	<u>(239,782)</u>
Other Financing Sources (Uses)			
Debt proceeds	278,169	-	278,169
Transfers to other funds	(462,000)	(1,171)	(463,171)
Transfers from other funds	1,171	462,000	463,171
Total other financing sources (uses)	<u>(182,660)</u>	<u>460,829</u>	<u>278,169</u>
Net change in fund balances	27,387	11,000	38,387
Fund balances- beginning	<u>5,232,023</u>	<u>244,681</u>	<u>5,476,704</u>
Fund balances, ending	<u>\$ 5,259,410</u>	<u>\$ 255,681</u>	<u>\$ 5,515,091</u>

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

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of the Governmental Funds to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2020**

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

Net change in fund balances - total governmental funds	\$ 38,387
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 1,003,993	
Depreciation expense for governmental assets	<u>(807,670)</u>	196,323

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	196,882
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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	28,459
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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 position. This amount is the net effect of differences in the treatment of long-term debt and related items.

New long-term debt issued	\$ (278,169)	
Principal payments on long-term debt	<u>97,500</u>	(180,669)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences	\$ (25,806)	
Pension expense	(417,829)	
OPEB plan expense	<u>(77,425)</u>	<u>(521,060)</u>

Total changes in net position of governmental activities	<u>\$ (241,678)</u>
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CITY OF RANDLEMAN, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Annual Budget and Actual - General Fund
For the Year Ended June 30, 2020

Exhibit 7

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Ad valorem taxes	2,639,000	\$ 2,745,200	\$ 2,732,259	\$ (12,941)
Other taxes and licenses	200	300	214	(86)
Intergovernmental revenues:				
Unrestricted	2,198,300	2,276,300	2,013,846	(262,454)
Restricted	132,000	135,000	132,148	(2,852)
Sales and services	638,000	522,000	482,316	(39,684)
Investment earnings	100,000	120,000	107,708	(12,292)
Miscellaneous revenue	34,100	115,500	82,496	(33,004)
Total revenues	<u>5,741,600</u>	<u>5,914,300</u>	<u>5,550,987</u>	<u>(363,313)</u>
Expenditures				
Current:				
General government	885,600	996,200	762,628	233,572
Public safety	2,767,200	2,880,400	2,737,939	142,461
Public works	792,100	843,100	625,745	217,355
Cultural and recreational	1,015,400	1,058,800	939,281	119,519
Economic and physical development	242,500	274,900	166,600	108,300
Debt payments	108,800	108,800	108,747	53
Total expenditures	<u>5,811,600</u>	<u>6,162,200</u>	<u>5,340,940</u>	<u>821,260</u>
Revenues over (under) expenditures	<u>(70,000)</u>	<u>(247,900)</u>	<u>210,047</u>	<u>457,947</u>
Other Financing Sources (Uses)				
Debt proceeds	-	280,000	278,169	(1,831)
Transfer to other funds	-	(505,800)	(462,000)	43,800
Transfer from other funds	-	-	1,171	1,171
Total other financing sources (uses)	<u>-</u>	<u>(225,800)</u>	<u>(182,660)</u>	<u>43,140</u>
Fund balance appropriated	<u>70,000</u>	<u>473,700</u>	<u>-</u>	<u>(473,700)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>27,387</u>	<u>\$ 27,387</u>
Fund balances, beginning			<u>5,232,023</u>	
Fund balances, ending			<u>\$ 5,259,410</u>	

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

CITY OF RANDLEMAN, NORTH CAROLINA
Statement of Net Position
Proprietary Fund
June 30, 2020

Exhibit 8

	<u>Water and Sewer Fund</u>
Assets	
Current assets:	
Cash and equivalents	\$ 2,547,780
Account receivables, net	639,599
Due from other governments	11,962
Inventories	96,780
Total current assets	<u>3,296,121</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	320,795
Other capital assets, net of depreciation	6,084,550
Total non-current assets	<u>6,405,345</u>
Total assets	<u>9,701,466</u>
Deferred Outflows of Resources	
Pension deferrals	59,862
OPEB deferrals	540
Total deferred outflows of resources	<u>60,402</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	88,822
Customer deposits	70,408
Accrued interest payable	21,731
Compensated absences - current	9,000
Notes payable- current	66,907
Installment purchase agreements payable - current	103,154
Total current liabilities	<u>360,022</u>
Noncurrent liabilities:	
Total OPEB liability	209,608
Net pension liability	218,278
Compensated absences - noncurrent	41,651
Notes payable- noncurrent	896,397
Installment purchase agreements payable - noncurrent	949,434
Total noncurrent liabilities	<u>2,315,368</u>
Total Liabilities	<u>2,675,390</u>
Deferred Inflows of Resources	
Pension deferrals	16,010
OPEB deferrals	45,411
Total deferred inflows of resources	<u>61,421</u>
Net Position	
Net investment in capital assets	5,352,757
Unrestricted	1,672,300
Total net position	<u>\$ 7,025,057</u>

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

CITY OF RANDLEMAN, NORTH CAROLINA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2020

Exhibit 9

	<u>Water and Sewer Fund</u>
Operating revenues:	
Water sales	\$ 1,375,478
Sewer charges	1,252,842
Water and sewer taps	14,900
Other operating revenues	43,879
Total operating revenues	<u>2,687,099</u>
Operating expenses:	
Water and treatment and distribution	912,041
Water and sewer maintenance	244,839
Wastewater treatment	574,505
Wastewater maintenance	95,651
Depreciation	446,988
Total operating expenses	<u>2,274,024</u>
Operating income	<u>413,075</u>
Non-operating expenses:	
PTRWA administration operating costs	(37,031)
Interest and other charges	<u>(45,366)</u>
Total non-operating expenses	<u>(82,397)</u>
Change in net position	<u>330,678</u>
Total net position, previously reported	<u>6,694,379</u>
Total net position, ending	<u><u>\$ 7,025,057</u></u>

CITY OF RANDLEMAN, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020

Exhibit 10

	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 2,619,327
Cash paid for goods and services	(1,244,806)
Cash paid to employees for services	(501,180)
Other operating revenues	43,879
Net cash provided by operating activities	<u>917,220</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(588,393)
Payments for PTRWA administration operating costs	(37,031)
Principal paid on bonds and installment purchase agreements	(167,748)
Interest paid on bonds and installment purchase agreements	(45,366)
Net cash used in capital and related financing activities	<u>(838,538)</u>
Net increase in cash and cash equivalents	78,682
Balances, beginning	2,469,098
Balances, ending	<u><u>\$ 2,547,780</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 413,075</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	446,988
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(23,893)
Due from other governments	(2,805)
Deferred outflows of resources for pension	56,138
Deferred outflows of resources for OPEB	76
Increase (decrease) in:	
Accounts payable and accrued liabilities	(2,945)
Customer deposits	4,439
Accrued compensated absences	11,360
Deferred inflows of resources for pension	(876)
Deferred inflows of resources for OPEB	(18,228)
Net pension liability	21,189
OPEB liability	12,702
Total adjustments	<u>504,145</u>
Net cash provided by operating activities	<u><u>\$ 917,220</u></u>

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

CITY OF RANDLEMAN, NORTH CAROLINA

Exhibit 11

Statement of Fiduciary Net Position**Fiduciary Fund****For the Year Ended June 30, 2020**

	<u>Fireman's Relief Fund</u>
Assets:	
Cash and cash equivalents	\$ 122,286
Total assets	<u>\$ 122,286</u>
Liabilities:	
Intergovernmental payable	122,286
Total liabilities	<u>\$ 122,286</u>

NOTES TO THE FINANCIAL STATEMENTS

CITY OF RANDLEMAN, NORTH CAROLINA

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Randleman, North Carolina (the "City") and its discretely presented component unit conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity

The City is a municipal corporation which is governed by an elected mayor and a five-member board of aldermen. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component unit, the City of Randleman ABC Board, a legally separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

City of Randleman ABC Board

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the City of Randleman ABC Board may be obtained from the entity's administrative offices at 100 Hilliary Street, Randleman, NC 27317.

Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the City's funds including fiduciary fund. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

The City reports the following major governmental funds:

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

The City reports the following non-major governmental funds:

Downtown Improvements Fund – This fund is used to account for the renovations to the City's downtown.

Sidewalks Improvements Fund – This fund is used to account for renovations and repairs to the City's sidewalks.

Police Department Renovations Fund – This fund is used to account for renovations to the police department headquarters.

The City reports the following major proprietary fund:

Water and Sewer Fund – This fund is used to account for the City's water and sewer operations.

The City reports the following fund type:

Agency Fund – Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the City holds on behalf of others. The City maintains a Fireman's Relief Fund for the assistance to firemen and their families.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

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

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

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

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

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, 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 installment purchase agreements are reported as other financing sources.

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

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. The City Manager is authorized by the budget ordinance to transfer appropriations between departmental areas within a fund up to \$1,000; however, any revisions that alter the total expenditures of any fund or that change departmental appropriations by more than \$1,000 must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

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

State law (G.S. 159-30(c)) authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust ("NCCMT"). The City's and the ABC Board's investments are reported at fair value.

CITY OF RANDLEMAN, NORTH CAROLINA

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments (Continued)

The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT - Term Portfolio is a bond fund, has no rating, and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than six months.

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

Cash and Cash Equivalents

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

The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Restricted Assets

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

Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the City has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

Allowance for Doubtful Accounts

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

Inventory and Prepaid Items

The inventories of the City and the ABC Board are valued at cost (first-in, first-out), which approximates net realizable value.

The inventories of the City's enterprise fund and those of the City of Randleman ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is an expense when consumed rather than when purchased.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory and Prepaid Items (Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: software, equipment and supplies unit cost, \$5,000; vehicles (except for vehicles having a useful life of three years or less), \$10,000; all inexhaustible assets, \$1,000; buildings and improvements, \$20,000; and infrastructure, \$100,000. 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. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. 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.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land improvements	5-10 years
Infrastructure, buildings and improvements	15-50 years
Equipment, heavy equipment and plant facilities and distribution system	40 years
System improvements	15 years
Equipment and heavy vehicles	5-10 years
Software	5-7 years

Depreciation of ABC Board fixed assets is calculated on the straight-line method over their estimated useful lives.

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building	40 years
Store and administrative equipment	7 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meets this criterion – pension deferrals and OPEB deferrals. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has three items that meet the criterion for this category – prepaid taxes, pension deferrals, and OPEB deferrals.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the City'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 City 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 statements.

Both the City's and the ABC Board's sick leave policies provide 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 neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

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

Fund Balances

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

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

The governmental fund types classify fund balances as follows:

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

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation and 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.

Assigned Fund Balance – portion of fund balance that the City of Randleman intends to use for specific purposes.

Capital projects – portion of fund balance that is assigned for various capital projects throughout the City that were approved by the governing body.

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

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

The Finance Officer has been given the authority to spend resources in the order deemed in the best interest of the City. For purposes of fund balance classification, expenditures are spent from restricted fund balance first, followed by assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

The City of Randleman has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of General Fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the City in a future budget.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues, Expenditures and Expenses

Other Resources

The ABC Board makes quarterly transfers to the City's General Fund. These transfers represent the City's portion of the Board's surpluses that the ABC Board is required by State statute to distribute to the City.

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Randleman, North Carolina's employer contributions are recognized when due and the City of Randleman, North Carolina 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.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2020, the expenditures made in the City's water and treatment distribution section of the Water and Sewer Fund exceeded the authorized appropriations made by the governing board by \$21,464. This over-expenditure occurred because of unplanned expenditures. Management and the Board will more closely review the budget reports to ensure compliance in future years.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

All deposits of the City and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits.

CITY OF RANDLEMAN, NORTH CAROLINA

Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Deposits (Continued)

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 City, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The City has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no policy regarding custodial credit risk for deposits.

At June 30, 2020, the City's deposits, which include the Firemen's Relief Fund, had a carrying amount of \$864,252 and a bank balance of \$1,167,606. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$667,606 in interest-bearing deposits was covered by collateral held under the Pooling Method. Also included in the City's cash balance is \$350 in petty cash on hand.

At June 30, 2020, the ABC Board's deposits had a carrying amount of \$457,240 and a bank balance of \$459,350. All of the bank balance was covered by federal depository insurance and collateral securities. Also included in the ABC Board's cash balance is \$2,150 in petty cash on hand.

Investments

At June 30, 2020, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2020</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value, Level 1	\$ 4,167,480	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value, Level 1	2,968,506	0.15 years	Unrated
Total		<u>\$ 7,135,986</u>		

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Investments (Continued)

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

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

The City has no policy regarding interest rate, credit, custodial credit or concentration of credit risks.

The City of Randleman ABC Board has no investments. All funds are in deposit type accounts.

Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts: Enterprise Fund – Customer accounts receivable in the amount of \$11,743.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 790,598	\$ 11,210	\$ -	\$ 801,808
Construction in progress	22,304	449,829	-	472,133
Total capital assets not being depreciated	812,902	461,039	-	1,273,941
Capital assets being depreciated:				
Land improvements	1,957,375	245,983	-	2,203,358
Buildings and improvements	6,616,249	-	-	6,616,249
Infrastructure	1,824,055	-	-	1,824,055
Equipment and heavy equipment	6,740,040	40,484	-	6,780,524
Vehicles	-	173,929	-	173,929
Other	461,101	82,558	-	543,659
Total capital assets being depreciated	17,598,820	542,954	-	18,141,774
Less accumulated depreciation for:				
Land improvements	833,153	173,790	-	1,006,943
Buildings and improvements	2,312,005	169,313	-	2,481,318
Infrastructure	454,843	65,301	-	520,144
Equipment and heavy equipment	4,944,525	351,907	-	5,296,432
Vehicles	-	12,017	-	12,017
Other	271,309	35,342	-	306,651
Total accumulated depreciation	8,815,835	807,670	-	9,623,505
Total capital assets being depreciated, net	8,782,985			8,518,269
Government activity capital assets, net	<u>\$ 9,595,887</u>			<u>\$ 9,792,210</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

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

General Government	\$ 68,248
Public Safety	360,544
Public Works	109,762
Economic and Physical	107,178
Cultural and Recreation	161,938
Total depreciation expense	<u>\$ 807,670</u>

Business-Type Activities - Water and Sewer Fund:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 7,275	\$ -	\$ -	\$ 7,275
Construction in progress	136,220	417,186	239,886	313,520
Total capital assets not being depreciated	<u>143,495</u>	<u>417,186</u>	<u>239,886</u>	<u>320,795</u>
Capital assets being depreciated:				
System improvements	3,376,839	29,160	-	3,405,999
Water rights	1,463,095	-	-	1,463,095
Buildings and improvements	2,289,306	20,248	-	2,309,554
Water distribution system	7,172,286	239,886	-	7,412,172
Other assets	-	76,743	-	76,743
Equipment and heavy vehicle	1,259,014	45,056	-	1,304,070
Total capital assets being depreciated	<u>15,560,540</u>	<u>411,093</u>	<u>-</u>	<u>15,971,633</u>
Less accumulated depreciation for:				
System improvements	1,207,498	127,622	-	1,335,120
Water rights	256,042	29,262	-	285,304
Buildings and improvements	1,758,336	68,839	-	1,827,175
Water distribution system	5,313,291	147,982	-	5,461,273
Other assets	-	4,911	-	4,911
Equipment and heavy vehicle	904,928	68,372	-	973,300
Total accumulated depreciation	<u>9,440,095</u>	<u>446,988</u>	<u>-</u>	<u>9,887,083</u>
Total capital assets being depreciated, net	<u>6,120,445</u>			<u>6,084,550</u>
Business-type activities capital assets, net	<u>\$ 6,263,940</u>			<u>\$ 6,405,345</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

Discretely Presented Component Unit

Activity for the ABC Board for the year end June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 80,170	\$ -	\$ -	\$ 80,170
Total capital assets not being depreciated	80,170	-	-	80,170
Capital assets being depreciated:				
Buildings	519,332	19,466	-	538,798
Store and administrative equipment	58,401	1,308	1,661	58,048
Total capital assets being depreciated	577,733	20,774	1,661	596,846
Less accumulated depreciation:				
Buildings	253,150	13,146	-	266,296
Store and administrative equipment	46,605	3,148	1,661	48,092
Total accumulated depreciation	299,755	16,294	1,661	314,388
ABC capital assets, net	<u>\$ 358,148</u>			<u>\$ 362,628</u>

Liabilities

Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description: The City of Randleman and the ABC Board are participating employers 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.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The City of Randleman, North Carolina employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Randleman, North Carolina's contractually required contribution rate for the year ended June 30, 2020, was 8.50% of compensation for law enforcement officers and 7.82% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Randleman, North Carolina were \$246,103 for the year ended June 30, 2020.

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

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

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

At June 30, 2020, the City reported a liability of \$1,200,514 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing updated procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participants, LGERS employers, actuarially determined. At June 30, 2019 the City's proportion was 0.044%, which was consistent with its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$509,672. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 205,558	\$ -
Changes of assumptions	195,664	-
Net difference between projected and actual earnings on pension plan investments	29,283	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	77,314
City contributions subsequent to the measurement date	246,103	-
	<u>\$ 676,608</u>	<u>\$ 77,314</u>

\$246,103 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources, net, or deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2021	\$ 181,434
2022	42,932
2023	102,425
2024	26,400
	<u>\$ 353,191</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	3.50 to 8.10%, including inflation and productivity factor
Investment	7.00%, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

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 City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.00%, as well as what the City'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 (6.20%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 2,745,793	\$ 1,200,514	\$ (83,928)

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

b. Law Enforcement Officers Special Separation Allowance

Plan Description

The City of Randleman administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85% 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.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

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

Retirees receiving benefits	-
Terminated plan member entitled to but not yet receiving benefits	-
Active plan members	<u>16</u>
	<u>16</u>

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

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

Inflation	2.50%
Salary increases	3.50 to 7.35% including inflation and productivity factor
Discount rate	3.26%

The discount rate is based on the yield of the S&P Municipal Bond 20-year High Grade Rate Index determined as of December 31, 2018.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements using MP-2015.

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City did not pay any benefits for the reporting period.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

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

At June 30, 2020, the City reported a total pension liability of \$311,808. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$33,830.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,572	\$ -
Changes of assumptions and other inputs	21,552	12,611
City benefit payments and plan administrative expense made subsequent to the measurement date	-	-
	<u>\$ 38,124</u>	<u>\$ 12,611</u>

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2021	\$ 5,014
2022	5,014
2023	5,014
2024	5,316
2025	2,942
Thereafter	2,213
	<u>\$ 25,513</u>

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.26 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26%) or 1-percentage-point higher (4.26%) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
City's proportionate share of the net pension liability	\$ 346,485	\$ 311,808	\$ 280,659

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

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

Beginning balance	\$ 260,625
Service cost	19,329
Interest on the total pension liability	9,487
Change in benefit terms	-
Difference between expected and actual experience in the measurement of the total pension liability	10,128
Changes of assumptions or other inputs	12,239
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 311,808</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 509,672	\$ 33,830	\$ 543,502
Pension Liability	1,200,514	311,808	1,512,322
Proportionate share of the net pension liability	0.044%	n/a	

Deferred Outflow of Resources

Differences between expected and actual experience	205,558	16,572	222,130
Changes of assumptions	194,664	21,552	216,216
Net difference between projected and actual earnings on plan investments	29,283	-	29,283
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	246,103	-	246,103

Deferred Inflows of Resources

Differences between expected and actual experience	-	-	-
Changes of assumptions	-	12,611	12,611
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	77,314	-	77,314

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description: The City of Randleman 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 City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy: Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to the Plan.

The City made contributions of \$36,404 for the reporting year. No amounts were forfeited.

Other Post-Employment Benefits

Healthcare Benefits

Plan Description: Under the terms of a City resolution, the City administers a single employer defined benefit Healthcare Benefits Plan (the HCB Plan). The City Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided: Retirees of the City who participate in the North Carolina Local Governmental Employees' Retirement System and have at least five years of creditable service with the City are eligible for post-employment health care benefits. The City pays the full cost of coverage for these benefits for employees that have thirty years of creditable service with the City; for employees that have twenty-five years of creditable service, the City pays 85% of the cost of coverage for these benefits; and for employees that have twenty years of creditable service, the City pays 75% of the cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the City's group rates. A separate report is not issued for the plan.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Healthcare Benefits (Continued)

Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees receiving benefits	3	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	41	16
Total	44	16

Total OPEB Liability

The City's total OPEB liability of \$1,397,387 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases, including wage inflation	
General Employees	3.50% to 7.75%
Firefighters	3.50% to 7.75%
Law Enforcement Officers	3.50% to 7.35%
Discount rate	3.50%
Healthcare cost trend rates	
Pre-Medicare	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028
Dental	4.00%

The discount rate is based on the yield of the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Healthcare Benefits (Continued)

Changes in the Total OPEB liability

Beginning balance	\$ 1,230,660
Service cost	81,194
Interest	47,507
Differences between expected and actual experience	(5,420)
Changes in assumptions or other inputs	62,406
Benefit payments	(18,960)
OPEB balance, end of year	<u>\$ 1,397,387</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

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

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current discount rate:

	1% Decrease	Discount Rate (3.50)	1% Increase
Total OPEB liability	\$ 1,572,336	\$ 1,397,387	\$ 1,243,491

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

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 1,188,347	\$ 1,397,787	\$ 1,655,410

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Healthcare Benefits (Continued)

For the year ended June 30, 2020, the City recognized OPEB expense of \$95,415. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,701	\$ 296,647
Changes of assumptions or other inputs	63,456	68,651
Total	<u>\$ 66,157</u>	<u>\$ 365,298</u>

Amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2021	\$ (37,766)
2022	(37,766)
2023	(37,766)
2024	(37,766)
2025	(37,766)
Thereafter	<u>(110,311)</u>
	<u>\$ (299,141)</u>

Other Employment Benefits

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

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 246,103
Differences between expected and actual experience	224,831
Changes in assumptions	280,672
Net difference between projected and actual	29,283
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
	<u>\$ 780,889</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 13	\$ 13
Taxes receivable, net (General Fund)	-	36,007
Tipping fees, net (General Fund)	-	59,345
Storm water fees, net (General Fund)	-	7,706
Privilege license fees, net (General Fund)	-	4,818
Change in assumptions	81,262	-
Difference between expected and actual experience	296,647	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	77,314	-
	<u>\$ 455,236</u>	<u>\$ 107,889</u>

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City has property, general liability, and auto liability coverage of \$1 million per occurrence, 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 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 the certified public accountants, and the audited statements are available to the City upon request.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

The City is also covered through the League of Municipalities for flood insurance damages. The limit for any one maximum loss is \$2.5 million with a \$50,000 deductible. This coverage only applies to buildings and structures mapped and designated as "B, C, or X" areas.

The City carries commercial coverage for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

Claims, Judgments and Contingent Liabilities

At June 30, 2020, there was no material pending or threatened litigation, claims or assessments involving the City of Randleman.

Long-Term Obligations

Installment Purchases

The City has entered into the following installment purchase contracts:

In June 2014, the City entered into a direct placement installment financing agreement of \$975,000 to finance downtown improvements. The property is pledged as collateral for the debt while the debt is outstanding. The financing agreement requires monthly principal payments of \$8,125 plus interest at a rate of 2.54%.

In May 2019, the City entered into a direct placement installment financing agreement of \$260,000 to finance waterline replacements and improvements. The property is pledged as collateral for the debt while the debt is outstanding. The financing agreement requires semiannual principal payments of \$8,667 with an interest rate of 3.59%.

In May 2020, the City entered into a direct placement installment financing agreement of \$278,169 to finance the purchase of a tanker truck. The property is pledged as collateral for the debt while the debt is outstanding. The financing agreement requires monthly payments of \$10,757 with an interest rate of 2.23%.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Installment Purchases (Continued)

Annual debt service requirements of the installment purchases as of June 30, 2020, including \$106,434 of interest, are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 134,637	\$ 14,665	\$ 17,333	\$ 8,556
2022	135,472	11,353	17,333	7,934
2023	136,326	8,023	17,333	7,312
2024	137,199	4,673	17,333	6,689
2025	40,592	2,439	17,333	6,067
2026-2030	83,943	2,120	86,667	21,002
2031-2035	-	-	69,335	5,601
Totals	<u>\$ 668,169</u>	<u>\$ 43,273</u>	<u>\$ 242,667</u>	<u>\$ 63,161</u>

Notes Payable

Notes payable - Water and Sewer Fund consists of the following at June 30, 2020:

North Carolina Clean Water Revolving Loan:

On May 23, 2017, the City executed a noninterest bearing note with the State of North Carolina to borrow \$467,580 in accordance with the North Carolina Education, Clean Water and Parks Revolving Bond Act of 1993. Annual principal payments of \$23,379 are required through May 1, 2037.

\$ 397,443

On June 1, 2013, the City executed a note with the State of North Carolina to borrow up to \$870,555 in accordance with the North Carolina Education, Clean Water and Parks Revolving Bond Act of 1993. Annual principal payments are required through May 1, 2033. Interest at 2.00% is payable on November 1 and May 1 of each year until the loan is repaid.

565,861
\$ 963,304

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Notes Payable (Continued)

Annual debt service requirements to maturity for the note payable - Water and Sewer Fund at June 30, 2020 are as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2021	\$ 66,907	\$ 11,317
2022	66,907	10,447
2023	66,907	9,576
2024	66,907	8,706
2025	66,907	7,835
2026-2030	334,535	26,116
2031-2035	247,479	5,223
2036-2040	46,755	-
Totals	<u>\$ 963,304</u>	<u>\$ 79,220</u>

PTRWA Obligation

The City has guaranteed \$1,429,389 of debt of the Piedmont Triad Regional Water Authority (the "Authority"), and the City is required to make semiannual payments to the Authority of \$53,754. These payments include interest at 2.75%.

Annual debt service requirements of the PTRWA Obligation as of June 30, 2020, including \$103,876 of interest, are as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2021	\$ 85,821	\$ 21,687
2022	88,197	19,311
2023	90,639	16,869
2024	93,149	14,359
2025	95,728	11,780
2026-2030	356,387	19,870
Totals	<u>\$ 809,921</u>	<u>\$ 103,876</u>

At June 30, 2020, the City of Randleman had a legal debt margin of \$34,712,092.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Changes in Long-Term Liabilities

Compensated absences typically have been liquidated in the General Fund.

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
Governmental Activities:					
Direct placement					
installment purchases	\$ 487,500	\$ 278,169	\$ 97,500	\$ 668,169	\$ 134,637
Compensated absences	205,201	71,558	45,752	231,007	46,000
Other post employment benefits	1,033,754	154,025	-	1,187,779	-
Net pension liability (LGERS)	862,163	120,073	-	982,236	-
Total pension liability (LEO)	260,625	51,183	-	311,808	-
Governmental Activity Long-term Liabilities	<u>\$ 2,849,243</u>	<u>\$ 675,008</u>	<u>\$ 143,252</u>	<u>\$ 3,380,999</u>	<u>\$ 180,637</u>
Business-Type Activities:					
Direct placement					
installment purchases	\$ 260,000	\$ -	\$ 17,333	\$ 242,667	\$ 17,333
Notes payable	1,030,210	-	66,906	963,304	66,907
PTRWA obligation	893,430	-	83,509	809,921	85,821
Other post employment benefits	196,906	12,702	-	209,608	-
Net pension liability (LGERS)	197,089	21,189	-	218,278	-
Compensated absences	39,291	20,820	9,460	50,651	9,000
Business-Type Activity Long-term Liabilities	<u>\$ 2,616,926</u>	<u>\$ 54,711</u>	<u>\$ 177,208</u>	<u>\$ 2,494,429</u>	<u>\$ 179,061</u>

NOTE 4 - INTER-FUND ACTIVITY

Transfers to/from other funds at June 30, 2020, consist of the following:

From the General Fund to Nonmajor Governmental Funds	\$ 462,000
From the Nonmajor Governmental fund to the General Fund	1,171
From Water and Sewer Capital Project Fund to the Water and Sewer Fund	44,166
From the Water and Sewer Fund to Water and Sewer Capital Project Funds	657,520
Total	<u>\$ 1,164,857</u>

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

CITY OF RANDLEMAN, NORTH CAROLINA

Notes to Financial Statements

NOTE 5 - COMMITMENTS

The City of Randleman is obligated to pay the City's pro rata share (2.08%) of the Piedmont Triad Regional Water Authority's annual operating budget.

NOTE 6 - 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	\$ 5,259,410
Less:	
Stabilization by State Statute	268,595
Street - Powell Bill	697,577
Appropriated Fund balance in 2020 budget	60,000
Working Capital / Fund Balance Policy	656,920
Remaining Fund Balance	<u>\$ 3,576,318</u>

The City of Randleman has adopted a minimum fund balance policy for the General Fund which instructs management to conduct business of the City in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures.

NOTE 7 - JOINT VENTURES

Firemen's Relief Fund

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the Fund on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2020, the City reported no payments through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2020. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees, files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 7 - JOINT VENTURES (Continued)

Piedmont Triad Regional Water Authority

The City, in conjunction with five other governments, participated in the Piedmont Triad Regional Water Authority. The Authority was established to construct a dam facility, water treatment plant and related distribution lines. The Authority began construction of the dam in 2001, and the participating governments are legally obligated under the intergovernmental agreement that created the Authority to contribute a pre-determined share of the construction costs. According to the joint governmental agreement, the participating governments do not have an equity interest in the joint venture, but rather rights to water in the reservoir. After a water treatment plant is constructed, the participating governments have the right to purchase future treated water based upon their pre-determined share, according to a uniform rate structure to be set by the Authority. Complete financial statements for the Authority can be obtained from the Authority's administrative offices at 2216 West Meadowview Road, Greensboro, North Carolina.

NOTE 8 - JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with 7 counties and 42 other municipalities established the Piedmont Triad Regional Council of Governments ("Council"). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$5,605 to the Council during the fiscal year ended June 30, 2020.

NOTE 9 - RELATED ORGANIZATION

The five-member board of the City of Randleman Housing Authority is appointed by the mayor of the City of Randleman. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Randleman is also disclosed as a related organization in the notes to the financial statements for the City of Randleman Housing Authority.

NOTE 10 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 11 - SUBSEQUENT EVENTS

The City has evaluated all subsequent events through January 5, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

CITY OF RANDLEMAN, NORTH CAROLINA
Local Government Employees' Retirement System -
City of Randleman's Schedule of Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information

	2020	2019	2018	2017	2016	2015	2014
Randleman's proportion of the net pension liability (asset) (%)	0.04396%	0.04465%	0.04518%	0.04743%	0.05129%	0.04090%	0.04178%
Randleman's proportion of the net pension liability (asset) (\$)	\$ 1,200,514	\$ 1,059,252	\$ 690,225	\$ 1,006,623	\$ 230,187	\$ (246,397)	\$ 493,002
Randleman's covered-employee payroll	\$ 2,595,609	\$ 2,452,352	\$ 2,419,632	\$ 2,493,647	\$ 2,445,608	\$ 2,234,536	\$ 1,847,292
Randleman's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	46.25%	43.19%	28.53%	40.37%	9.41%	-11.03%	26.69%
Plan fiduciary net position as a percentage of the total pension liability	94.85%	91.63%	94.18%	91.47%	98.09%	102.64%	102.64%

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

Local Government Employees' Retirement System -
City of Randleman's Schedule of Contributions

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 246,103	\$ 207,738	\$ 190,134	\$ 181,784	\$ 167,007	\$ 166,973	\$ 154,577
Contributions related to the contractual required contribution	246,103	207,738	190,134	181,784	167,007	166,973	154,577
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Randleman's covered-employee payroll	\$ 2,674,581	\$ 2,595,609	\$ 2,452,352	\$ 2,419,632	\$ 2,493,647	\$ 2,445,608	\$ 2,445,608
Contributions as a percentage of covered-employee payroll	9.20%	8.00%	7.75%	7.51%	6.70%	6.83%	6.32%

CITY OF RANDLEMAN, NORTH CAROLINA
Law Enforcement Officers' Special Separation Allowance -
Schedule of Changes in Total Pension Liability
Required Supplementary Information

	2020	2019	2018	2017
Beginning balance	\$ 215,686	\$ 192,338	\$ 192,338	\$ 176,821
Service cost	19,329	19,573	16,223	15,659
Interest on the total pension liability	9,487	7,498	7,424	6,313
Change in benefit terms	-	-	-	-
Difference between expected and actual experience				
in the measurement of the total pension liability	10,128	10,173	1,429	-
Changes of assumptions or other inputs	12,239	(13,896)	19,863	(6,455)
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 266,869</u>	<u>\$ 215,686</u>	<u>\$ 237,277</u>	<u>\$ 192,338</u>

Law Enforcement Officers' Special Separation Allowance -
Schedule of Total Pension Liability as a Percentage of Covered Payroll

	2020	2019	2018	2017
Total pension liability	\$ 266,869	\$ 215,686	\$ 237,277	\$ 192,338
Covered payroll	723,175	698,859	648,446	634,477
Total pension liability as a percentage of covered payroll	36.90%	30.86%	36.59%	30.31%

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Changes in Total OPEB Liability and Related Ratios
Required Supplementary Information

	2020	2019	2018
Service cost	\$ 81,194	\$ 108,622	\$ 117,820
Interest	47,507	51,195	42,169
Change in benefit terms	-	-	-
Difference between expected and actual experience	(5,420)	(361,464)	3,838
Change in assumptions	62,406	8,758	(97,535)
Benefit payments	(18,960)	(28,757)	(29,700)
Net change in total OPEB liability	166,727	(221,646)	36,592
Total OPEB liability - beginning	1,230,660	1,452,306	1,415,714
Total OPEB liability - ending	<u>\$ 1,397,387</u>	<u>\$ 1,230,660</u>	<u>\$ 1,452,306</u>

Notes to Schedule:

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

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

SUPPLEMENTAL STATEMENTS

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2020

Schedule 1
(Page 1 of 5)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 2,737,200	\$ 2,728,760	\$ (8,440)
Prior years	5,000	272	(4,728)
Penalties and interest	3,000	3,227	227
Total	<u>2,745,200</u>	<u>2,732,259</u>	<u>(12,941)</u>
Other taxes and licenses:			
Vehicle tag fee	100	4	(96)
Privilege licenses	200	210	10
Total	<u>300</u>	<u>214</u>	<u>(86)</u>
Intergovernmental revenues:			
Unrestricted:			
Local option sales tax	1,050,000	975,407	(74,593)
Utilities franchise tax	500,000	368,335	(131,665)
Randolph County fire district	520,000	515,407	(4,593)
ABC distribution	186,000	136,700	(49,300)
Beer and wine tax	20,000	17,897	(2,103)
Fire inspection revenue	300	100	(200)
Total	<u>2,276,300</u>	<u>2,013,846</u>	<u>(262,454)</u>
Restricted:			
Randolph County - Library	12,000	12,000	-
Solid waste disposal tax	3,000	3,149	149
Powell bill street allocation	120,000	116,999	(3,001)
Total	<u>135,000</u>	<u>132,148</u>	<u>(2,852)</u>
Sales and services:			
Rents and concessions	21,000	750	(20,250)
Recreation service revenues	123,000	114,497	(8,503)
Library fees	12,000	6,432	(5,568)
Storm water fees	40,000	38,635	(1,365)
Tipping fees	326,000	322,002	(3,998)
Total	<u>522,000</u>	<u>482,316</u>	<u>(39,684)</u>
Investment earnings	<u>120,000</u>	<u>107,708</u>	<u>(12,292)</u>
Miscellaneous:			
Fundraising	10,000	2,668	(7,332)
Other	105,500	79,828	(25,672)
Total	<u>115,500</u>	<u>82,496</u>	<u>(33,004)</u>
Total Revenues	<u>5,914,300</u>	<u>5,550,987</u>	<u>(363,313)</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund (Continued)
For the Fiscal Year Ended June 30, 2020

Schedule 1
(Page 2 of 5)

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	\$ 33,000	\$ 30,697	\$ 2,303
Administration:			
Salaries and employee benefits		132,883	
Professional services		36,099	
Telephone and postage		11,814	
Travel and school		5,647	
Insurance		157,097	
Other services and charges		107,302	
Dues and subscriptions		25,116	
Supplies		10,822	
Contracted services		66,210	
Utilities		7,260	
Capital outlay		47,865	
Total	793,100	608,115	184,985
Central Garage:			
Salaries and employee benefits		87,490	
Automotive supplies		5,738	
Capital outlay		12,164	
Other services and charges		18,424	
Total	170,100	123,816	46,284
Total general government	996,200	762,628	233,572
Public safety:			
Police:			
Salaries and employee benefits		996,587	
Departmental supplies		60,063	
Telephone		24,166	
Uniforms		5,848	
Fundraising		1,538	
Other services and charges		68,172	
Capital outlay		159,412	
Total	1,359,400	1,315,786	43,614

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund (Continued)
For the Fiscal Year Ended June 30, 2020

Schedule 1
(Page 3 of 5)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Public safety (Continued):			
Fire:			
Salaries and employee benefits		\$ 1,149,569	
Fire calls		95,151	
Departmental supplies		86,909	
Medical supplies		13,328	
Utilities		14,611	
Telephone and postage		12,223	
Uniforms		20,411	
Capital outlay		7,016	
Other services and charges		22,935	
Total	<u>\$ 1,521,000</u>	<u>1,422,153</u>	<u>\$ 98,847</u>
Total public safety	<u>2,880,400</u>	<u>2,737,939</u>	<u>142,461</u>
Public works:			
Streets:			
Salaries and employee benefits		105,414	
Utilities		53,552	
Maintenance and repairs		3,893	
Supplies and materials		8,785	
Capital outlay		136,302	
Other services and charges		2,739	
Total	<u>508,000</u>	<u>310,685</u>	<u>197,315</u>
Sanitation:			
Salaries and employee benefits		140,604	
Supplies		4,347	
Gas and automotive supplies		48,083	
Recycling and landfill		94,110	
Capital outlay		27,599	
Other services and charges		317	
Total	<u>335,100</u>	<u>315,060</u>	<u>20,040</u>
Total public works	<u>843,100</u>	<u>625,745</u>	<u>217,355</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund (Continued)
For the Fiscal Year Ended June 30, 2020

Schedule 1
(Page 4 of 5)

	Budget	Actual	Variance Positive (Negative)
Expenditures (Continued):			
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		\$ 200,883	
Utilities		24,501	
Gas and supplies		13,364	
Uniforms		36,634	
Special events		19,071	
Fundraising		150	
Capital outlay		234,169	
Other services and charges		102,956	
Total	\$ 705,100	\$ 631,728	\$ 73,372
Library:			
Salaries and employee benefits		206,459	
Utilities		8,096	
Books		12,000	
Maintenance and repairs		13,503	
Fundraising		615	
Capital outlay		47,092	
Other services and charges		19,788	
Total	353,700	307,553	46,147
Total cultural and recreational	1,058,800	939,281	119,519
Economic and physical development:			
Industrial development		7,000	
Senior citizens		21,600	
Other expenditures		39,795	
Capital outlay		15,935	
Total	137,000	84,330	52,670
Planning and zoning:			
Salaries and employee benefits		71,581	
Other services and charges		10,689	
Total	137,900	82,270	55,630

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund (Continued)
For the Fiscal Year Ended June 30, 2020

Schedule 1
(Page 5 of 5)

	Budget	Actual	Variance Positive (Negative)
Expenditures (Continued):			
Supplemental Budget Appropriations:			
Debt principal and interest payments	\$ 108,800	\$ 108,747	\$ 53
Total supplemental budget appropriations	108,800	108,747	53
Total expenditures	6,162,200	5,340,940	821,260
Revenues over (under) expenditures	(247,900)	210,047	457,947
Other Financing Sources:			
Debt proceeds	280,000	278,169	(1,831)
Transfers from other funds:			
Nonmajor capital project funds	-	1,171	1,171
Transfers to other funds:			
Nonmajor capital project funds	(505,800)	(462,000)	43,800
Total	(225,800)	(182,660)	43,140
Fund balance appropriated	473,700	-	(473,700)
Net change in fund balance	\$ -	27,387	\$ 27,387
Fund balance, beginning		5,232,023	
Fund balance, ending		\$ 5,259,410	

CITY OF RANDLEMAN, NORTH CAROLINA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

Schedule 2

	Police Department Renovation Fund	Downtown Improvements Fund	Sidewalk Improvements Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ -	\$ 55,681	\$ 200,000	\$ 255,681
Due from other governments	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 55,681</u>	<u>\$ 200,000</u>	<u>\$ 255,681</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted for:				
Cultural and recreational	-	55,681	200,000	255,681
Total fund balances	<u>-</u>	<u>55,681</u>	<u>200,000</u>	<u>255,681</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 55,681</u>	<u>\$ 200,000</u>	<u>\$ 255,681</u>

CITY OF RANDLEMAN, NORTH CAROLINA

Schedule 3

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2020

	Police Department Renovations Fund	Downtown Improvements Fund	Sidewalks Improvements Fund	Total Nonmajor Governmental Funds
Expenditures				
Current:				
Capital outlay	\$ 449,829	\$ -	\$ -	\$ 449,829
Total expenditures	449,829	-	-	449,829
Revenues over (under) expenditures	(449,829)	-	-	(449,829)
Other Financing Sources (Uses)				
Transfers (to) from other funds	449,829	11,000	-	460,829
Other income	-	-	-	-
Total other financing sources	449,829	11,000	-	460,829
Net change in fund balances	-	11,000	-	11,000
Fund balances, beginning	-	44,681	200,000	244,681
Fund balances, ending	\$ -	\$ 55,681	\$ 200,000	\$ 255,681

CITY OF RANDLEMAN, NORTH CAROLINA

Schedule 4

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Capital Projects Fund - Downtown Improvements

From Inception and For the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures					
Downtown Improvements:					
Capital outlay	\$ 176,000	\$ 120,319	\$ -	\$ 120,319	\$ 55,681
Total expenditures	<u>176,000</u>	<u>120,319</u>	<u>-</u>	<u>120,319</u>	<u>55,681</u>
Other Financing Sources (Uses)					
Transfers from other funds:					
General Fund	76,000	65,000	11,000	76,000	-
Grants proceeds	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Total other financing sources	<u>176,000</u>	<u>165,000</u>	<u>11,000</u>	<u>176,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 44,681</u>	<u>11,000</u>	<u>\$ 55,681</u>	<u>\$ 55,681</u>
Fund balance, beginning			<u>44,681</u>		
Fund balance, ending			<u>\$ 55,681</u>		

CITY OF RANDLEMAN, NORTH CAROLINA

Schedule 5

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Capital Projects Fund - Sidewalks Improvements

From Inception and For the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures					
Sidewalk Improvements:					
Capital outlay	\$ 650,000	\$ -	\$ -	\$ -	\$ 650,000
Total expenditures	650,000	-	-	-	650,000
Other Financing Sources (Uses)					
Transfers from other funds:					
General Fund	200,000	200,000	-	200,000	-
Grants proceeds	450,000	-	-	-	(450,000)
Total other financing sources	650,000	200,000	-	200,000	(450,000)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 200,000</u>	-	<u>\$ 200,000</u>	<u>\$ 200,000</u>
Fund balance, beginning			200,000		
Fund balance, ending			<u>\$ 200,000</u>		

CITY OF RANDLEMAN, NORTH CAROLINA

Schedule 6

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Capital Projects Fund - Police Department Renovations

From Inception and For the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures					
Sidewalk Improvements:					
Capital outlay	451,000	\$ -	\$ 449,829	449,829	\$ 1,171
Total expenditures	451,000	-	449,829	449,829	1,171
Other Financing Sources (Uses)					
Transfers from other funds:					
General Fund	449,800	-	449,829	449,829	29
Grants proceeds	-	-	-	-	-
Total other financing sources	449,800	-	449,829	449,829	29
Appropriated fund balance	1,200	-	-	-	(1,200)
Net Change in Fund Balance	\$ -	\$ -	-	\$ -	\$ -
Fund balance (deficit), beginning			-		
Fund balance, ending			\$ -		

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (NON-GAAP)
Water and Sewer Fund
For the Fiscal Year Ended June 30, 2020

Schedule 7
(Page 1 of 2)

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales		\$ 1,375,478	
Sewer charges		1,252,842	
Water and sewer taps		14,900	
Other operating revenues		43,874	
Total	<u>\$ 2,726,400</u>	<u>2,687,094</u>	<u>\$ (39,306)</u>
Nonoperating revenues:			
Interest earned on investments	<u>1,000</u>	<u>5</u>	<u>(995)</u>
Total revenues	<u>2,727,400</u>	<u>2,687,099</u>	<u>(40,301)</u>
Expenditures:			
Operating expenditures:			
Water treatment and distribution:			
Salaries and employee benefits		290,300	
Repairs and maintenance		1,950	
Utilities		1,477	
Utility services		52,122	
Purchase of water		516,118	
Other operating expenditures		40,597	
Total	<u>881,100</u>	<u>902,564</u>	<u>(21,464)</u>
Water and sewer maintenance:			
Salaries and employee benefits		59,491	
Repairs and maintenance		117,570	
Capital outlay		52,898	
Other operating expenditures		65,836	
Total	<u>311,500</u>	<u>295,795</u>	<u>15,705</u>
Wastewater maintenance:			
Salaries and employee benefits		57,804	
Repairs and maintenance		12,894	
Supplies and services		19,065	
Other operating expenditures		4,001	
Capital outlay		35,155	
Total	<u>250,100</u>	<u>128,919</u>	<u>121,181</u>
Wastewater treatment:			
Salaries and employee benefits		233,750	
Supplies and chemicals		30,305	
Repairs and maintenance		35,359	
Utilities		122,237	
Pretreatment/lab		33,258	
Sludge removal		52,572	
Capital outlay		83,153	
Other operating expenditures		59,391	
Total	<u>850,600</u>	<u>650,025</u>	<u>200,575</u>
Total operating expenditures	<u>2,293,300</u>	<u>1,977,303</u>	<u>315,997</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (NON-GAAP)
Water and Sewer Fund
For the Fiscal Year Ended June 30, 2020

Schedule 7
(Page 2 of 2)

	Budget	Actual	Variance Positive (Negative)
Expenditures (Continued):			
Nonoperating expenditures:			
Interest and fiscal charges on long-term debt		\$ 45,366	
PTRWA principal payments		84,240	
Bond principal payments		83,509	
PTRWA admin operating costs		37,031	
Total nonoperating expenditures	\$ 251,100	250,146	\$ 954
Total expenditures	2,544,400	2,227,449	316,951
Revenues over (under) expenditures	183,000	459,650	276,650
Other financing sources (uses):			
Transfer from other funds:			
Water and sewer capital project funds		44,166	
Transfer to other funds:			
Water and sewer capital project funds		(657,520)	
Total other financing sources (uses)	(663,400)	(613,354)	50,046
Fund balance appropriated	482,000	-	(482,000)
Revenues and appropriated fund balance over (under) expenditures and other uses	\$ 1,600	(153,704)	\$ (155,304)
Reconciliation from budgetary basis (modified accrual) to full accrual basis:			
Reconciling items:			
Depreciation		(446,988)	
Capital outlay		171,207	
Transfers from water and sewer capital project funds		(44,166)	
Transfers to water and sewer capital project funds		657,520	
Decrease in deferred outflow of resources - pensions		(56,138)	
Decrease in net pension liability		(21,189)	
Decrease in deferred inflow of resources - pensions		62,297	
Increase in deferred outflow of resources - OPEB		(76)	
Increase in OPEB liability		(12,702)	
Increase in deferred inflow of resources - OPEB		18,228	
Increase in accrued vacation payable		(11,360)	
Principal retirement		167,749	
Total		484,382	
Change in net position		\$ 330,678	

CITY OF RANDLEMAN, NORTH CAROLINA

Schedule 8

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Capital Projects Fund - Waterline Replacement

From Inception and For the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures					
Waterline Replacement					
Project:					
Waterline replacement	\$ 315,000	\$ 100,358	\$ 213,162	\$ 313,520	\$ 1,480
Total expenditures	315,000	100,358	213,162	313,520	1,480
Other Financing Sources					
Waterline Replacement					
Project:					
Transfers from other fund:					
Water and sewer fund	315,000	296,000	17,520	313,520	(1,480)
Total other financing sources	315,000	296,000	17,520	313,520	(1,480)
Net change in fund balance	<u>\$ -</u>	<u>\$ 195,642</u>	<u>(195,642)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			195,642		
Fund balance, ending			<u>\$ -</u>		

CITY OF RANDLEMAN, NORTH CAROLINA

Schedule 9

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund - Waterline Replacement Hwy 311 and New Market
From Inception and For the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures					
Waterline Replacement					
Project:					
Waterline replacement	\$ 258,600	\$ 35,861	\$ 224,073	\$ 259,934	\$ (1,334)
Total expenditures	258,600	35,861	224,073	259,934	(1,334)
Other Financing Sources (Uses)					
Waterline Replacement					
Project:					
Transfers from other fund:					
Water and sewer fund	50,000	50,000	-	50,000	-
Transfers to other funds:					
Water and sewer fund	(45,600)	-	(44,166)	(44,166)	1,434
Loan Proceeds	254,100	254,100	-	254,100	-
Total other financing sources	258,500	304,100	(44,166)	259,934	1,434
Appropriated fund balance	100	-	-	-	(100)
Net change in fund balance	<u>\$ -</u>	<u>\$ 268,239</u>	<u>(268,239)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			268,239		
Fund balance, ending			<u>\$ -</u>		

CITY OF RANDLEMAN, NORTH CAROLINA

Schedule 10

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Capital Projects Fund -Water Sewer Systems Repairs and Installations

From Inception and For the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures					
Air Diffusers					
Project:					
Construction	\$ 535,000	\$ -	\$ -	\$ -	\$ 535,000
Contingency	55,000	-	-	-	55,000
Other expenditure	50,000	-	33,750	33,750	16,250
Total expenditures	640,000	-	33,750	33,750	606,250
Other Financing Sources (Uses)					
Air Diffusers					
Project:					
Transfers from other funds:					
Water and sewer fund	640,000	-	640,000	640,000	-
Total other financing sources	640,000	-	640,000	640,000	-
Net change in fund balance	\$ -	\$ -	606,250	\$ 606,250	\$ 606,250
Fund balance, beginning			-		
Fund balance, ending			\$ 606,250		

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Changes in Assets and Liabilities
Fireman's Relief Fund
For the Fiscal Year Ended June 30, 2020

Schedule 11

	Beginning Balance	Additions	Deductions	Ending Balance
Assets				
Cash and cash equivalents	<u>\$ 125,642</u>	<u>\$ 5,810</u>	<u>\$ 9,166</u>	<u>\$ 122,286</u>
Liabilities				
Intergovernmental payable	<u>\$ 125,642</u>	<u>\$ 5,810</u>	<u>\$ 9,166</u>	<u>\$ 122,286</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
Fiscal Years ended June 30, 2020

Schedule 12

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019 - 2020	\$ -	\$ 2,746,594	\$ 2,722,298	\$ 24,296
2018 - 2019	4,872	-	2,988	1,884
2017 - 2018	568	-	56	512
2016 - 2017	280	-	27	253
2015 - 2016	450	-	17	433
2014 - 2015	333	-	17	316
2013 - 2014	2,264	-	18	2,246
2012 - 2013	2,809	-	153	2,656
2011 - 2012	1,354	-	16	1,338
2010 - 2011	2,127	-	54	2,073
2009 - 2010	1,569	-	1,569	-
	<u>\$ 16,626</u>	<u>\$ 2,746,594</u>	<u>\$ 2,727,213</u>	<u>36,007</u>
Less: allowance for uncollectible accounts				-
Ad valorem taxes receivable, net				<u>\$ 36,007</u>
Reconciliation with revenues:				
Ad valorem taxes collected - General Fund				\$ 2,732,259
Reconciling items:				
Interest collected				(3,227)
Miscellaneous adjustments				(1,819)
Total collections and credits				<u>\$ 2,727,213</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Analysis of Current Tax Levy City-Wide Levy
Fiscal Year Ended June 30, 2020

Schedule 13

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 440,500,172	0.63%	\$ 2,787,045	\$ 2,555,864	\$ 231,181
Penalties	-		1,301	1,301	-
Total	440,500,172		2,788,346	2,557,165	231,181
Abatements	(6,599,020)		(41,752)	(41,752)	-
Total property valuation	<u>\$ 433,901,152</u>				
Net levy			2,746,594	2,515,413	231,181
Uncollected taxes at June 30, 2020			(24,296)	(24,296)	-
Current year's taxes collected			<u>\$ 2,722,298</u>	<u>\$ 2,491,117</u>	<u>\$ 231,181</u>
Current levy collection percentage			<u>99.12%</u>	<u>99.03%</u>	<u>100.00%</u>

COMPLIANCE SECTION



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

To the Honorable Mayor and
Members of the City Board of Aldermen
City of Randleman, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, and the aggregate remaining fund information of the City of Randleman, North Carolina (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 5, 2021. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, the City of Randleman ABC Board, as described in our report on the City of Randleman's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the City of Randleman ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
January 5, 2021