

REVIEWED

By SLGFD at 10:47 am, Mar 28, 2022

**CITY OF ROXBORO
FINANCIAL STATEMENTS
ROXBORO, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2020**

**City of Roxboro
North Carolina**

**For the fiscal year ended
June 30, 2020**

City Council Members

**Merilyn Newell, Mayor
Tim Chandler, Mayor Pro-Tem
Mark Phillips
Reggie Horton
Lawrence (Sandy) Stigall
Byrd Blackwell**

Administrative and Financial Staff

**Brooks Lockhart, City Manager
Tommy Warren, Assistant City Manager
Daniel Craig, CPA, Finance Officer
Trevie Adams, City Clerk
Nick Herman, City Attorney**

City of Roxboro, North Carolina
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FINANCIAL SECTION



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Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11 through 23, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 76 and 77, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 74 and 75, the Firefighters' and Rescue Squad Workers' Pension Schedule of the Proportionate Share of the Net Pension Liability on page 78 and the Schedule of Changes in the Total OPEB Liability and Related Ratios on page 79, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Roxboro, North Carolina's basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2022, on our consideration of the City of Roxboro, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The

purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Roxboro, North Carolina's internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

February 14, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Roxboro, we offer readers of the City of Roxboro's financial statements this narrative overview and analysis of the financial activities of the City of Roxboro 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

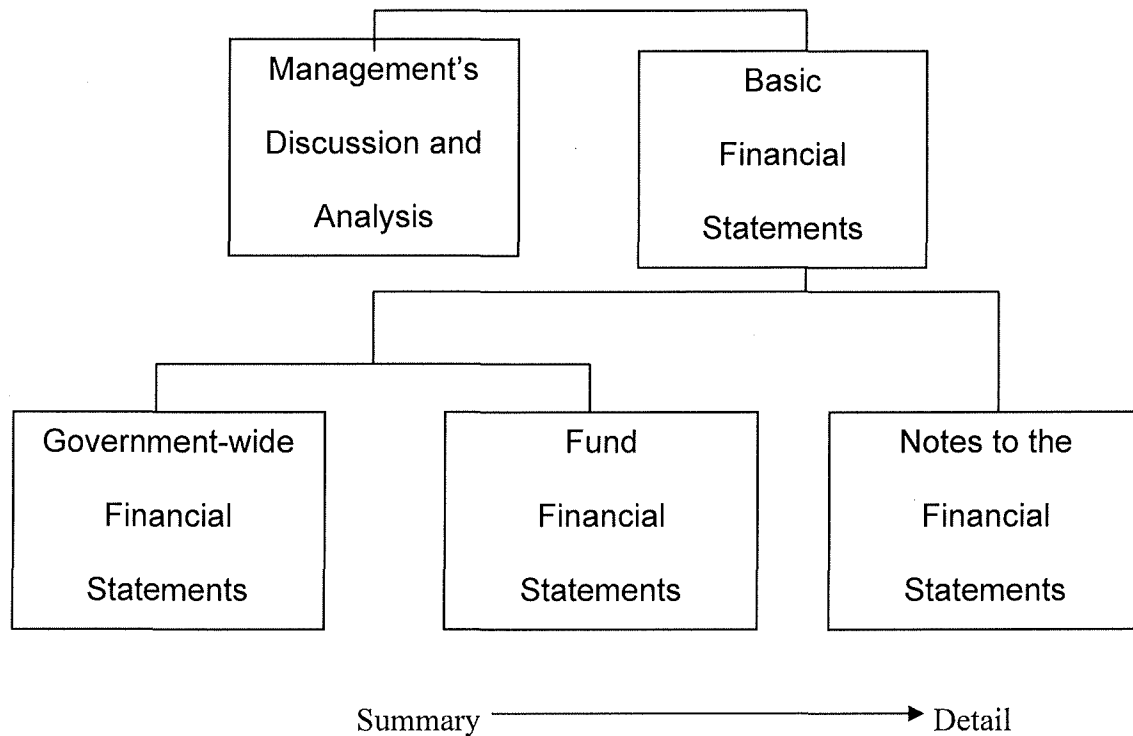
- The assets and deferred outflows of resources of the City of Roxboro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$27,207,128 (*net position*).
- The government's total net position decreased by \$773,006, with an overall decrease in net position of governmental type activities of \$1,330,280 and an increase in business type activities of \$557,274. The decrease in governmental type activities resulted from increases in expenditures and capital outlay during the year. The increase in business type activities resulted from increases in amounts spent on capital assets during the year.
- As of the close of the current fiscal year, the City of Roxboro's governmental funds reported combined ending fund balances of \$4,027,121 with a net decrease of \$716,602 in fund balance. Approximately 41.35 percent of this total amount, or \$1,665,383 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,361,738 or 22.78 percent of total General Fund expenditures for the fiscal year.
- The City of Roxboro's total debt decreased by \$247,964 during the current fiscal year. Of that decrease there was an issuance of \$454,880 for vehicles and payments totaling \$762,251 were made on debt issued in previous years.
- The City of Roxboro maintained its 82 out of 100 bond rating with the North Carolina Municipal Council, Inc. for the 17th consecutive year. This is comparable to a rating of A2 by the national rating agencies.
- The City's Water and Sewer Enterprise Fund reported operating income of \$96,894 for the current fiscal year which was increased with investment and other earnings to result in a net income of \$557,274.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, transportation (streets), environmental protection (sanitation and cemetery), economic development, 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 Roxboro. The final category is the component units. The City of Roxboro does not have any component units.

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 Roxboro, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Roxboro can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

The City of Roxboro 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

Management Discussion and Analysis

City of Roxboro

Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Roxboro has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Roxboro 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.

Internal Service Funds – These funds are an accounting device used to accumulate and allocate costs internally among the functions of the County. The County currently has one internal service fund called the Health and Benefit Fund. Actual payments for employee health claims and employee performance pay are recorded.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City of Roxboro has one fiduciary fund which is an agency fund for the pretax medical savings accounts that employees of the city voluntarily participate in.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 40 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Roxboro's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 73 of this report.

Government-Wide Financial Analysis

City of Roxboro's Net Position

Figure 2

	Governmental		Business			
	Type					
	Activities		Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$5,040,540	\$5,329,602	\$10,243,188	\$18,082,178	\$15 283,728	\$23,411,780
Net Pension Asset	-	-	-	-	-	-
Capital assets	8,082,173	8,202,129	38,337,906	31,541,178	46,420,079	39,743,307
Deferred outflows of resources	<u>1,659,419</u>	<u>1,600,397</u>	<u>499,003</u>	<u>510,630</u>	<u>2,158,422</u>	<u>2,111,027</u>
Total assets and deferred outflows of resources	<u>14,782,132</u>	<u>15,132,128</u>	<u>49,080,097</u>	<u>25,165,721</u>	<u>63,862,229</u>	<u>65,266,114</u>
Long-term liabilities outstanding	6,651,995	6,069,852	27,760,691	27,970,737	34,412,686	30,040,589
Other liabilities	1,222,595	731,557	726,856	2,115,701	1,949,451	2,847,258
Deferred inflows of resources	<u>276,161</u>	<u>369,038</u>	<u>16,749</u>	<u>29,021</u>	<u>292,910</u>	<u>398,079</u>
Total liabilities and deferred inflows of resources	<u>8,150,751</u>	<u>7,170,467</u>	<u>28,504,296</u>	<u>30,115,459</u>	<u>36,655,047</u>	<u>37,285,926</u>
Net position:						
Net Investment in capital assets	5,092,690	5,212,135	11,095,146	3,991,719	16,187,836	9,203,854
Restricted	1,209,987	1,075,377	6,481,683	14,952,421	7,691,670	16,027,798
Unrestricted	<u>328,704</u>	<u>1,674,149</u>	<u>2,998,972</u>	<u>1,074,387</u>	<u>3,327,676</u>	<u>2,748,536</u>
Total net position	<u>\$6,631,381</u>	<u>\$7,961,661</u>	<u>\$20,575,801</u>	<u>\$20,018,527</u>	<u>\$27,207,182</u>	<u>\$27,980,188</u>

Management Discussion and Analysis

City of Roxboro

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 Roxboro exceeded liabilities and deferred inflows by \$27,207,182 as of June 30, 2020. The City's net position decreased by \$773,006 for the fiscal year ended June 30, 2020. However, the largest portion (83.32%) reflects the City's net investment in capital assets (e.g.; land, buildings, machinery, and equipment). The City of Roxboro uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Roxboro's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Roxboro's net position \$1,209,987 (4.45%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,327,676 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.73%, which is comparable to the statewide average during 2020 of 98.78%.
- Continued low cost of debt due to the City's high bond rating and lower interest rates.

Governmental activities: Governmental activities decreased the City's net position by \$1,330,280. Key elements of this decrease are as follows:

- The total property tax rate for the fiscal year ended June 30, 2020 was \$0.67 per \$100 of value, the same rate as the previous year, vehicle tag fees remained the same and revenues of these two items were less than prior year amounts by \$329,363..
- Sales tax revenues exceeded prior year amounts by \$55,026, an increase of 3.02%
- Expenditures increased by a total of \$628,067(6.45%) mainly due to increased payroll and benefits expense, maintenance expense, and increased capital outlay..

Business-type activities: Business-type activities increased the City of Roxboro's net position by \$557,274, Key elements of this decrease are as follows:

- There was a net increase in revenue of \$258,303(4.61%)
- There was an decrease in expenditures in the amount of \$481,285(7.70%) mainly due to decreases in maintenance expense and capital outlay.

Management Discussion and Analysis
City of Roxboro

**City of Roxboro Changes in Net Position
Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$1,339,003	\$693,265	\$6,032,295	\$5,764,107	\$7,371,298	\$6,457,372
Operating grants and contributions	222,109	646,314	-	-	222,109	646,314
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	4,692,635	4,441,229	-	-	4,692,635	4,441,229
Local option sales tax	1,879,141	1,824,115	-	-	1,879,141	1,824,115
Other taxes	937,469	826,463	-	-	937,469	826,463
Grants and contributions not restricted to specific programs	-	1,004,365	-	-	-	1,004,365
Other revenues	<u>150,940</u>	<u>122,253</u>	<u>664,815</u>	<u>365,017</u>	<u>715,755</u>	<u>487,270</u>
Total revenues	<u>9,221,297</u>	<u>9,558,004</u>	<u>6,697,110</u>	<u>6,129,124</u>	<u>15,918,407</u>	<u>15,687,128</u>
Expenses:						
General government	1,493,105	1,265,018	-	-	1,493,105	1,265,018
Public safety	5,849,183	5,374,779	-	-	5,849,183	5,376,779
Transportation	1,624,906	1,456,506	-	-	1,624,906	1,456,506
Environmental protection	1,099,332	959,955	-	-	1,099,332	959,955
Economic and physical development	504,433	586,069	-	-	504,433	586,069
Cultural and recreation	-	147	-	-	-	147
Long-term debt	130,618	121,276	-	-	130,618	121,276
Water and sewer	<u>-</u>	<u>-</u>	<u>5,989,836</u>	<u>6,279,875</u>	<u>5,989,836</u>	<u>6,279,875</u>
Total expenses	<u>10,701,577</u>	<u>9,384,783</u>	<u>5,989,836</u>	<u>6,279,875</u>	<u>16,691,413</u>	<u>16,045,235</u>
Increase(decrease) in net position before transfers	<u>(1,480,280)</u>	<u>(207,365)</u>	<u>707,274</u>	<u>(150,751)</u>	<u>(773,006)</u>	<u>(358,107)</u>
Transfers	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase(decrease) in net position	<u>(1,330,280)</u>	<u>(207,365)</u>	<u>557,274</u>	<u>(150,751)</u>	<u>(773,006)</u>	<u>(358,107)</u>
Net position, July 1	<u>7,961,661</u>	<u>8,169,017</u>	<u>20,018,527</u>	<u>20,169,278</u>	<u>27,980,188</u>	<u>28,338,295</u>
Net position, June 30	<u>\$6,631,381</u>	<u>\$7,961,661</u>	<u>\$20,575,801</u>	<u>\$20,018,527</u>	<u>\$27,207,182</u>	<u>\$27,980,188</u>

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Roxboro'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 Roxboro's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of Roxboro. At the end of the current fiscal year, unassigned fund balance available of the General Fund was \$2,361,738, while total fund balance was \$3,642,968. The Roxboro City Council has determined that the City should maintain an available fund balance of 25% 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 22.78 percent of total General Fund expenditures, while total fund balance represents 35.13 percent of that same amount.

At June 30, 2020, the governmental funds of City of Roxboro reported a combined fund balance of \$4,027,121 a 15.11 percent decrease from last year, with a net decrease in fund balance of \$716,602. Included in this change in fund balance are decreases in fund balance in the General Fund of \$825,002 and increases in Special Revenue and Capital Projects Funds of \$108,400.

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

Revenues were more than the budgeted amounts primarily because of increases in sales tax revenue from the State of North Carolina during the year. Expenditures were held in check to comply with its budgetary requirements.

Proprietary Funds. The City of Roxboro's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,998,972. The total change in net position for the Water and Sewer Fund was an increase of \$557,274. The change in net position in the Water and Sewer Fund is a result of increases in revenues and decreases of maintenance expenses.

Capital Asset and Debt Administration

Capital Assets. The City of Roxboro's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$46,420,079 (net of accumulated depreciation). These assets include buildings, sidewalks, roads and bridges, land, machinery and equipment, park facilities, water and sewer lines, vehicles and construction in progress.

Major capital asset transactions during the year include the following additions:

- Purchase of police vehicles at a cost of \$177,740
- Purchase of building improvements costing \$51,794
- Purchase of a garbage truck at a cost of \$262,200
- Purchase of other vehicles at a cost of \$141,511
- Purchases of equipment at a cost of \$138,220
- Purchase of equipment for the water fund at a cost of \$69,907
- Purchas of trucks in water fund costing \$243,169
- Construction in progress at the wastewater treatment facility of \$7,307,179.

City of Roxboro's Capital Assets (Net of Depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land and improvements	\$1,169,234	\$1,169,234	\$860,226	\$860,226	\$2,029,460	\$2,029,460
Buildings and plant	4,343,885	4,472,025	5,657,709	5,856,077	10,001,594	10,328,102
Streets and infrastructure	148,957	162,013	-	-	148,957	162,013
Distribution systems and pump stations	-	-	13,540,762	13,985,797	13,540,762	13,985,797
Equipment and vehicles	2,420,091	2,398,857	1,125,421	992,469	3,455,512	3,391,326
Construction in progress	-	-	17,153,788	9,846,609	17,153,788	9,846,609
Total	<u>\$8,082,167</u>	<u>\$8,202,129</u>	<u>\$38,337,906</u>	<u>\$31,541,178</u>	<u>\$46,420,073</u>	<u>\$32,176,724</u>

Additional information on the City's capital assets can be found in Note 5 of the Basic Financial Statements.

Management Discussion and Analysis
City of Roxboro

Long-term Debt. As of June 30, 2020, the City of Roxboro did not have any bonded debt outstanding. The City's total outstanding debt as of June 30, 2020 was \$30,400,618. The debt is secured by liens on the City's buildings, water and sewer lines, vehicles and equipment purchased or constructed with debt proceeds.

**City of Roxboro's Outstanding Debt
Installment Purchase Agreements and Capital Leases**

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Installment purchase agreements	\$3,098,252	\$3,041,169	\$27,242,760	\$27,549,459	\$30,341,012	\$30,590,628
Capital leases	<u>59,606</u>	<u>117,580</u>	<u>-</u>	<u>-</u>	<u>59,606</u>	<u>117,580</u>
Total outstanding debt	<u>\$3,157,858</u>	<u>\$3,158,729</u>	<u>\$27,242,760</u>	<u>\$27,549,459</u>	<u>\$30,400,618</u>	<u>\$30,708,208</u>

City of Roxboro's Outstanding Debt

The City of Roxboro's total debt decreased by \$307,590 during the past fiscal year. During the current year the City borrowed \$454,880 to purchase vehicles and equipment. The City also paid \$762,470 on debt issued in previous years.

As mentioned in the financial highlights section of this document, the City of Roxboro maintained, for the 16th consecutive year, its 82 out of 100 bond rating from the North Carolina Municipal Council, Inc, which is comparable to a rating of A2 by the national rating agencies. This bond rating is a clear indication of the sound financial condition of City of Roxboro. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt. The City of Roxboro does not have any outstanding bonded debt. Therefore, the City has not requested a bond rating from the three major credit rating agencies: Moody's Investor Service, Standard and Poor's Corporation and Fitch Ratings.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Roxboro is \$23,735,817.

Additional information regarding the City of Roxboro's long-term debt can be found in Notes 8 and 9 beginning on page 65 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- As of June 2020 the City of Roxboro's unemployment rate of 7.7% is above the state average of 7.6%. The unemployment rate has increased from the 5.% unemployment reported in the previous year.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Estimated General Fund revenues for the fiscal year 2021 are \$9,099,546 compared to actual revenues of \$8,932,322 for the current year. The major increase between the two years will be an increase in local option sale taxes that have continued to be greater and have not been budgeted for increases. The City will use these revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to increase approximately 9.35% to \$11,338,447 as a result of capital outlay that will occur in 2021 that did not occur in 2020 and increases in payroll and payroll benefits expenditures.

Business – Type Activities: Total expenditures in the Enterprise Fund are expected to decrease approximately 6.25% to \$4,79,157 before debt service and transfers..

Management Discussion and Analysis
City of Roxboro

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 Director, City of Roxboro, P. O. Box 128, Roxboro, NC 27573.

Basic Financial Statements

Government-Wide Financial Statements

City of Roxboro, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,552,677	\$ 1,786,557	\$ 5,339,234
Restricted cash and investments	339,806	6,599,703	6,939,509
Receivables (net):			
Taxes receivables	86,446	-	86,446
Accounts receivable	173,826	1,326,385	1,500,211
Accrued interest receivable on taxes	18,776	-	18,776
Due from other governmental units	739,616	530,543	1,270,159
Notes receivable	35,741	-	35,741
Due from fiduciary fund	52,678	-	52,678
Inventory	40,974	-	40,974
Total current assets	5,040,540	10,243,188	15,283,728
Non-current assets:			
Capital assets			
Land and improvements	1,169,234	860,226	2,029,460
Construction in progress	-	17,153,788	17,153,788
Total non-depreciable assets	1,169,234	18,014,014	19,183,248
Buildings and plant	7,224,543	12,804,549	20,029,092
Streets and infrastructure	298,215	-	298,215
Distribution system and pump stations	-	23,931,096	23,931,096
Equipment and vehicles	11,577,536	4,677,361	16,254,897
Total depreciable assets	19,100,294	41,413,006	60,513,300
Less accumulated depreciation	12,187,355	21,089,114	33,276,469
Total depreciable assets (net)	6,912,939	20,323,892	27,236,831
Total capital assets (net)	8,082,173	38,337,906	46,420,079
Total non-current assets	8,082,173	38,337,906	46,420,079
Total assets	13,122,713	48,581,094	61,703,807
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to Pension plan - LGERS	393,687	153,100	546,787
Contributions to Pension plan - LEO	72,774	-	72,774
OPEB contributions	196,857	-	196,857
Pension deferrals - LGERS	635,368	247,088	882,456
Pension deferrals - LEO	303,494	-	303,494
OPEB deferrals	57,239	98,815	156,054
Total deferred outflows of resources	1,659,419	499,003	2,158,422

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

City of Roxboro, North Carolina
Statement of Net Position
June 30, 2020

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	664,403	23,994	688,397
Accrued salaries	154,109	58,168	212,277
Accrued interest	39,617	62,379	101,996
Liabilities payable from restricted assets	27,225	118,020	145,245
Current maturities of long-term debt			
Capital leases payable	59,606	-	59,606
Installment purchase agreements payable	277,635	464,295	741,930
Total current liabilities	<u>1,222,595</u>	<u>726,856</u>	<u>1,949,451</u>

Non-current Liabilities

Compensated absences payable	530,913	140,871	671,784
Capital leases payable	-	-	-
Net pension liability - LGERS	1,771,800	689,034	2,460,834
Total pension obligation - LEO	1,136,990	-	1,136,990
Total OPEB liability	391,675	152,321	543,996
Installment purchase agreements payable	2,820,617	26,778,465	29,599,082
Total non-current liabilities	<u>6,651,995</u>	<u>27,760,691</u>	<u>34,412,686</u>
Total liabilities	<u>7,874,590</u>	<u>28,487,547</u>	<u>36,362,137</u>

DEFERRED INFLOWS OF RESOURCES

Pension deferrals - LGERS	37,035	14,403	51,438
Pension deferrals LEO	233,094	-	233,094
OPEB deferrals	6,032	2,346	8,378
Total deferred inflows of resources	<u>276,161</u>	<u>16,749</u>	<u>292,910</u>

NET POSITION

Net Investment in capital assets	5,092,690	11,095,146	16,187,836
Restricted for:			
Stabilization by State Statute	897,406	-	897,406
Streets	46,329	-	46,329
Public safety	168,735	-	168,735
Economic and physical development	97,517	-	97,517
Capital projects	-	6,481,683	6,481,683
Unrestricted	328,704	2,998,972	3,327,676
Total net position	<u>\$ 6,631,381</u>	<u>\$ 20,575,801</u>	<u>\$ 27,207,182</u>

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

City of Roxboro, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 1,493,105	\$ 90,660		\$ -	\$ (1,402,445)	\$ -	\$ (1,402,445)
Public safety	5,849,183	396,200	-	-	(5,452,983)	-	(5,452,983)
Transportation	1,624,906	-	215,918	-	(1,408,988)	-	(1,408,988)
Environmental protection	1,099,332	619,989	6,191	-	(473,152)	-	(473,152)
Economic and physical development	504,433	232,154	-	-	(272,279)	-	(272,279)
Culture and recreation	-	-	-	-	-	-	-
Interest on long-term debt	130,618	-	-	-	(130,618)	-	(130,618)
Total governmental activities	10,701,577	1,339,003	222,109	-	(9,140,465)	-	(9,140,465)
Business-type activities:							
Water and sewer	5,989,836	6,032,295	-	-	-	42,459	42,459
Total business-type activities	5,989,836	6,032,295	-	-	-	42,459	42,459
Total primary government	\$ 16,691,413	\$ 7,371,298	\$ 222,109	\$ -	(9,140,465)	42,459	(9,098,006)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					4,692,635	-	4,692,635
Local option sales taxes					1,879,141	-	1,879,141
Other taxes and licenses					937,469	-	937,469
Unrestricted investment earnings					23,504	134,161	157,665
Donations and contributions					6,480	-	6,480
Special items - sale of assets					64,070	110	64,180
Miscellaneous					56,886	530,544	587,430
Transfers					150,000	(150,000)	-
Total general revenues and transfers					7,810,185	514,815	8,325,000
Change in net position					(1,330,280)	557,274	(773,006)
Net position, beginning					7,961,661	20,018,527	27,980,188
Net position, ending					\$ 6,631,381	\$ 20,575,801	\$ 27,207,182

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

Fund Financial Statements

City of Roxboro, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

	Major Funds		Total Non-major Funds	Total Governmental Funds		
	General					
ASSETS						
Cash and cash equivalents	\$	3,263,799	\$	288,878	\$	3,552,677
Restricted cash and investments		242,289		97,517		339,806
Receivables, net:						
Taxes		86,446		-		86,446
Accounts		135,381		38,445		173,826
Due from other governmental units		739,616		-		739,616
Notes receivable		-		35,741		35,741
Due from fiduciary fund		52,678		-		52,678
Inventory		40,974		-		40,974
Total assets	\$	4,561,183	\$	460,581	\$	5,021,764
LIABILITIES						
Liabilities:						
Accounts payable and accrued liabilities	\$	650,435	\$	13,968	\$	664,403
Accrued salaries		154,109		-		154,109
Liabilities payable from restricted assets		27,225		-		27,225
Due to other governments		-		146		146
Total liabilities		831,769		14,114		845,883
DEFERRED INFLOWS OF RESOURCES						
Property taxes receivable		86,446		-		86,446
Unavailable revenues		-		62,314		62,314
Total deferred inflows of resources		86,446		62,314		148,760
FUND BALANCES						
Non Spendable						
Inventories		40,974		-		40,974
Perpetual maintenance		30,269		-		30,269
Restricted						
Stabilization by State Statute		897,406		11,872		909,278
Economic and physical development		-		97,517		97,517
Streets		46,329		-		46,329
Public Safety - RD		168,735		-		168,735
Assigned						
General government		-		-		-
Economic and physical development		97,517		274,764		372,281
Unassigned		2,361,738		-		2,361,738
Total fund balances		3,642,968		384,153		4,027,121
Total liabilities, deferred inflows of resources and fund balances	\$	4,561,183	\$	460,581	\$	5,021,764

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

City of Roxboro, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

Total fund balance, governmental funds		\$ 4,027,121
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because: Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	20,269,528	
Accumulated depreciation	<u>(12,187,355)</u>	8,082,173
Deferred outflows of resources related to pensions are not reported in the funds		1,405,323
Deferred outflows of resources related to OPEB are not reported in the funds		254,096
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows resources in the funds.		18,776
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		148,906
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Capitalized leases		(810,793)
Installment purchase agreements		(2,347,065)
Compensated absences		(530,913)
Net pension liability - LGERS		(1,771,800)
Total pension liability - LEO		(1,136,990)
OPEB Liability		(391,675)
Deferred inflows of resources related to pensions are not reported in the funds		(270,129)
Deferred inflows of resources related to OPEB are not reported in the funds		(6,032)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		<u>(39,617)</u>
Net position of governmental activities		<u>\$ 6,631,381</u>

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

City of Roxboro, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	Major Funds		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 4,702,057	\$ -	\$ 4,702,057
Local option sales tax	1,879,141	-	1,879,141
Other taxes and licenses	15,422	213,041	228,463
Unrestricted intergovernmental	922,047	-	922,047
Restricted intergovernmental	618,309	19,113	637,422
Permits and fees	6,920	-	6,920
Sales and services	703,729	-	703,729
Investment earnings	21,331	2,173	23,504
Other	63,366	-	63,366
Total revenues	8,932,322	234,327	9,166,649
EXPENDITURES			
Current:			
General government	1,358,932	4	1,358,936
Public safety	5,190,892	-	5,190,892
Transportation	1,424,270	-	1,424,270
Environmental protection	867,402	-	867,402
Economic and physical development	287,896	65,023	352,919
Debt service:			
Principal	337,198	-	337,198
Interest and other charges	130,618	-	130,618
Capital outlay	771,413	-	771,413
Total expenditures	10,368,621	65,027	10,433,648
Excess (deficiency) of revenues over expenditures	(1,436,299)	169,300	(1,266,999)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	210,900	150,000	360,900
Transfers to other funds	-	(210,900)	(210,900)
Proceeds from sale of fixed assets	64,070		
Proceeds from installment purchases and capital lease	336,327	-	336,327
Total other financing sources (uses)	611,297	(60,900)	486,327
Net change in fund balance	(825,002)	108,400	(716,602)
Fund balances, beginning of year, July 1	4,467,970	275,753	4,743,723
Fund balances, ending of year, June 30	\$ 3,642,968	\$ 384,153	\$ 4,027,121

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

City of Roxboro, North Carolina
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds	\$	(716,602)
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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	771,413	
Depreciation expense for governmental assets	(900,319)	
		(128,906)

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. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(336,327)	
Principal payment on long-term debt	337,198	
Decrease in accrued interest payable	-	
		871

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		393,687
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		72,774
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		22,176
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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		(9,422)
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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	(69,214)	
Pension Expense	(891,034)	
OPEB Expense	(4,610)	

Total changes in net position of governmental activities	\$	(1,330,280)
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The notes to the financial statements are an integral part of this statement.

City of Roxboro, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 4,773,036	\$ 4,778,036	\$ 4,702,057	\$ (75,979)
Local option sales tax	1,789,072	1,789,072	1,879,141	90,069
Other taxes and licenses	12,000	12,000	15,422	3,422
Unrestricted intergovernmental	1,022,781	1,037,781	922,047	(115,734)
Restricted intergovernmental	705,968	705,968	618,309	(87,659)
Permits and fees	5,000	5,000	6,920	1,920
Sales and services	682,120	742,120	703,729	(38,391)
Investment earnings	4,500	17,550	21,331	3,781
Miscellaneous	39,983	180,757	63,366	(117,391)
Total revenues	9,034,460	9,268,284	8,932,322	(335,962)
Expenditures:				
Current:				
General government	1,750,320	1,468,921	1,358,932	109,989
Public safety	5,695,511	5,364,995	5,190,892	174,103
Transportation	1,366,745	1,481,215	1,424,270	56,945
Environmental protection	916,239	913,539	867,402	46,137
Economic and physical development	611,686	592,186	287,896	304,290
Debt service:				
Principal retirement	337,426	337,426	337,198	228
Interest and other charges	130,618	130,618	130,618	-
Capital Outlay	788,024	922,358	771,413	150,945
Total expenditures	11,597,319	11,281,258	10,368,621	912,637
Revenues over (under) expenditures	(2,562,859)	(2,012,974)	(1,436,299)	576,675
Other financing sources (uses):				
Proceeds from sales of fixed assets	15,000	41,000	64,070	(23,070)
Proceeds from installment purchases and capital lease	603,672	603,672	336,327	267,345
Transfers to other funds	(75,000)	(75,000)	-	(75,000)
Transfer from other funds	1,236,265	469,530	210,900	258,630
Contingency	-	-	-	-
Total other financing sources (uses)	1,779,937	1,039,202	611,297	(427,905)
Revenues and other sources over (under) expenditures and other uses	(782,922)	(973,772)	(825,002)	148,770
Appropriated fund balance	782,922	973,772	-	(973,772)
Revenues, other financing sources, and appropriated fund balance over expenditures and other uses	\$ -	\$ -	(825,002)	\$ (825,002)
Fund balances, beginning of year, July 1			4,467,970	
Fund balances, end of year, June 30			\$ 3,642,968	

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

City of Roxboro, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2020

	Major	
	Enterprise Fund	Internal Service
	Water and	Fund
	Sewer Fund	Health Benefit
	Fund	Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,786,557	\$ -
Restricted cash and investments	6,599,703	-
Receivables (net):		
Accounts receivable	1,326,385	-
Due from other governmental units	530,543	-
Total current assets	10,243,188	-
Noncurrent assets:		
Capital assets		
Land and improvements	860,226	-
Construction in progress	17,153,788	-
Total non-depreciable assets	18,014,014	-
Buildings and plant	12,804,549	-
Distribution system and pump stations	23,931,096	-
Equipment and vehicles	4,677,361	-
Total depreciable assets	41,413,006	-
Less accumulated depreciation	21,089,114	-
Total depreciable assets (net)	20,323,892	-
Capital assets (net)	38,337,906	-
Total noncurrent assets	38,337,906	-
Total assets	48,581,094	-
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to Pension plan - LGERS	153,100	-
Pension deferrals - LGERS	247,088	-
OPEB deferrals	98,815	-
Total deferred outflows of resources	499,003	-
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	23,994	-
Accrued salaries	58,168	-
Accrued interest	62,379	-
Liabilities payable from restricted assets	118,020	-
Installment purchase agreements payable - current	464,295	-
Total current liabilities	726,856	-
Noncurrent liabilities:		
Other noncurrent liabilities:		
Compensated absences payable	140,871	-
Total OPEB liability	152,321	-
Net pension liability	689,034	-
Installment purchase agreements payable	26,778,465	-
Total noncurrent liabilities	27,760,691	-
Total liabilities	28,487,547	-
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals - LGERS	14,403	-
OPEB deferrals	2,346	-
Total deferred inflows of resources	16,749	-
NET POSITION		
Net investment in capital assets	11,095,146	-
Restricted for capital projects	6,481,683	-
Unrestricted	2,998,972	-
Total net position	\$ 20,575,801	\$ -

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

City of Roxboro, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Major Enterprise Fund Water and Sewer Fund	Internal Service Fund Health Benefit Fund
OPERATING REVENUES		
Charges for services	\$ 5,863,845	\$ -
Water and sewer tapping fees	44,460	-
Other operating revenues	123,990	-
Total operating revenues	<u>6,032,295</u>	<u>-</u>
OPERATING EXPENSES		
Billing and collection	165,155	-
Pump stations	267,139	-
Meter section	260,784	-
Raw water supply	75,048	-
Water line maintenance and construction	754,561	-
Water treatment plant	1,639,740	-
Wastewater treatment plant	1,190,249	-
Wastewater treatment plant II	166,331	-
Sewer line maintenance and construction	592,865	-
Internal Service Fund expenses	-	-
Depreciation	823,529	-
Total operating expenses	<u>5,935,401</u>	<u>-</u>
Operating income (loss)	<u>96,894</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	134,162	-
Sales tax refund	530,543	-
Sale of fixed assets	110	-
Interest and other charges/receipts	(54,435)	-
Total nonoperating revenue (expenses)	<u>610,380</u>	<u>-</u>
Income before contributions and transfers	<u>707,274</u>	<u>-</u>
Transfer from other funds	-	95,691
Transfers to other funds	(150,000)	(95,691)
Total income after contributions and transfers	<u>557,274</u>	<u>-</u>
Change in net position	557,274	-
Total net position, beginning	20,018,527	-
Total net position, ending	<u>\$ 20,575,801</u>	<u>\$ -</u>

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

Exhibit 9

City of Roxboro, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	Major Fund	
	Enterprise Fund	
	Water and Sewer Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 5,825,974	\$ -
Cash paid for goods and services	(3,902,396)	-
Cash paid to employees for services	(2,426,023)	-
Net customer deposits	14,084	-
Other operating revenues	123,990	-
Net cash used by operating activities	(364,371)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State reimbursements	(530,543)	-
Transfers	(150,000)	-
Total cash flows used by noncapital financing activities	(680,543)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(7,198,089)	-
Sale of fixed assets	110	-
Proceeds from issuance of new debt	118,353	-
Principal paid on installment purchase agreements	(425,052)	-
Interest paid on installment purchase agreements	(54,435)	-
Net cash (used) by capital and related financing activities	(7,559,113)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	134,162	-
Net cash provided by investing activities	134,162	-
Net decrease in cash and cash equivalents	(8,469,865)	-
Cash and Cash Equivalents - Beginning of Year, July 1	16,838,125	-
Cash and Cash Equivalents - End of Year, June 30	\$ 8,368,260	\$ -

City of Roxboro, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	Major Fund	
	Enterprise Fund	
	Water and Sewer Fund	Internal Service Fund
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 96,894	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	823,529	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(82,331)	-
(Increase) decrease in deferred outflows of resources-pensions	56,814	-
(Increase) decrease in deferred outflows of resources-OPEB	45,187	-
Increase (decrease) in accounts payable and accrued liabilities	(1,448,532)	-
Increase (decrease) in accrued salaries	6,199	-
Increase (decrease) in customer deposits	14,084	-
Increase (decrease) in compensated absences	(4,413)	-
Increase (decrease) in net pension liability	101,699	-
Increase (decrease) in deferred inflows of resources-pensions	(11,856)	-
Increase (decrease) in OPEB liability	38,771	-
Increase (decrease) in deferred inflows of resources-OPEB	(416)	-
Total adjustments	(461,265)	-
	<u>\$ (364,371)</u>	<u>\$ -</u>

Reconciliation of Cash and Investments Per Statement of Net Assets to Cash and Cash Equivalents Per Statement of Cash Flows:

Unrestricted cash and investments - Exhibit 7	\$ 1,786,557
Restricted cash and investments - Exhibit 7	6,599,703
Total cash and cash equivalents - Exhibit 9	<u>\$ 8,386,260</u>

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

**City of Roxboro, North Carolina
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020**

	Agency Fund	
	Flexible	
	Spending Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 65,009	\$ 65,009
Total current assets	<u>\$ 65,009</u>	<u>\$ 65,009</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable - employees	\$ 12,331	\$ 12,331
Due to other funds	52,678	52,678
Total liabilities	<u>65,009</u>	<u>65,009</u>
Net position:		
Assets held in trust for pension benefits	-	-
Total net position	<u>\$ -</u>	<u>\$ -</u>

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

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 – Description of the Unit

The City of Roxboro, North Carolina (the City) is a political subdivision of Person County located in the Central Piedmont region in the State of North Carolina. The City has a population of 8,181. The City was established in 1855. The City provides services which include general government, public safety, streets, sanitation, planning and zoning. The City maintains a water and sewer system which supplies services to the City and surrounding area on a user charge basis.

Note 2- Summary of Significant Accounting Policies

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

A. Reporting Entity

The City of Roxboro is a municipal corporation which is governed by an elected mayor and a five-member council.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. 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 its fiduciary funds. Separate statements for each fund category – *governmental and 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.

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 and investment earnings, result from non-exchange transactions or ancillary activities. Other non-operating revenues, such as investment earnings, are ancillary activities.

The City reports the following major governmental fund:

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

The City reports the following non-major governmental funds:

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

The Vehicle Tags Special Revenue Fund- This fund is used to account for vehicle license fees used for maintenance of City streets.

The Revolving Loan CDBG Fund- This fund is used to account for grant funds that are restricted for economic development.

The Old Durham Road Upgrade Project Fund- This fund is used to account for grant funds that are restricted for upgrading the Old Durham Road for transportation standards and safety.

Storm Water Fund- This fund is used to account for funds related to the Storm Water Project.

The City reports the following major enterprise fund:

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

The City reports the following fund types:

Agency Funds- Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the City holds on behalf of others. The City maintains the following agency fund: the Flexible Spending Fund, which accounts for funds held on behalf of the City's employees in a pretax medical savings accounts.

Internal Service Funds- Internal service funds are used to report on any activity that provides goods or services to other funds, departments or agencies of the City, on a cost-reimbursement basis. The City has one internal service fund, the Health and Benefit Fund, which is used to administer payments for employee health claims and employee performance pay. Expenditures of the City staff, employed in the General Fund and the Enterprise Fund are not eliminated in the preparation of consolidating for financial statement purposes.

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide proprietary and fiduciary 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's enterprise fund 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.

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Grant revenues which are unearned at year-end are recorded as unearned 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 are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Special Revenue Funds (excluding grant project funds), and the Enterprise Funds. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Enterprise Fund Capital Projects Funds. The Enterprise Fund projects are consolidated with their respective operating funds for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting, which is consistent with the accounting system used to record transactions. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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

The City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair values, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning contracts are accounted for at cost.

2. 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.

3. Restricted Assets

The unexpended proceeds of an installment purchase agreements held in escrow account by the City's agent are classified as restricted assets for the Enterprise Funds because their use is completely restricted to the purpose for which the installment agreements were originally issued. Customer deposits held by the City before any services are supplied and restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

City of Roxboro Restricted Cash

Governmental Activities

General Fund

Streets - Powell Bill	\$ 46,329
Public Safety	168,735
Customer Deposits	27,225

Revolving Loan Fund

Economic and physical development	97,517
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Total Governmental Activities	\$ 339,806
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Business-type Activities

Water and Sewer Fund

Customer Deposits	\$ 118,020
Escrow Account	6,481,683

Total Business-type Activities	6,599,703
---------------------------------------	------------------

Total Restricted Cash	\$ 6,939,509
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest and penalties do not accrue until the following January 6. These taxes are based on the assessed values as of January 1. Notices of tax liens for delinquent taxes may be advertised on or after March 1st.

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

5. Assessments

Assessments for improvements are recorded as a receivable on the assessment date. In the fund financial statements, the City recognizes as revenue that portion collected during the year, and the balance is recorded as deferred revenue. Uncollected assessments are written off as bad debts after ten years. As of June 30, 2020, all outstanding assessments for street, water and sewer improvements have been paid in full.

6. Notes Receivable

Notes receivable from companies receiving funds from the City for the purpose of improving levels of employment and income within the City and for the renovation of buildings within the City limits of Roxboro are recorded as receivables when expanded by the City to the Company on the date of disbursement. In the Special Revenue Fund financial statements, the City recognizes as revenue the portion collected during the year, and the balance is recorded as deferred revenue.

Loans receivable are stated at the amount of unpaid principal, adjusted for unearned discounts and fees and origination costs are amortized by the interest method, generally over the remaining contractual term of the related loans, and reported as an adjustment to interest income.

7. Allowances for Doubtful Accounts

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

8. Inventory and Prepaid Items

The inventories of the City are valued at cost (first-in, first-out), which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

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.

9. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture, computers, software and equipment, \$5,000; and vehicles and motorized equipment historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consisting of the road network, sidewalks and other assets are not capitalized. 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>
Infrastructure	20 years
Plant and buildings	10-67 years
Distribution system and pump station	12-100 years
Heavy equipment and motor vehicles	2-25 years
Automobiles and light trucks	5-10 years
Furniture and equipment	5-10 years
Software	5 years
Computer equipment	5 years

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

10. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has six items that meet this criterion, contributions made to the LGERS pension plan in the 2020 fiscal year, contributions made to the LEO pension plan in the 2020 fiscal year, OPEB contributions, OPEB deferrals, LGERS pension deferrals, and LEO pension deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has three items for this category, OPEB deferrals, LGERS pension deferrals, and LEO pension deferrals.

11. Long-Term Obligations

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

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

12. Compensated Absences

The vacation policies of the City provide 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 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 accumulated vacation pay and salary-related payments that is estimated to be used in the next fiscal year is not considered to be material; therefore, no current liability has been reported in the government-wide financial statements.

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

13. Net Position/Fund Balances

Net Position

Net position in 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.

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Fund Balances

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

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

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

Perpetual maintenance – Cemetery resources that are required to be retained in perpetuity for maintenance of the City's cemeteries.

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

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

Restricted for Economic and Physical Development – The economic and physical development portion of fund balance that is restricted for economic development.

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

Restricted for Public Safety – The public safety portion of fund balance that is restricted it RD reserve for the USDA payment on the police building.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City of Roxboro's City Council. Any changes or removal of specific purpose requires majority action by the City Council.

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The City Council approves the appropriation; however, the budget ordinance authorizes the City Manager to modify the appropriations by resource or appropriation within funds up to \$2,500.

Assigned for general government – portion of fund balance of the Vehicle Tags Fund that is assigned for future use for this fund.

Assigned for economic and physical development – portion of fund balance of the Stormwater Fee Fund that is assigned for future use for this fund.

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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

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

The City of Roxboro has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the City in such manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures. Budgeted expenditures are defined as total amount budgeted less amounts budgeted for financed capital outlay, grant expenditures and any one time intergovernmental transfers. Any portion of the general fund balance in excess of 35% of budgeted expenditures may be appropriated for capital expenditures and may not be used for any purpose that would obligate the City in a future budget.

14. Pensions

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

15. Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "transfers-out" in the General Fund and "transfers-in" in the receiving fund.

Note 3 - Stewardship, Compliance, and Accountability

A. Significant Violations of Finance Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes The following immaterial findings have been reported in the management letter.

The audit report was submitted late due to a ransomware attack on the accounting software.

B. Deficit Fund Balance or Net Position of Individual Fund

None.

C. Excess of Expenditures over Appropriations

None.

Note 4 - Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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

At June 30, 2020, the City's deposits had a carrying amount of \$10,301,380 and a bank balance of \$10,601,207. The City has deposits in only banks using the Pooling Method. Of the bank balances, \$878,351 was covered by federal depository insurance. At June 30, 2020, the City's petty cash fund totaled \$750.

2. Investments

At June 30, 2020, the City's had \$2,041,623 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

3. Receivables – Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding net of the following allowances for doubtful accounts.

In the General Fund, Taxes receivable allowance for bad debts was \$82,892 and Account receivable allowance for bad debts was \$54,815.

In the Water and Sewer fund the Accounts receivable allowance for bad debts was \$470,363.

4. Notes Receivable

Notes receivable at June 30, 2020 consisted of the following:

1.25% note due from Renewell LLC payable in monthly installments of \$516, including interest, beginning February 26, 2015 and succeeding through January, 2020. The note is secured by a deed of trust on real property located on Depot Street, Roxboro, North Carolina.

\$3,993

1.25% note due from Amylynn, LLC payable in monthly installments of \$378, including interest, beginning December 2, 2017 and each succeeding month through November 2, 2022. The note is secured by a deed of trust on real property located in Roxboro, North Carolina.

17,546

1.25% note due from Strickland and Jones Funeral Service, LLC payable in monthly installments of \$516, including interest, beginning August 31, 2016 and each succeeding month through September 30, 2021. The note is secured by a deed of trust on real property located in Roxboro, North Carolina.

14,202

Total notes receivable

\$35,741

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

5. Capital Assets

Governmental Activities

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,169,234	\$ -	\$ -	\$ 1,169,234
Construction in progress	-	-	-	-
Total capital assets not being depreciated	1,169,234	-	-	1,169,234
Capital assets being depreciated				
Buildings	7,172,749	51,794	-	7,224,543
Streets and Infrastructure	298,215	-	-	298,215
Equipment, vehicles and motorized equipment	10,857,864	719,671	-	11,577,535
Total capital assets being depreciated	18,328,828	771,465	-	19,100,293
Less accumulated depreciation for				
Buildings	2,700,724	179,934	-	2,880,658
Streets and Infrastructure	136,202	13,056	-	149,258
Equipment, vehicles and motorized equipment	8,459,001	698,437	-	9,157,438
Accumulated depreciation	11,295,927	\$ 891,427	\$ -	12,187,354
Total capital assets, depreciated, net	7,032,901			6,912,939
Governmental activity capital assets, net	\$ 8,202,135			\$ 8,082,173

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

General government	\$ 37,346
Public safety	536,093
Transportation	102,263
Economic and physical dev	70,123
Environmental protection	145,455
Cultural and recreational	147
	<u>\$ 891,427</u>

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated				
Land	\$ 860,226	\$ -	\$ -	\$ 860,226
Construction in progress	9,846,609	7,307,179	-	17,153,788
Total capital assets not being depreciated	10,706,835	7,307,179	-	18,014,014
Capital assets being depreciated				
Buildings	12,804,549	-	-	12,804,549
Distribution System	23,931,096	-	-	23,931,096
Equipment	3,253,309	69,908	-	3,323,217
Vehicles	1,110,974	243,170	-	1,354,144
Total capital assets being depreciated	41,099,928	313,078	-	41,413,006
Less accumulated depreciation for				
Buildings	6,948,472	198,368	-	7,146,840
Distribution System	9,945,299	445,035	-	10,390,334
Equipment	2,518,279	115,276	-	2,633,555
Vehicles	853,535	64,850	-	918,385
Accumulated Depreciation	20,265,585	\$ 823,529	\$ -	21,089,114
Capital assets, depreciated, net	20,834,343			20,323,892
Business-type activities capital asset	\$ 31,541,178			\$ 38,337,906

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Roxboro is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of 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 consist of 13 members – nine appointed by the Governor, one appointed by the State Treasurer and State Superintendent, who serves 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, or by calling (919) 981-5454, or at www.osc.nc.gov

City of Roxboro, North Carolina
Notes to the Financial Statements
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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. City of Roxboro 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 Roxboro's contractually required contribution rate for the year ended June 30, 2020, was 8.950% of compensation for law enforcement officers and 8.950% 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 Roxboro were \$546,787 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.

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 \$2,460,834 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 liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the City's proportion was 0.000653%, which was an increase of 0.00083% from its proportion measured as of June 30, 2018.

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

For the year ended June 30, 2020, the City recognized pension expense of \$1,070,556. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 421,357	\$ -
Changes of assumptions	401,075	-
Net difference between projected and actual earnings on pension plan investments	60,024	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	51,438
City contributions subsequent to the measurement date	546,787	-
Total	<u>\$ 1,429,243</u>	<u>\$ 51,438</u>

\$546,787 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2021.

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

Year ended June 30:

2020	\$ 410,585
2021	120,730
2022	231,546
2023	68,156
2024	-
	<u>\$ 831,017</u>

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	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 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

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

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 percent, 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 5,628,377	\$ 2,460,834	\$ (172,036)

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

1. Plan Description.

The City of Roxboro 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 age 55 years of age and have completed five or more years of creditable service.

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Inactive members currently receiving benefits	3
Active plan members	33
Total	<u>36</u>

2. 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.

3. Actuarial Assumptions.

The entry age actuarial cost method 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	2.5 percent
Salary increases	3.50 – 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

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

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions.

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund amounts necessary to cover the benefits earned 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 paid \$59,527 as benefits came due for the reporting period.

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 \$1,136,990. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then 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 \$89,262.

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 242,573	\$ 196,981
Changes of assumptions	60,921	36,113
City benefit payments and plan administrative expense made subsequent to the measurement date	72,774	-
Total	\$ 376,268	\$ 233,094

\$72,774 reported as deferred outflows of resources related to pension resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2021	\$ 61,339
2022	61,339
2023	59,612
2024	20,176
Thereafter	628
	\$ 203,094

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 3.64 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 (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
City's proportionate share of the total pension liability (asset)	\$ 1,235,674	\$ 1,136,990	\$ 1,047,709

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

	2020
Beginning balance	\$ 962,373
Service cost	47,155
Interest on the total pension liability	34,038
Changes of benefit terms	-
Difference between expected and actuarial experience	112,955
Changes of assumptions and other inputs	34,996
Benefit payments	(54,527)
Other	-
Ending balance of the total pension liability	\$ 1,136,990

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

City of Roxboro, North Carolina
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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 January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$1,070,556	\$ 89,262	\$1,159,818
Pension Liability	2,460,834	1,136,990	3,597,824
Proportionate share of the net pension liability	0.08842%	n/a	

Deferred of Outflows of Resources

Differences between expected and actual experience	421,357	242,573	663,930
Changes of assumptions	401,075	60,927	462,002
Net difference between projected and actual earnings on plan investments	60,024	-	60,024
Benefit payments and administrative costs paid subsequent to the measurement date	546,787	72,774	619,561

Deferred of Inflows of Resources

Differences between expected and actual experience	-	196,981	196,981
Changes of assumptions	-	36,113	36,113
Changes in proportion and differences between contributions and proportionate share of contributions	51,438	-	51,438

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City 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. The report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and other employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$239,556, which consisted of \$148,006 from the City and \$91,550 from the law enforcement officers.

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

d. Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Roxboro, to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the Fund. Article 86 of G.S. chapter 58 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 Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighter's and Rescue Squad Workers' Pension Fund. 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.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The City has elected to contribute the required \$10 per month to the Fund on behalf of each plan member. Total contributions from the City for the year ended June 30, 2020 were \$35,132. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly.

Refunds of Contributions. Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2019, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$4,560. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing updated procedures incorporating the actuarial assumptions. The City's proportion of the net pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2018 and at June 30, 2017 was 0%.

For the year ended June 30, 2020, the City recognized pension expense of \$4,560 and revenue of \$4,560 for support provided by the State. At June 30, 2020, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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:

City of Roxboro, North Carolina
Notes to the Financial Statements
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Inflation	3.0%
Salary increases	Not applicable
Investment of return	7.00%, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

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.

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.

e. 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). As of March 11, 1980, this plan provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least ten years of creditable service with the City. The City pays the full cost coverage for these benefits through private insurers for a maximum of 3 years or until the retired employee reaches age 65. The City's retirees may not purchase coverage for their dependents at the City's group rates. The City council may amend the benefit provisions. A separate report was not issued for the plan.

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

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	3	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	88	33
Total	91	33

Total OPEB Liability

The City's total OPEB liability of \$543,996 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:

City of Roxboro, North Carolina
Notes to the Financial Statements
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Inflation	2.50 percent
Salary increases	3.50 to 7.75 percent, including wage inflation
Discount rate	3.50 percent
Healthcare cost trend rates	Pre Medicare-7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	\$ 405,534
Changes for the year	
Service cost	22,369
Interest	14,795
Changes of benefit terms	-
Differences between expected and actual experience	140,197
Changes of assumptions	12,005
Benefit payments	(50,904)
Net changes	138,462
Balance at June 30, 2019	\$ 543,996

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 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease	Discount Rate (3.50%)	1% Increase
Total OPEB liability	\$ 506,958	\$ 543,996	\$ 585,719

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	\$ 575,738	\$ 543,996	\$ 514,488

City of Roxboro, North Carolina
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For the Fiscal Year Ended June 30, 2020

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$63,308. 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	\$ 144,147	\$ -
Changes of assumptions	11,907	8,378
Benefit payments and administrative costs made subsequent to the measurement date	196,857	-
Total	<u>\$ 352,911</u>	<u>\$ 8,378</u>

\$196,857 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 20,144
2021	20,144
2022	20,144
2023	20,144
2024	20,144
Thereafter	46,956
	<u>\$ 147,676</u>

2. Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000.

All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2020, the City did not make contributions to the State for death benefits as determined by the State.

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 Roxboro, North Carolina
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For the Fiscal Year Ended June 30, 2020

The City provides \$15,000 of group term life insurance to all full time employees. The City also provides \$2,500 of life insurance for dependents of City employees. The monthly premium for life insurance is \$4.53 for employees and \$.88 for dependents. For the fiscal year ended June 30, 2020, the City paid \$5,916 in life insurance premiums for City employees and their dependents.

3. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City has complied with the changes in the laws which govern the City's Deferred Compensation Plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. Formerly, the undistributed amounts which had been deferred by the plan participants were required to be reported as assets of the City. Effective for the fiscal year ended June 30, 1998, and in accordance with GASB Statement 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the City's Deferred Compensation Plan is no longer reported within the City's Agency Funds.

4. Deferred Outflows/Inflows of Resources

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

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

	<u>Amount</u>
Contributions to pension plan - LGERS	\$ 546,787
Contributions to pension plan - LEO	72,774
OPEB Contributions	196,857
Pension deferrals - LGERS	882,456
Pension deferrals - LEO	303,494
OPEB deferrals	156,054
Total	<u>\$ 2,158,422</u>

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

General Fund:	<u>Amount</u>
Property taxes receivable	\$ 86,446
Unavailable revenues	-
	<u>\$ 86,446</u>

Government-wide Activities:	<u>Amount</u>
Pension deferrals - LGERS	\$ 51,438
Pension deferrals - LEO	233,094
OPEB deferrals	8,378
	<u>\$ 292,910</u>

5. Commitments

A. Fire Protection Services-Person County

The City of Roxboro has approved a contract to provide fire protection and inspection services for a term of five years beginning September 1, 1999 and ending August 31, 2004 to residents of Person County. Under the terms of this agreement, Person County will pay the City \$366,621 for the fiscal year ending June 30, 2016. Annual increases will be based on the Consumer Price Index. If the annual budget or actual expenditures incurred by the City's fire department decreases by more than 7% in any one fiscal year or more than 15% over the life of this contract, Person County will receive a refund from the City. This refund would be in proportion to the percentage decrease in the City's expenditures for the fire

City of Roxboro, North Carolina
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For the Fiscal Year Ended June 30, 2020

department. The agreement will automatically renew at the end of the five-year term unless a written notice of intent not to renew the agreement is adopted by either the City or County. The county may cancel the fire inspection services section of the contract and reduce the annual payment to the City by 38% of the City's budget for the Fire Inspections department. The County has exercised its right to cancel fire inspection service and reduce its payment for the fiscal years beginning after June 30, 2004. For the fiscal year ended June 30, 2020, the City received \$389,072 from Person County for fire protection services.

B. Building Leases

On November 11, 2003, the City of Roxboro entered into an agreement with the Food Pantry of Roxboro and Person County, a North Carolina charitable organization. Under the terms of this agreement the City will lease its old Public Works building located at 704 Franklin Street in Roxboro, to the Food Pantry for a term of one year ending on November 30, 2004. The lease will continue on a month-to-month basis after November 30, 2004. The Food Pantry will use the building as a storage and distribution center for food to assist low income families. The Food Pantry has agreed to pay for all utilities during the term of the lease. The rent for the one-year term of this lease is \$1.

C. Major Capital Projects

The City has entered into a direct borrowing agreement with SunTrust Institutional Finance in the amount of \$5,300,000 to finance the construction of a necessary water quality process. The property is pledged as collateral for the debt while the debt is outstanding. This financing also refinanced an existing loan for the triple tier water lines. The direct borrowing agreement requires 9 annual payments of \$470,824 and 6 annual payments of \$352,437, including interest at 2.52% per year until October 2028. Debt service expenditures will be budgeted annually in the Enterprise Fund.

The City has entered into a direct borrowing agreement with United States Department of Agriculture in the amount of \$23,785,000 to finance the wastewater treatment plant upgrade project. The plant is pledged as collateral for the debt while the debt is outstanding. The direct borrowing agreement requires annual interest payments at 3.30% per year and a lump sum repayment of principal of \$23,785,000 in the year ending June 30, 2022. At June 30, 2020, the City had \$6,481,683 available funds to complete the remaining construction.

D. Emergency 911 Communications

On October 1, 1999, the City of Roxboro entered into an agreement with Person County whereby the County will provide Emergency 911 communications services to the City of Roxboro. The County will be responsible for funding all 911 equipment purchases and for providing insurance coverage on this equipment. The City will furnish its existing building located at 301 Hill Street in Roxboro for use as the new E-911 Center. the City will also provide insurance coverage for the building.

Operating costs for the E-911 center will be allocated between the City and County based on the same formula for the allocation of sales tax distributions received from the State of North Carolina. Currently, the City of Roxboro and Person County receive 125.9% and 87.1%, respectively, of sales tax distributions from the State. The County will pay all operating expenses for the E-911 Center. The City will reimburse the County on a quarterly basis for its share of operating expenses. For the year ended June 30, 2020, the City paid \$134,351 to Person County for the City's share of operating costs. The City's estimated share of operating expenses for the E-911 Center for the year ending June 30, 2020, is \$95,000. The term of this agreement is a ten-year period ending September 30, 2009. The agreement was renewed by consent of the City and County for an additional ten years.

E. Inter-Local Regional Water Agreement

On March 25, 2003, the City of Roxboro, Person County and the City of Yanceyville entered into an inter-local Agreement to establish a Public Enterprise for a Water Supply and Distribution System. The purpose of this agreement is to establish a regional water system to supply water vital to the public health, welfare and economic growth of Roxboro, Person County, Yanceyville and Caswell County. The parties agree to construct, operate, maintain and repair a raw water intake and treatment facility located on the Dan River in Caswell County and water lines from the Dan River to the Town of Yanceyville, City of

City of Roxboro, North Carolina
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Roxboro and Town of Milton. The total estimated cost of this regional water system is \$26,000,000 which may be financed by installment purchase agreements, revenue bonds, general obligation bonds, State and Federal grants, water revenues, and any other available resources. Construction of the project will begin whenever it is economically feasible and after the parties have obtained the necessary financing for this project. The cost of construction and the water revenues will be divided among the parties as outlined in the Inter-Local Agreement. All parties agree to work together to obtain the necessary funds, permits, easements and real property necessary for this project to be completed. The term of this agreement is forty years beginning March 25, 2003 and ending March 25, 2043.

Under the terms of the Inter-Local Agreement, the City of Yanceyville will acquire the real property and easements necessary for the project in Caswell County. The City of Roxboro and Person County will acquire the necessary property and easements in Person County.

Roxboro will construct and operate the raw water intake, treatment facility and water line from the Dan River to Roxboro. Roxboro will also apply for a water withdrawal permit from the State of North Carolina to withdraw up to 10 million gallons per day from the Dan River. Yanceyville will construct and operate the water lines to Yanceyville and Milton including a small water treatment facility for the City of Milton. Roxboro and Person County further agree to pay for all costs associated with legal representation to defend this Inter-Local Agreement in the event of any legal challenge brought by a third party alleging any invalidity of the Agreement or in the event it is necessary to bring a legal action against a third party to protect this Agreement.

F. Tower Lease Agreement

On July 1, 1999, the City of Roxboro entered into a lease agreement with Piedmont Communications Company, Inc. The term of the lease is a nine-year period beginning July 1, 1999, and ending June 30, 2008, with an option to renew for an additional ten-year period. Piedmont Communications Company, Inc. will construct a communications tower on land owned by the City of Roxboro. Each party may locate up to three antennas on this tower at no charge. Piedmont Communications Company, Inc. shall pay all expenses for construction and operation of the tower except those expenses directly related to the land owned by the City. Piedmont shall also bill and collect all third party antenna user fees during the term of the lease. Piedmont shall retain all user fees collected for the first year of this agreement or until Piedmont recovers its cost of construction. Beginning with the second year of this agreement, Piedmont shall pay the following percentages of third party revenue collected to the City of Roxboro:

2 nd year	20%
3 rd year	30%
4 th year	40%
5 th year and each subsequent year	50%

As of June 30, 2019, Piedmont Communications has not yet recovered its initial construction costs. Upon termination of this lease, Piedmont will retain ownership of the communications tower and all related equipment. Piedmont agrees to remove the tower and equipment from the City's property within three months of termination. On November 13, 2015 the City executed an agreement to purchase this tower and equipment for \$45,000.

G. Main Street Pavilion at Merritt Commons

On December 12, 2006, Person County Recreation Arts and Parks Department donated the Main Street Pavilion at Merritt Commons to the City of Roxboro. The Pavilion is located in Historic UpCity Roxboro. Roxboro UpCity Development Corporation constructed the facility, which was paid for from proceeds of a recreation grant from the State of North Carolina and by the contributions from the citizens and businesses of Person County. The facility will be used for parades, concerts, Christmas celebrations, weddings and many other civic, recreational and social activities. Roxboro Development Group will manage the facility. The City of Roxboro owns the Pavilion and is therefore responsible for its maintenance including repairs, insurance, landscaping and utilities.

City of Roxboro, North Carolina
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H. Water Tower Maintenance Agreement

On May 12, 2000, the City entered into a direct borrowing contract to finance the renovation of a water storage tank owned by the City. The financing contract required a down payment of \$67,915 and three annual installments of \$67,915 beginning on September 1, 2000. This agreement is unsecured and does not include any provision for interest. The cost of the renovation was \$252,069. The last payment includes a maintenance agreement in the amount of \$19,588. The City was not obligated beyond the first four payments. However, the contract also includes an optional maintenance agreement beginning in the fifth year at \$21,742 per year. The maintenance agreement will be adjusted for inflation every three years with increases limited to no more than 5% annually. The annual payment for the fiscal year ending June 30, 2020 was \$140,250. The maintenance agreement expired on September 1, 2011.

6. 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 two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability coverage of \$2 million and auto liability coverage of \$3 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to the statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

Effective July 1, 2013, the City changed its previous, traditional premium payment of only health insurance coverage for employees and their families to a fully-insured, high deductible healthcare plan (HDHP) with participation in the City's medical expense reimbursement plan (MERP), administered by MedCost Benefit Services. The HDHP provides for each participant to have a deductible of \$7,500 on their health insurance coverage. The MERP provides that participant is subject to \$3,300 of that deductible and the City pays the remaining \$4,200 of the deductible. Payments of premiums for the HDHP are treated as expenditures in the General Fund and the Enterprise Fund, according to the function of the employees and retirees. Payments of the deductible per the MERP, up to the annual limit, are accounted for in the Internal Service Fund – Health and Benefit Fund, and are then reimbursed by the funds and reported as expenditures in the funds. The City's expenditures for the MERP totaled \$87,814 in the General Fund and \$7,876 in the enterprise Fund during the year ended June 30, 2020.

The City of Roxboro's property insurance through the North Carolina League of Municipalities includes flood insurance on buildings located in Flood Zones B, C or X with a \$25,000 deductible. Property not located within Flood Zones B, C and X property located on or over a body of water, open structures, bridges, walks, piers and docks are not covered. The City of Roxboro does not carry any additional flood insurance. Except for sewage pump stations located along some small creeks in Flood Zone AE, all City of Roxboro buildings and facilities are located within Flood Zone X. Also, there are no major rivers located within the City limits which are subject to flooding during periods of heavy rain.

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 Director and Tax Collector are each individually bonded for \$250,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$500,000.

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

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

7. Lease Obligations

A. Operating Leases

The City leases copiers and fax machines for the Administration, Finance, Police, Fire, Public Works, Water and Wastewater Treatment Departments under a five-year operating lease beginning August 8, 2018 and expiring August 7, 2023. The lease requires monthly rental payments of \$1,036 plus \$0.031 and \$0.004 per copy for color and black and white copiers, respectively, after a certain amount of copies. Rental expense under these obligations was \$18,005 for the year ended June 30, 2020 including insurance and maintenance fees.

The City leases a postage meter for the Finance Department under a sixty month operating lease beginning November 20, 2013 and expiring November 20, 2018. The lease requires quarterly rental payments of \$573. Rental expense under this lease obligation was \$2,188 for the year ended June 30, 2020.

The City leases two ice machines for the Garage and Waste Water Treatment Departments under month-to-month operating leases. The leases require monthly rental payments of \$75 and \$90, respectively. Rental expenses under these lease obligations were \$1,140 and \$1,080, respectively, for the year ended June 30, 2020.

The City leases a mobile office building for the Water Treatment Plant under a one-year operating lease beginning November 1, 2008 and expiring October 31, 2009. The lease requires monthly rental payments of \$356 with an option to renew the lease on a month-to-month basis upon expiration. Rental expense under this lease obligation was \$4,272 for the year ended June 30, 2020.

B. Capital Leases

The City has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The first agreement was executed on July 28, 2013 to lease a garbage truck and requires four annual payments of \$53,975. This agreement was paid off during 2017. The second agreement was executed on October 29, 2013 to lease a street sweeper and required four annual payments of \$62,817. This agreement was paid off during 2017. The final agreement was executed on August 4, 2016 to lease police software equipment and required four annual payments of \$61,305.

For the City of Roxboro, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 were as follows:

Year Ending June 30	Amount
2021	\$ 61,305
Total minimum lease payments	61,305
Less: amount representing interest	1,699
Present value of the minimum lease payments	<u>\$ 59,606</u>

C. Direct Borrowing Agreements

On March 5, 2008, the City entered into a direct borrowing agreement with the United States Department of Agriculture for the construction of a Police Station. The building is pledged as collateral for the debt while the debt is outstanding. The mortgage contract requires 30 annual payments of \$192,935 including principal and interest at 4.375% beginning March 5, 2009 through March 5, 2038. The mortgage loan is secured by a deed of trust on the new Police Station located at the corner of Reams Avenue and Lamar Street in Roxboro.

\$2,347,065

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Notes to the Financial Statements
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On June 19, 2017, the City entered into a direct borrowing agreement to purchase a fire truck in the amount of \$360,000 with Piedmont Electric Membership Corporation. The vehicle is pledged as collateral for the debt while the debt is outstanding. The loan agreement requires 10 annual payments of \$36,000 beginning September 1, 2017 including interest at 0% until September 1, 2027.

\$252,000

On June 26, 2017, the City entered into a direct borrowing agreement to finance the purchase of four police vehicles in the amount of \$96,300 with a local financial institution. The vehicles are pledged as collateral for the debt while the debt is outstanding. The loan agreement requires 4 annual payments of \$25,245 beginning June 1, 2018 including interest at 1.98% until June 1, 2021.

\$24,767

On June 26, 2020, the City entered into a direct borrowing agreement to finance the purchase of police vehicles and a garbage truck in the amount of \$454,680 with a local financial institution. The General Fund is obligated for \$336,327 and the Water and Sewer Fund is obligated for 118,353. The vehicles are pledged as collateral for the debt while the debt is outstanding. This loan agreement requires 4 annual payments of \$118,576 beginning June 1, 2021, including interest of 1.76% until June 1, 2024.

\$336,327

On September 18, 2018, the City entered into a direct borrowing agreement to purchase an air truck in the amount of \$100,000 with Piedmont Electric Membership Corporation. The vehicle is pledged as collateral for the debt while the debt is outstanding. The loan agreement requires 5 annual payments of \$20,800 beginning January 31, 2019 including interest at 0% until January 31, 2023.

\$60,000

On June 25, 2019, the City entered into a direct borrowing agreement to purchase police vehicles in the amount of \$102,946 with Roxboro Savings Bank. The vehicles are pledged as collateral for the debt while the debt is outstanding. The loan agreement requires 4 annual payments of \$27,438 beginning June 1, 2020 including interest at 2.68% until June 1, 2023.

\$ 78,093

Total governmental activities direct borrowings \$ 3,098,252

On May 20, 2010, the City entered into a direct borrowing agreement to finance the Brooks Pump Station project in the amount of \$173,255 with the State of North Carolina Department of Environment and Natural Resources Division of Water Quality. The station is pledged as collateral for the debt while the debt is outstanding. The loan agreement requires 20 annual principal payments of \$8,663 beginning May 1, 2011 including interest at 0% until May 1, 2030.

\$86,627

On June 26, 2020, the City entered into a direct borrowing agreement to finance the purchase of police vehicles and a garbage truck in the amount of \$454,680 with a local financial institution. The General Fund is obligated for \$336,327 and the Water and Sewer Fund is obligated for 118,353. The vehicles are pledged as collateral for the debt while the debt is outstanding. This loan agreement requires 4 annual payments of \$118,576 beginning June 1, 2021, including interest of 1.76% until June 1, 2024.

\$118,353

On October 17, 2013, the City entered into a direct borrowing agreement to refinance the loan balance of \$943,835 for the loan referenced above as the triple tier water lines. Additional loan proceeds of \$4,356,165 were advanced for construction of the water plant MIEX processing equipment. The property is pledged for collateral for the debt while the debt is outstanding. The MIEX Loan of \$5,300,000 was financed by STI Institutional and Government Inc. and requires 9 annual payments of \$470,824 beginning October 17, 2014 and 6 annual payments of \$352,437 beginning October 17, 2023, all including interest

**City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020**

of 2.52% until October 17, 2028. This agreement is secured by approximately 25 acres of real property owned by the City in Person County, North Carolina.

\$ 3,144,434

On June 25, 2019, the City entered into a direct borrowing agreement to purchase a backhoe in the amount of \$142,827 with Roxboro Savings Bank. The backhoe is pledged as collateral for the debt while the debt is outstanding. The loan agreement requires 4 annual payments of \$38,068 beginning June 1, 2020 including interest at 2.68% until June 1, 2023.

\$108,346

\$3,457,760

D. Direct Placement Agreement

On July 24, 2018, the City entered into a direct placement agreement to finance the Wastewater Treatment Plant project in the amount of \$23,785,000 with the United States Department of Agriculture. The property is pledged as collateral for the debt while the debt is outstanding. The loan agreement requires 2 annual interest payments of \$790,322 in fiscal year ending June 30, 2020 at an interest rate of 3.30% and a lump sum repayment during the year ending June 30, 2022.

\$23,785,000

Total business-type activities agreements \$ 27,242,760

9. Long-Term Debt

a. General Obligation Indebtedness

At June 30, 2020, the City of Roxboro had a legal debt margin of \$23,735,817. On November 3, 2006, the City of Roxboro received a bond rating of 82 from the North Carolina Municipal Council.

b. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the City's Governmental Activities for the year ended June 30, 2020:

City of Roxboro, North Carolina
Notes to the Financial Statements
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	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020	Current Portion
Governmental Activities:					
Direct Borrowing Installment purchases					
Police vehicles/truck	\$ -	\$ 336,327	\$ -	\$ 336,327	\$ 82,230
Police station	2,454,447	-	107,382	2,347,065	89,296
Police vehicles	49,034	-	24,267	24,767	24,767
Police vehicles & utility truck	66,742	-	66,742	-	-
Fire truck	288,000	-	36,000	252,000	36,000
Air truck	80,000	-	20,000	60,000	20,000
Police vehicles	102,946	-	24,853	78,093	25,342
Total	3,041,169	336,327	279,244	3,098,252	277,635
Capital Leases:					
Police software	117,560	-	57,954	59,606	59,606
Total	117,560	-	57,954	59,606	59,606
Net pension liability (LGERS)	1,510,290	261,510	-	1,771,800	
Total pension liability (LEO)	962,373	174,617	-	1,136,990	-
Total OPEB liability	291,985	99,699	-	391,684	-
Compensated absences	461,699	69,214	-	530,913	-
	<u>\$ 6,385,076</u>	<u>\$ 941,367</u>	<u>\$ 337,198</u>	<u>\$ 6,989,245</u>	<u>\$ 337,241</u>
Business-Type Activities:					
Direct Borrowing Installment purchases					
Brooks pump station	\$ 95,290	\$ -	\$ 8,663	\$ 86,627	\$ 8,663
Miex project	3,526,342	-	381,908	3,144,434	391,581
Backhoe	142,827	-	34,481	108,346	35,159
Garbage truck	-	118,353	-	118,353	28,892
Direct Placement Installment Purchase					
Wastewater Treatment Plant	23,785,000	-	-	23,785,000	-
Total	27,549,459	118,353	425,052	27,242,760	464,295
Net pension liability (LGERS)	587,335	101,699	-	689,034	-
Total OPEB liability	113,549	38,772	-	152,321	-
Compensated absences	145,284	-	4,413	140,871	-
	<u>\$ 28,395,627</u>	<u>\$ 258,824</u>	<u>\$ 429,465</u>	<u>\$ 28,224,986</u>	<u>\$ 464,295</u>

c. Debt-Service Requirements

The following table summarizes the annual debt service requirements to maturity for all long-term debt outstanding (excluding compensated absences and claims and judgements):

City of Roxboro, North Carolina
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For the Fiscal Year Ended June 30, 2020

Direct Borrowing Agreements

		Direct Borrowing Agreements		
Governmental Activities:		Principal	Interest	Total
	2021	\$ 277,635	\$ 114,241	\$ 391,876
	2022	258,495	106,425	364,920
	2023	264,747	100,184	364,931
	2024	223,624	92,920	316,544
	2025	141,978	86,957	228,935
	2026-2030	675,630	361,045	1,036,675
	2031-2035	747,749	216,926	964,675
	2036-2038	508,394	46,988	555,382
Total governmental activities		\$ 3,098,252	\$ 1,125,686	\$ 4,223,938

		Direct Borrowing and Placement Agreements		
Business-Type Activities		Principal	Interest	Total
	2021	\$ 464,295	\$ 874,412	\$ 1,338,707
	2022	24,260,471	468,075	24,728,546
	2023	487,087	61,316	548,403
	2024	342,644	49,422	392,066
	2025	319,862	41,238	361,100
	2026-2030	1,368,401	84,428	1,452,829
Total business-type activities		\$ 27,242,760	\$ 1,578,891	\$ 28,821,651

10. Interfund Balances and Activity

Balances due to/from other funds as of June 30, 2020, consist of the following:

Balances Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Fund: Flexible Spending Fund	\$65,009

This interfund receivable and payable of the Agency Fund represents the minimum balance in the Medical Flexible Spending checking accounts necessary to avoid bank service charges and overdrafts due to payments for medical expenses on behalf of employees through the City's pretax medical flex plan which may become due prior to the transfer of payroll deductions to these accounts from the General and Enterprise Funds.

City of Roxboro, North Carolina
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11. Interfund Transfers

Transfers to/from other funds for the fiscal year ended June 30, 2020, consist of the following:

<u>Transfers to/from Other Funds</u>	<u>Amount</u>
From the Enterprise Fund to the General Fund	\$ (150,000)
From the Stormwater Project Fund to the General Fund	(82,900)
From the Vehicle Tags Fund to the General Fund	(128,000)
Total transfers from other funds - Exhibit 4	<u>(360,900)</u>
 To the General Fund from the Stormwater Fund	 82,900
To the General Fund from the Enterprise Fund	150,000
To the General Fund from the Vehicle Tags Fund	128,000
Total transfers to other funds - Exhibit 4	<u>360,900</u>
 Net transfers - Exhibit 2	 <u><u>\$ -</u></u>

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

During the fiscal year ended June 30, 2020, the City transferred \$82,900 to the General Fund from the Stormwater Fund to pay for related expenses. The City transferred \$128,000 from the Vehicle Tags Special Revenue Fund to the General Fund to pay for maintenance of City streets. The City transferred \$150,000 from the Enterpriser Fund to the General Fund to pay for related expenses.

12. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2020, the City of Roxboro has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$0 for the 16 volunteer firemen and the 21 employed firemen who perform firefighting duties for the City's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Workers' Pension Fund, a cost-sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by the City of Roxboro for each member, investment income, and a state appropriation.

A. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital Assets	\$ 8,082,173	\$ 38,337,906
Less: long term debt	3,157,858	27,242,760
Add: debt reserve requirements	168,375	-
Net investment in capital assets	<u><u>\$ 5,092,690</u></u>	<u><u>\$ 11,095,146</u></u>

B. Fund Balance

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

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Less:	
Inventories	40,974
Perpetual maintenance	30,269
Stabilization by State Statute	897,406
Streets - Powell Bill	46,329
Public safety - RD reserve	168,735
Economic and Physical Development	97,517
Remaining Fund Balance	\$ 2,361,738

The City has 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 to or greater than 25% of budgeted expenditures. Budgeted expenditures for this policy is total expenditures not including capital amounts that are financed, grant expenditures and other intergovernmental amounts.

13. Jointly Governed Organizations

A. Kerr-Tar Regional Council of Governments

The City, in conjunction with five counties and fourteen other municipalities established the Kerr-Tar 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 \$5,352 to the Council during the fiscal year ended June 30, 2020.

B. Person Tourism Development Authority

The City, in conjunction with Person County, established the Person Tourism Development Authority (Authority). The Authority was created to expend the net proceeds of a 5% room occupancy tax levied, tourism, and conventions, sponsor tourist-related events and activities, and finance tourist-related capital projects in Person County. The City and County each appoint three members to the Authority's governing board. Person County also serves as fiscal agent for the Authority.

14. Joint Ventures

A. 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 moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways.

The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 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.

15. Related Organization

The five-member board of the City of Roxboro Housing Authority is appointed by the mayor of the City of Roxboro. 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 Roxboro is also disclosed as a related organization in the notes to the financial statements for the City of Roxboro Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Authority's offices at 500 Mt. Bethel Church Street, Roxboro, NC 27573.

16. Related Party Transactions

City of Roxboro, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

The City appropriated \$14,000 for the fiscal year ended June 30, 2020 to the Uptown Roxboro Group, a nonprofit organization dedicated to economic development in the Historic UpCity Roxboro business district. The City has supported the Uptown Roxboro Group, formerly the Roxboro Development Group, and each year since its inception and presently in addition to the annual appropriation amounts, the executive director of the organization is an employee of the City. The City also provides office space for the director.

17. Summary Disclosure of Significant Contingencies

A. 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 moneys to the grantor agencies. Management believes that any requires refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

B. Unemployment Taxes

The City elected to pay the direct cost of employment security benefits in lieu of unemployment payroll taxes. A liability for benefit payments could accrue in the year following discharge of an employee.

18. Significant Effects of Subsequent Events

The City has evaluated events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors' report. The City has not evaluated subsequent events after that date. There were no subsequent events during this period that required disclosure.

19. Special Item - Sale of Fixed Assets

In 2020, the City sold fixed assets that were fully depreciated. The revenue from the sales were \$64,071 for the General Fund and \$110 the Water and Sewer Fund.

20. Claims and Judgments

At June 30, 2020, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate outcome of these legal matters will not have a material adverse effect on the City's financial position.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles. Presentation conforms to requirements of Local Government Commission in North Carolina.

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

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

Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

Schedule of Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Plan

Schedule of Changes in the Total OPEB Liability

City of Roxboro, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Four Years

	2020	2019	2018	2017
Beginning balance	\$ 962,373	\$ 774,959	\$ 1,033,521	\$ 1,020,555
Service cost	47,155	41,884	39,061	42,793
Interest on the total pension liability	34,038	23,550	39,071	35,735
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	112,955	219,778	(350,077)	-
Changes of assumptions or other inputs	34,996	(38,374)	56,040	(26,385)
Benefit payments	(54,527)	(59,424)	(42,657)	(39,177)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 1,136,990</u>	<u>\$ 962,373</u>	<u>\$ 774,959</u>	<u>\$ 1,033,521</u>

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

City of Roxboro, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Four Years

	2020	2019	2018	2017
Total pension liability	\$ 1,136,990	\$ 962,373	\$ 774,959	\$ 1,033,521
Covered payroll	1,578,926	1,366,874	1,458,030	1,527,771
Total pension liability as a percentage of covered payroll	72.01%	70.41%	53.15%	67.65%

Notes to the schedules:

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

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

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Roxboro's proportion of the net pension liability (asset) (%)	0.09011%	0.08842%	0.09180%	0.09500%	0.10311%	0.09940%	0.10580%
Roxboro's proportion of the net pension liability (asset) (\$) \$	2,460,834	\$ 2,097,625	\$ 1,402,450	\$ 2,016,220	\$ 462,751	\$ (586,208)	\$ 1,275,296
Roxboro's covered-employee payroll \$	5,797,811	\$ 5,790,091	\$ 5,503,674	\$ 5,440,961	\$ 5,412,549	\$ 5,369,553	\$ 5,158,642
Roxboro's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	42.44%	36.23%	25.48%	37.06%	8.55%	(10.92%)	24.72%
Plan fiduciary net position as a percentage of the total pension liability**	89.08%	91.63%	94.18%	91.47%	98.09%	102.64%	102.64%

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

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

City of Roxboro, North Carolina
City of Roxboro's Contributions
Required Supplementary Information
Last Seven Fiscal Years

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 546,787	\$ 463,964	\$ 433,894	\$ 415,783	\$ 373,886	\$ 391,552	\$ 382,632
Contributions in relation to the contractually required contribution	546,787	463,964	433,894	415,783	373,886	391,552	382,632
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Roxboro's covered-employee payroll	\$ 5,942,747	\$ 5,797,811	\$ 5,790,091	\$ 5,503,674	\$ 5,440,961	\$ 5,412,549	\$ 5,369,553
Contributions as a percentage of covered-employee payroll	9.20%	8.00%	7.49%	7.55%	6.87%	7.23%	7.13%

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

Firefighters' and Rescue Squad Workers' Pension

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Roxboro's proportion of the net pension liability (asset) (%)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Roxboro's proportion of the net pension liability (asset) (\$)		\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the City of Roxboro	<u>35,132</u> <u>\$ 35,132</u>	<u>48,582</u> <u>\$ 48,582</u>	<u>43,432</u> <u>\$ 43,432</u>	<u>32,265</u> <u>\$ 32,265</u>	<u>27,819</u> <u>\$ 27,819</u>
Roxboro's covered-employee payroll	\$ 1,067,251	\$ 1,006,228	\$ 988,815	\$ 968,794	\$ 986,817
Roxboro's proportionate share of the net pension liability as a percentage of its covered-	3.29%	4.83%	4.39%	3.33%	2.82%
Plan fiduciary net position as a percentage of the total pension	89.35%	84.94%	91.40%	93.42%	92.76%

* The amounts presented are for the prior fiscal year.

City of Roxboro, North Carolina
Schedule of Changes in Total OPEB Liability
Required Supplementary Information

Exhibit A-6

Total OPEB Liability	2020	2019	2018
Service cost	\$ 22,369	\$ 21,775	\$ 22,578
Interest	14,795	13,059	12,248
Changes of benefit terms	-	-	-
Differences between expected and actual	140,197	27,057	-
Changes of assumptions	12,005	1,749	(12,833)
Benefit payments	(50,904)	(49,428)	(74,588)
Net change in total OPEB liability	138,462	14,212	(52,595)
Total OPEB liability - beginning	405,534	391,322	443,917
Total OPEB liability - ending	\$ 543,996	\$ 405,534	\$ 391,322
 Covered payroll	 5,392,059	 4,586,074	 4,586,074
Total OPEB liability as a percentage of covered payroll	10.09%	8.84%	8.53%

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:

Fiscal year	Rate
2020	3.50%
2019	3.89%
2018	3.56%

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

This section contains additional information on the Governmental
and Proprietary Funds (budget to actual comparison).

City of Roxboro, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes - current year's levy	\$ 4,703,036	4,606,618	\$
Taxes - prior year's levy	52,000	70,353	
Penalties and interest	23,000	25,086	
Total	<u>4,778,036</u>	<u>4,702,057</u>	<u>(75,979)</u>
Local Option Sales Tax:			
Article 39: 1 percent	588,208	616,185	
Article 40: .5 percent	398,541	420,238	
Article 42: .5 percent	290,538	302,848	
Article 44: .5 percent	92,059	99,126	
Hold Harmless - Person County	419,726	440,744	
Total	<u>1,789,072</u>	<u>1,879,141</u>	<u>90,069</u>
Other taxes and licenses:			
Gross receipts tax rental vehicles	11,000	13,976	
Beer and wine licenses	1,000	1,446	
Total	<u>12,000</u>	<u>15,422</u>	<u>3,422</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes	2,000	-	
Telecommunications sales tax	164,616	131,314	
Utility sales tax	594,623	584,191	
Piped natural gas tax	43,942	33,308	
Beer and wine tax	39,500	35,187	
Person County ABC Board	90,600	35,165	
Sales tax refund	102,500	102,882	
Total	<u>1,037,781</u>	<u>922,047</u>	<u>(115,734)</u>
Restricted intergovernmental:			
Powell Bill allocation	214,000	215,918	
NC Rural Economic Development	100,000	-	
Solid waste disposal tax	6,500	6,191	
Fire inspection fees	2,000	2,309	
Person County - fire contract	373,968	389,072	
Controlled substance tax	3,000	1,492	
Court facilities	6,500	3,327	
Total	<u>705,968</u>	<u>618,309</u>	<u>(87,659)</u>
Permits and fees:			
Zoning and other permits	5,000	6,920	
Total	<u>5,000</u>	<u>6,920</u>	<u>1,920</u>

City of Roxboro, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Sales and services:			
Refuse collection	645,000	619,989	
Parking penalties	6,000	6,068	
Rental income	100,000	77,672	
Sale of recyclable materials	500	-	
Bad debts	(11,300)	-	
Cemetery deed transfers	(80)	-	
Cemetery - sale of lots	2,000	-	
Total	<u>742,120</u>	<u>703,729</u>	<u>(38,391)</u>
Investment earnings	<u>17,550</u>	<u>21,331</u>	<u>3,781</u>
Miscellaneous			
Donations	31,024	6,480	
Insurance proceeds	130,500	38,023	
Miscellaneous revenues	19,233	18,863	
Total	<u>180,757</u>	<u>63,366</u>	<u>(117,391)</u>
Total revenues	<u>9,268,284</u>	<u>8,932,322</u>	<u>(335,962)</u>
Expenditures:			
General Government			
Governing Body			
Salaries and employee benefits	78,113	78,158	
Operating expenditures	189,402	166,368	
Contracted services	10,500	5,650	
Enterprise fund - reimbursement	(121,180)	(102,965)	
Total	<u>156,835</u>	<u>147,211</u>	<u>9,624</u>
Administration			
Salaries and employee benefits	572,936	542,926	
Operating expenditures	74,600	76,040	
Contracted services	77,500	83,270	
Enterprise fund - reimbursement	(313,740)	(283,684)	
Total	<u>411,296</u>	<u>418,552</u>	<u>(7,256)</u>
Finance			
Salaries and employee benefits	158,217	155,462	
Operating expenditures	24,029	19,411	
Contracted services	207,000	114,289	
Enterprise fund - reimbursement	(128,714)	(118,930)	
Total	<u>260,532</u>	<u>170,232</u>	<u>90,300</u>
Tax Collection			
Contracted services	68,000	67,176	
Total	<u>68,000</u>	<u>67,176</u>	<u>824</u>

City of Roxboro, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Building and Grounds			
Salaries and employee benefits	111,154	102,519	
Operating expenditures	110,616	103,345	
Capital outlay	8,334	8,334	
Enterprise fund - reimbursement	(98,925)	(91,404)	
Total	<u>131,179</u>	<u>122,794</u>	<u>8,385</u>
Communication and Tower			
Operating expenditures	316,350	316,350	
Contracted services	6,000	5,750	
Total	<u>322,350</u>	<u>322,100</u>	<u>250</u>
Safety and Purchasing			
Operating expenditures	16,149	14,395	
Enterprise fund - reimbursement	(7,186)	(6,639)	
Total	<u>8,963</u>	<u>7,756</u>	<u>1,207</u>
Sales tax	<u>118,100</u>	<u>111,445</u>	<u>6,655</u>
Total general government	<u>1,477,255</u>	<u>1,367,266</u>	<u>109,989</u>
Public safety:			
Police Department			
Salaries and employee benefits	1,993,419	1,957,744	
Vehicle maintenance	40,000	29,662	
Repairs and maintenance	9,000	9,888	
Operating expenditures	246,141	271,486	
Contracted services	41,875	31,563	
Capital outlay	317,936	206,785	
Total	<u>2,648,371</u>	<u>2,507,128</u>	<u>141,243</u>
Criminal Investigation Division			
Salaries and employee benefits	399,069	344,883	
Vehicle maintenance	1,500	784	
Operating expenditures	47,335	30,063	
Contracted services	14,500	12,153	
Total	<u>462,404</u>	<u>387,883</u>	<u>74,521</u>

City of Roxboro, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Narcotics Division			
Salaries and employee benefits	210,314	206,903	
Vehicle maintenance	3,000	4,021	
Operating expenditures	47,850	35,225	
Contracted services	12,500	12,242	
Total	<u>273,664</u>	<u>258,391</u>	<u>15,273</u>
Animal Control			
Salaries and employee benefits	63,150	68,477	
Vehicle maintenance	2,000	1,397	
Operating expenditures	6,820	2,141	
Contracted services	1,000	183	
Total	<u>72,970</u>	<u>72,198</u>	<u>772</u>
Total police department	<u>3,457,409</u>	<u>3,225,600</u>	<u>231,809</u>
Fire Department			
Salaries and employee benefits	1,545,371	1,512,297	
Vehicle maintenance	27,000	19,434	
Repairs and maintenance	41,000	39,285	
Operating expenditures	234,207	232,293	
Contracted services	-	5,897	
Capital outlay	120,000	100,790	
Total	<u>1,967,578</u>	<u>1,909,996</u>	<u>57,582</u>
Fire Inspections			
Salaries and employee benefits	215,824	205,734	
Vehicle maintenance	1,000	447	
Operating expenditures	25,820	21,536	
Total	<u>242,644</u>	<u>227,717</u>	<u>14,927</u>
Total fire department	<u>2,210,222</u>	<u>2,137,713</u>	<u>72,509</u>
Emergency Communications			
Contracted services	134,500	134,351	
Operating expenditures	800	803	
Total	<u>135,300</u>	<u>135,154</u>	<u>146</u>
Total public safety	<u>5,802,931</u>	<u>5,498,467</u>	<u>304,464</u>

City of Roxboro, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Transportation:			
Public Works Administration			
Salaries and employee benefits	362,780	375,310	
Vehicle maintenance	1,000	429	
Repairs and maintenance	1,500	-	
Operating expenditures	29,310	24,851	
Contracted services	33,700	27,513	
Enterprise fund - reimbursement	(189,254)	(189,160)	
Total	239,036	238,943	93
Public Works Building			
Operating expenditures	20,500	47,109	
Repairs and maintenance	6,500	9,114	
Capital outlay	93,200	63,267	
Enterprise fund - reimbursement	(12,015)	(12,000)	
Total	108,185	107,490	695
Garage			
Salaries and employee benefits	192,064	191,125	
Vehicle maintenance	3,000	3,700	
Repairs and maintenance	1,000	-	
Operating expenditures	25,390	33,938	
Contracted services	16,050	12,460	
Capital outlay	12,500	-	
Enterprise fund - reimbursement	(111,251)	(102,790)	
Total	138,753	138,433	320
Street Maintenance			
Salaries and employee benefits	436,594	426,116	
Vehicle maintenance	-	3,776	
Repairs and maintenance	17,000	3,582	
Operating expenditures	119,939	90,705	
Contracted services	43,900	32,900	
Capital outlay	122,922	130,037	
Total	740,355	687,116	53,239
Powell Bill			
Vehicle maintenance	15,000	2,780	
Repairs and maintenance	168,000	167,266	
Operating expenditures	15,250	2,609	
Total	198,250	172,655	25,595

City of Roxboro, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Street Cleaning			
Salaries and employee benefits	55,758	49,317	
Vehicle maintenance	17,200	17,217	
Repairs and maintenance	3,500	-	
Operating expenditures	5,570	3,819	
Total	82,028	70,353	11,675
Street Lighting			
Utilities - street and traffic lights	203,230	202,584	
Total	203,230	202,584	646
Total transportation	1,709,837	1,617,574	92,263
Environmental Protection			
Residential Garbage Collection			
Salaries and employee benefits	146,093	132,822	
Vehicle maintenance	25,000	17,557	
Repairs and maintenance	1,500	416	
Operating expenditures	54,610	42,499	
Contracted services	110,800	117,947	
Total	338,003	311,241	26,762
Commercial Garbage Collection			
Salaries and employee benefits	140,054	136,021	
Vehicle maintenance	40,000	20,831	
Repairs and maintenance	300	-	
Capital outlay	297,866	262,200	
Operating expenditures	280,080	296,974	
Total	758,300	716,026	42,274
Total solid waste disposal	1,096,303	1,027,267	69,036
Cemetery			
Salaries and employee benefits	96,732	92,023	
Vehicle maintenance	1,500	392	
Repairs and maintenance	5,000	2,767	
Operating expenditures	11,870	7,153	
Total	115,102	102,335	12,767
Total environmental protection	1,211,405	1,129,602	81,803

City of Roxboro, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Economic and Physical Development			
Planning and Zoning			
Salaries and employee benefits	160,441	152,638	
Vehicle maintenance	100	199	
Operating expenditures	272,020	55,676	
Contracted services	159,625	79,383	
Capital outlay	19,600	-	
Total	<u>611,786</u>	<u>287,896</u>	<u>323,890</u>
Installment purchase agreements			
Police department	192,935	107,382	
Fire department	56,000	56,000	
Police vehicles and truck	85,760	49,120	
Police vehicles and utility truck	33,300	66,742	
Capital lease payments			
Residential and commercial garbage collection	100,049	57,954	
Interest Expense	<u>-</u>	<u>130,618</u>	
Total debt service	<u>468,044</u>	<u>467,816</u>	<u>228</u>
Total expenditures	<u>11,281,258</u>	<u>10,368,621</u>	<u>912,637</u>
Revenues over (under) expenditures	<u>(2,012,974)</u>	<u>(1,436,299)</u>	<u>576,675</u>
Other financing sources (uses):			
Transfers - in			
Vehicle Tags Fund	145,000	128,000	
Stormwater Project Fund	82,900	82,900	
Internal Service Fund	182,630	-	
LEO Separation Fund	59,000	-	
Transfers - out			
Internal Service Fund	(75,000)	-	
Capital Project Fund	-	-	
Proceeds from installment purchases and capital lease	603,672	336,327	
Contingency	-	-	
Sale of fixed assets	41,000	64,070	
Total	<u>1,039,202</u>	<u>611,297</u>	<u>(427,905)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>(973,772)</u>	<u>(825,002)</u>	<u>148,770</u>
Appropriated Fund Balance	<u>973,772</u>	<u>-</u>	<u>(973,772)</u>

City of Roxboro, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Annual Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues, other financing sources, and appropriated fund balance over expenditures and other uses	<u>\$ -</u>	(825,002)	<u>\$ (825,002)</u>
Fund balance, beginning of year, July 1		4,467,970	
Fund balance, end of year, June 30		<u>\$ 3,642,968</u>	

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Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Vehicle Tags Fund: This fund is used to account for proceeds from the sale of license tags for vehicles in the City of Roxboro.

Revolving Loan Community Development Block Grant Fund: This fund is used to account for the Community Development Block Grant proceeds being used for economic development.

Stormwater Fee Fund: This fund is used to account for fees charged with proceeds to be used for stormwater project of the City.

CDBG Fund: This fund is used to accounts for programs and activities for the development of stronger and more resilient communities.

**City of Roxboro, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheet
For the Fiscal Year Ended June 30, 2020**

	Vehicle Tags Fund	Revolving Loan Fund	Stormwater Fee Fund	Capital Project	Total Nonmajor Governmental Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,589	\$ -	\$ 183,534	\$ 103,755	\$ 288,878
Restricted cash and investments	-	97,517	-	-	97,517
Accounts receivable	-	26,573	11,872	-	38,445
Due from other funds	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
Notes receivable	-	35,741	-	-	35,741
Total assets	\$ 1,589	\$ 159,831	\$ 195,406	\$ 103,755	\$ 460,581
Liabilities and Fund Balances					
Current Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 13,968	\$ 13,968
Due to other funds	-	-	-	-	-
Due to other governmental units	146	-	-	-	146
Total liabilities	146	-	-	13,968	14,114
Deferred Inflows of Resources					
Unavailable revenues	-	62,314	-	-	62,314
Fund balances					
Restricted					
Stabilization by State Statute	-	-	11,872	-	11,872
Economic development	-	97,517	-	-	97,517
Assigned	1,443	-	183,534	89,787	274,764
Total fund balances	1,443	97,517	195,406	89,787	384,153
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,589	\$ 159,831	\$ 195,406	\$ 103,755	\$ 460,581

City of Roxboro, North Carolina
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2020

	Vehicle Tags Fund	Revolving Loan Fund	Stormwater Fee Fund	Capital Project	Total Nonmajor Governmental Funds
Revenues:					
Other taxes and licenses	\$ 128,167	\$ -	\$ 84,874	\$ -	\$ 213,041
Restricted intergovernmental revenues	-	19,113	-	-	19,113
Investment earnings	12	576	1,585	-	2,173
Total revenues	<u>128,179</u>	<u>19,689</u>	<u>86,459</u>	<u>-</u>	<u>234,327</u>
Expenditures					
Current:					
General Government	4	-	-	-	4
Economic and physical development	-	-	4,810	60,213	65,023
Capital Outlay:					
Economic and physical development	-	-	-	-	-
Total expenditures	<u>4</u>	<u>-</u>	<u>4,810</u>	<u>60,213</u>	<u>65,027</u>
Revenues over (under) expenses	128,175	19,689	81,649	(60,213)	169,300
Other financing sources (uses):					
Transfers (in)	-	-	-	150,000	150,000
Transfers (out)	(128,000)	-	(82,900)	-	(210,900)
Total other financing sources (uses)	<u>(128,000)</u>	<u>-</u>	<u>(82,900)</u>	<u>150,000</u>	<u>(60,900)</u>
Excess (deficiency) of revenues and other financing sources over expenditures	175	19,689	(1,251)	89,787	108,400
Fund balance, beginning of year, July 1	<u>1,268</u>	<u>77,828</u>	<u>196,657</u>	<u>-</u>	<u>275,753</u>
Fund balance, ending of year, June 30	<u>\$ 1,443</u>	<u>\$ 97,517</u>	<u>\$ 195,406</u>	<u>\$ 89,787</u>	<u>\$ 384,153</u>

City of Roxboro, North Carolina
Special Revenue Fund - Vehicles Tags Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other taxes and licenses:			
Vehicle tags	\$ 160,048	\$ 128,167	\$ (31,881)
Penalties and interest	500	-	(500)
Total	160,548	128,167	(32,381)
Investment earnings	50	12	(38)
Total revenues	160,598	128,179	(32,419)
Expenditures:			
Current:			
General government:			
Tax collection	15,598	4	15,594
Total expenditures	15,598	4	15,594
Revenues over (under) expenditures	145,000	128,175	(16,825)
Other financing (uses):			
Transfers out			
To General Fund	145,000	128,000	(17,000)
Total other financing sources (uses)	145,000	128,000	(17,000)
Revenues and other financing sources over (under) expenditures	\$ -	175	\$ 175
Fund balance, beginning of year, July 1		1,268	
Fund balance, ending of year, June 30		\$ 1,443	

City of Roxboro, North Carolina
Community Development Block Grant
Revolving Loan Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental revenues:			
Principal payment on loans	\$ 32,000	\$ 18,539	\$ (13,461)
Interest payment on loans	2,000	574	(1,426)
Total	34,000	19,113	(14,887)
Investment earnings	100	576	476
Total revenues	34,100	19,689	(14,411)
Expenditures:			
Current:			
Economic and physical development:			
Community development	30,000	-	30,000
Legal fees	2,000	-	2,000
Contingency	2,100	-	2,100
Total expenditures	34,100	-	34,100
Appropriated Fund Balance	-	-	-
Revenues over (under) expenditures	<u>\$ -</u>	<u>19,689</u>	<u>\$ 19,689</u>
Fund balance, beginning of year, July 1		<u>77,828</u>	
Fund balance, ending of year, June 30		<u>\$ 97,517</u>	

City of Roxboro, North Carolina
Special Revenue Fund - Stormwater Fee
Schedule of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization			Actual			Variance
	June 30, 2019	Amendment	June 30, 2020	Prior Years	Current Year	Total Project To Date	Favorable (Unfavorable)
Revenues:							
Other taxes and licenses:							
Stormwater fees	\$ 804,060	\$ -	\$ 804,060	\$ 671,197	\$ 84,874	\$ 756,071	\$ (47,989)
Investment earnings	-	-	-	2,245	1,585	3,830	3,830
Total revenues	804,060	-	804,060	673,442	86,459	759,901	(44,159)
Expenditures:							
Current:							
Economic and physical development:							
Contracted services	400,000	-	400,000	202,085	4,810	206,895	193,105
Repairs and maintenance	114,660	-	114,660	-	-	-	114,660
Total expenditures	514,660	-	514,660	202,085	4,810	206,895	307,765
Revenues over (under) expenditures	289,400	-	289,400	471,357	81,649	553,006	263,606
Other Financing Sources:							
Transfers-out:							
To General Fund	(289,400)	-	(289,400)	(274,700)	(82,900)	(357,600)	(68,200)
Total other financing sources	(289,400)	-	(289,400)	(274,700)	(82,900)	(357,600)	(68,200)
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	\$ 196,657	(1,251)	\$ 195,406	\$ 195,406
Fund balance, beginning of year, July 1					196,657		
Fund balance, ending of year, June 30					\$ 195,406		

City of Roxboro, North Carolina
Capital Project
Schedule of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization			Actual			Variance
	June 30, 2019	Amendment	June 30, 2020	Prior Years	Current Year	Total Project To Date	Favorable (Unfavorable)
Revenues:							
Revenues							
Contributions	\$ 850,000	\$ -	\$ 850,000	\$ -	\$ -	\$ -	\$ (850,000)
Total revenues	850,000	-	850,000	-	-	-	(850,000)
Expenditures:							
Current:							
Economic and physical development:							
Architectural Fees	150,000	-	150,000	-	60,213	60,213	89,787
Construction	850,000	-	850,000	-	-	-	850,000
Total expenditures	1,000,000	-	1,000,000	-	60,213	60,213	939,787
Revenues over (under) expenditures	(150,000)	-	(150,000)	-	(60,213)	(60,213)	89,787
Other Financing Sources:							
Transfers-in:							
From General Fund	150,000	-	150,000	-	150,000	150,000	-
Total other financing sources	150,000	-	150,000	-	150,000	150,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	\$ -	89,787	\$ 89,787	\$ 89,787
Fund balance, beginning of year, July 1					-		
Fund balance, ending of year, June 30					<u>\$ 89,787</u>		

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Sewer Utility Fund: This fund is used to account for the City's water and sewer operations. The following Capital Project Funds have been consolidated with the Water Sewer Utility Fund for financial reporting purposes.

- WWTP Project Fund

City of Roxboro, North Carolina
Enterprise Fund - Water and Sewer Utility Fund
Schedule of Revenues and Expenditures and Actual
(Non - GAAP Modified Accrual Basis)
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services:			
Water sales	\$ 3,267,719	\$ 3,031,201	\$ (236,518)
Water service fees	11,700	19,071	7,371
Sewer use charges	2,004,508	1,886,911	(117,597)
Water capital fees	-	520,450	520,450
Sewer capital fees	-	263,493	263,493
Septic tank permits and fees	54,600	101,532	46,932
Penalties	41,400	41,187	(213)
Total	<u>5,379,927</u>	<u>5,863,845</u>	<u>483,918</u>
Water and sewer tapping fees	<u>20,000</u>	<u>44,460</u>	<u>24,460</u>
Other operating revenues:			
Fishing licenses	1,500	2,258	758
Permit fees - Lake Roxboro	28,975	36,625	7,650
NC Rural Economic Development	100,000	60,383	(39,617)
Miscellaneous income	5,000	13,627	8,627
Sales tax refund	-	-	-
Insurance proceeds	-	11,097	11,097
Total	<u>135,475</u>	<u>123,990</u>	<u>(11,485)</u>
Total operating revenues	<u>5,535,402</u>	<u>6,032,295</u>	<u>496,893</u>
Nonoperating revenues:			
Donations and contributions	-	-	-
Interest earnings	500	10,976	10,476
Total nonoperating revenues	<u>500</u>	<u>10,976</u>	<u>10,476</u>
Total revenues	<u>5,535,902</u>	<u>6,043,271</u>	<u>507,369</u>

City of Roxboro, North Carolina
Enterprise Fund - Water and Sewer Utility Fund
Schedule of Revenues and Expenditures and Actual
(Non - GAAP Modified Accrual Basis)
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
Billing and Collection:			
Salaries and employee benefits	65,442	65,394	
Other operating expenditures	76,500	66,722	
General fund - reimbursement	29,795	27,530	
Total	<u>171,737</u>	<u>159,646</u>	<u>12,091</u>
Pump Stations:			
Salaries and employee benefits	125,776	130,041	
Contracted services	4,000	-	
Repairs and maintenance	58,000	7,859	
Other operating expenditures	39,280	18,227	
Utilities	74,100	57,299	
General fund - reimbursement	64,820	59,888	
Total	<u>365,976</u>	<u>273,314</u>	<u>92,662</u>
Meter Section:			
Salaries and employee benefits	104,331	97,354	
Contracted services	2,500	-	
Repairs and maintenance	3,500	2,640	
Other operating expenditures	170,665	109,018	
General fund - reimbursement	60,480	55,880	
Total	<u>341,476</u>	<u>264,892</u>	<u>76,584</u>
Raw Water Supply:			
Salaries and employee benefits	53,977	51,861	
Contracted services	1,000	1,141	
Repairs and maintenance	10,900	3,796	
Other operating expenditures	4,870	8,633	
General fund - reimbursement	15,225	14,069	
Total	<u>85,972</u>	<u>79,500</u>	<u>6,472</u>
Water Line Maintenance and Construction:			
Salaries and employee benefits	441,999	377,229	
Contracted services	3,500	5,414	
Repairs and maintenance	8,500	4,291	
Other operating expenditures	121,380	116,961	
Capital outlay	154,935	155,291	
General fund - reimbursement	121,285	112,065	
Total	<u>851,599</u>	<u>771,251</u>	<u>80,348</u>

City of Roxboro, North Carolina
Enterprise Fund - Water and Sewer Utility Fund
Schedule of Revenues and Expenditures and Actual
(Non - GAAP Modified Accrual Basis)
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Water Treatment Plant:			
Salaries and employee benefits	711,541	788,154	
Contracted services	88,000	113,201	
Repairs and maintenance	88,500	85,706	
Other operating expenditures	592,210	459,233	
Capital outlay	66,115	-	
General fund - reimbursement	317,590	293,440	
Total	<u>1,863,956</u>	<u>1,739,734</u>	<u>124,222</u>
Wastewater Treatment Plant:			
Salaries and employee benefits	736,386	679,836	
Contracted services	7,000	6,839	
Chemicals	61,700	44,063	
Utilities	106,300	121,057	
Repairs and maintenance	59,000	42,695	
Other operating expenditures	146,480	76,859	
Capital outlay	47,672	37,426	
General fund - reimbursement	236,915	218,900	
Total	<u>1,401,453</u>	<u>1,227,675</u>	<u>173,778</u>
Wastewater Treatment Plant II:			
Salaries and employee benefits	78,131	77,772	
Contracted services	11,000	5,043	
Repairs and maintenance	11,800	12,047	
Other operating expenditures	52,150	44,641	
General fund - reimbursement	32,950	30,442	
Total	<u>186,031</u>	<u>169,945</u>	<u>16,086</u>
Sewer Line Maintenance and Construction:			
Salaries and employee benefits	262,181	255,242	
Contracted services	110,000	66,161	
Repairs and maintenance	9,000	3,044	
Other operating expenditures	98,340	63,700	
Capital outlay	118,353	120,359	
General fund - reimbursement	103,205	95,360	
Total	<u>701,079</u>	<u>603,866</u>	<u>97,213</u>

City of Roxboro, North Carolina
Enterprise Fund - Water and Sewer Utility Fund
Schedule of Revenues and Expenditures and Actual
(Non - GAAP Modified Accrual Basis)
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Installment purchase agreements			
Interest - MIEX water plant project	-	54,435	
Principal - water line maintenance	40,250	34,481	
Principal - Brooks Pump Station	8,663	8,663	
Principal - MIEX water plant project	470,824	381,908	
Total debt service	<u>519,737</u>	<u>479,487</u>	<u>40,250</u>
 Total operating expenditures	<u>6,489,016</u>	<u>5,769,310</u>	<u>719,706</u>
 Revenues over (under) expenditures	<u>(953,114)</u>	<u>273,961</u>	<u>1,227,075</u>
 Other financing sources (uses):			
Sale of fixed assets	5,000	110	
Transfers in			
From Internal Service Fund	95,826	-	
From Water Fund	-	-	
From Capital Reserve Fund	670,000	(150,000)	
From Capital Project	-	-	
Transfers out			
To Internal Service Fund	(30,000)	-	
To Water Fund	-	-	
To Enterprise Fund	-	-	
To Capital Project Fund	-	-	
Proceeds from capital lease	118,353	118,353	
Contingency	-	-	
Total other financing sources (uses)	<u>859,179</u>	<u>(31,537)</u>	<u>(890,716)</u>
 Revenues and other financing sources over expenditures and other uses	<u>(93,935)</u>	<u>242,424</u>	<u>336,359</u>
 Appropriated fund balance	<u>93,935</u>	<u>-</u>	<u>(93,935)</u>
 Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 242,424</u>	<u>\$ 242,424</u>

City of Roxboro, North Carolina
Enterprise Fund - Water and Sewer Utility Fund
Schedule of Revenues and Expenditures and Actual
(Non - GAAP Modified Accrual Basis)
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		\$ 242,424	
Reconciling items:			
Debt retirement - installment purchases			
Brooks Pump Station		8,663	
Water line maintenance		34,481	
MIX water plant project		381,908	
Total debt retirement		<u>425,052</u>	
Capital outlay - buildings		-	
Capital outlay - distribution system		-	
Capital outlay - equipment		69,908	
Capital outlay - vehicles		243,170	
Total capital outlay		<u>313,078</u>	
Capital project funds			
Sales tax refund		530,543	
Interest income		123,186	
Depreciation		(823,529)	
Capital lease		(118,353)	
Decrease in compensated absences		4,413	
Increase in deferred outflows of resources - pensions		(56,814)	
Decrease in deferred outflows of resources - OPEB		45,227	
Increase in net pension liability		(101,699)	
Decrease in deferred inflows of resources - pensions		11,856	
Increase in OPEB liability		(38,770)	
Decrease in deferred inflows of resources - OPEB		660	
Total reconciling items		<u>314,850</u>	
Change in net position		<u><u>\$ 557,274</u></u>	

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City of Roxboro, North Carolina
Enterprise Fund - Waste Water Treatment Plant Project Fund
Schedule of Revenues and Expenditures - Budget and Actual
(Non-GAAP Modified Accrual Basis)
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization			Actual			Variance
	June 30, 2019	Amendment	June 30, 2020	Prior Years	Current Year	Total Project To Date	Favorable (Unfavorable)
Revenues:							
Other operating revenues:							
Sales tax refund	\$ -	\$ -	\$ -	\$ 3,702	\$ 530,543	\$ 534,245	\$ 534,245
Interest on debt proceeds	-	-	-	28,177	42,192	-	-
Investment earnings	-	-	-	290,891	80,994	371,885	371,885
Total revenues	-	-	-	322,770	653,729	976,499	976,499
Expenditures:							
Professional fees - engineering	1,989,359	-	1,989,359	1,983,116	438,409	2,421,525	(432,166)
Professional fees - construction	22,035,000	-	22,035,000	7,863,494	6,346,624	14,210,118	7,824,882
Total expenditures	24,024,359	-	24,024,359	9,846,610	6,785,033	16,631,643	7,392,716
Revenues over (under) expenditures	(24,024,359)	-	(24,024,359)	(9,523,840)	(6,131,304)	(15,655,144)	8,369,215
Other Financing Sources (Uses):							
Transfers in (out):							
To Water and Sewer Utility Fund	-	-	-	(289,507)	(3,490)	(292,997)	(292,997)
From Water and Sewer Utility Fund	1,630,541	-	1,630,541	1,640,000	-	1,640,000	9,459
To Capital Reserve Fund	(1,750,000)	-	(1,750,000)	(1,619,676)	(150,000)	(1,769,676)	(19,676)
Proceeds from capital lease	335,007	-	335,007	-	-	-	(335,007)
Proceeds from revenue bond anticipation note	23,785,000	-	23,785,000	23,785,000	-	23,785,000	-
Fund balance appropriation	23,811	-	23,811	-	-	-	(23,811)
Total other financing sources	24,024,359	-	24,024,359	23,515,817	(153,490)	23,362,327	(662,032)
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	\$13,991,977	\$ (6,284,794)	\$ 7,707,183	\$ 7,707,183

Internal Service Fund

Internal Service funds are used to account for the financing of goods and services provided by one department or other departments of the City.

Insurance Fund: This fund is used to account for the City's insurance transactions.

City of Roxboro, North Carolina
Internal Service Fund - Health Benefits Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Contribution from General Fund	\$ -	\$ 8,887	\$ 8,887
Contribution from Water and Sewer Fund	-	86,804	86,804
Total revenues	-	95,691	95,691
Expenditures:			
Transfers to General Fund	-	(95,691)	95,691
Total expenditures	-	(95,691)	95,691
Revenues over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:			
Beginning of year, July 1		-	
End of year, June 30		<u>\$ -</u>	
Total revenues		\$ 95,691	
Total expenditures		<u>(95,691)</u>	
Change in net position		<u>\$ -</u>	

Agency Fund

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds.

Flexible Spending Fund: This fund accounts for assets held by the City for its employees' payroll deductions from employees under the City's pretax Medical Flex Plan to be used for payment of employees' medical expenses.

City of Roxboro, North Carolina
Agency Fund
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2020

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2020</u>
Flexible Spending Fund				
Assets:				
Cash and cash equivalents	\$ 67,949	\$ -	\$ 2,940	\$ 65,009
Total assets	<u>\$ 67,949</u>	<u>\$ -</u>	<u>\$ 2,940</u>	<u>\$ 65,009</u>
Liabilities:				
Due to other funds	\$ 55,618	\$ -	\$ 2,940	\$ 52,678
Accounts payable - employees	<u>12,331</u>	<u>-</u>	<u>-</u>	<u>12,331</u>
Revenues over (under) expenditures				
Total liabilities	<u>\$ 67,949</u>	<u>\$ -</u>	<u>\$ 2,940</u>	<u>\$ 65,009</u>

OTHER SCHEDULES

This section contains additional information required
on property taxes.

Schedule of Cash and Investment Balances

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Schedule of Transfers

Schedule of Bonded Debt and Other Long-term Debt

City of Roxboro, North Carolina
Schedule of Cash and Investment Balances
June 30, 2020

	Carrying Value	Cost Value	Market Value
Cash and Investments in the Form of:			
Cash:			
On hand	\$ 750	\$ 750	\$ 750
In demand deposits	10,175,820	10,175,820	10,175,820
In escrow deposits	-	-	-
In time deposits	-	-	-
Certificates of deposit	-	-	-
Total cash	<u>10,176,570</u>	<u>10,176,570</u>	<u>10,176,570</u>
Other investments:			
North Carolina Capital Management Trust	<u>2,041,623</u>	<u>2,041,623</u>	<u>2,041,623</u>
Total other investments	<u>2,041,623</u>	<u>2,041,623</u>	<u>2,041,623</u>
Total cash and other investments	<u>\$ 12,218,193</u>	<u>\$ 12,218,193</u>	<u>\$ 12,218,193</u>
	Unrestricted	Restricted	Total
Distribution by Funds:			
General Fund	<u>\$ 3,193,507</u>	<u>\$ 312,581</u>	<u>\$ 3,506,088</u>
Special Revenue Funds:			
Vehicle Tags Fund	1,589	-	1,589
Stormwater Fee Fund	183,534	-	183,534
Community Development Block Grant Funds			
Revolving Loan Fund	-	97,517	97,517
Total special revenue Funds	<u>185,123</u>	<u>97,517</u>	<u>282,640</u>
Capital Projects Fund	<u>103,755</u>	<u>-</u>	<u>103,755</u>
Enterprise Fund	<u>1,334,510</u>	<u>6,926,191</u>	<u>8,260,701</u>
Agency Funds			
Flexible Spending Fund	<u>65,009</u>	<u>-</u>	<u>65,009</u>
Total agency funds	<u>65,009</u>	<u>-</u>	<u>65,009</u>
Total cash and investments- all funds	<u>\$ 4,881,904</u>	<u>\$ 7,336,289</u>	<u>\$ 12,218,193</u>

City of Roxboro, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections	Releases and Credits	Uncollected Balance June 30, 2020
2019 - 2020	\$ -	\$ 4,224,539	\$ 4,156,764	\$ 6,883	60,892
2018-2019	68,420	-	37,023	(2,100)	29,297
2017-2018	43,332	-	22,024	(2,056)	19,252
2016-2017	23,049	-	7,775	(2,057)	13,217
2015-2016	13,778	-	2,743	(42)	10,993
2014-2015	10,321	-	963	(35)	9,323
2013-2014	11,724	-	1,112	(24)	10,588
2012-2013	11,139	-	438	(28)	10,673
2011-2012	10,458	-	599	(24)	9,835
2010-2011	10,405	-	634	(9)	9,762
2009-2010	8,338	-	1,253	(11)	7,074
	<u>\$ 210,964</u>	<u>\$ 4,224,539</u>	<u>\$ 4,231,328</u>	<u>\$ 497</u>	<u>\$ 190,906</u>

Less: interest accrual (21,568)

Less: allowance for uncollectible accounts
General Fund (82,892)

Ad valorem taxes receivable-net \$ 86,446

Reconcilement with revenues:

Ad valorem taxes-General Fund \$ 4,702,057

Reconciling items:

Interest collected (25,086)

Collection fee paid for vehicle tax (16,825)

Revenue - DMV taxes (359,175)

Adjustments (62,375)

Releases (7,268)

Subtotal (470,729)

Total collections \$ 4,231,328

City of Roxboro, North Carolina
Analysis of Current Tax Levy
City-Wide Levy
For the Fiscal Year Ended June 30, 2020

	Real Property	Personal Property	Motor Vehicles	Public Utility Companies	Senior Citizens Exemption	Property Valuation	Rate	City-Wide				Total Levy	
								Property Tax	Late Listing Penalty	Vehicle Tags	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:													
Property taxed at current year's rate	\$ 462,977,245	\$150,842,647	\$ -	\$ -	\$ (6,943,264)	\$ 606,876,628	0.670	\$ 4,218,870	\$ 5,669	\$ -	\$ 4,224,539	\$ 4,224,539	\$ -
Public utilities	-	-	-	16,204,371	-	16,204,371	0.670	108,569	-	-	108,569	108,569	-
Motor vehicles: Taxed at DMV	-	-	54,000,135	-	-	54,000,135	0.670	359,175	-	127,880	487,055	-	487,055
Total original levy	<u>462,977,245</u>	<u>150,842,647</u>	<u>54,000,135</u>	<u>16,204,371</u>	<u>(6,943,264)</u>	<u>677,081,134</u>		<u>4,686,614</u>	<u>5,669</u>	<u>127,880</u>	<u>4,820,163</u>	<u>4,333,108</u>	<u>487,055</u>
Discoveries:													
Property taxed at current year's rate	-	478,208	-	-	-	478,208	0.670	3,204	433	-	3,637	3,637	-
Property taxed at prior year's rate	-	-	-	-	-	-	0.670	-	-	-	-	-	-
Total discoveries	<u>-</u>	<u>478,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>478,208</u>		<u>3,204</u>	<u>433</u>	<u>-</u>	<u>3,637</u>	<u>3,637</u>	<u>-</u>
Abateements:													
Property taxed at current year's rate	-	853,904	-	-	-	853,904	0.670	5,721	69	-	5,790	5,790	-
Property taxed at prior year's rate	-	-	-	-	-	-	0.670	-	-	-	-	-	-
Total abateements	<u>-</u>	<u>853,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>853,904</u>		<u>5,721</u>	<u>69</u>	<u>-</u>	<u>5,790</u>	<u>5,790</u>	<u>-</u>
Total property valuation	<u>\$ 462,977,245</u>	<u>\$150,466,951</u>	<u>\$54,000,135</u>	<u>\$ 16,204,371</u>	<u>\$ (6,943,264)</u>	<u>\$ 676,705,438</u>							
Net Levy								4,684,097	6,033	127,880	4,818,010	4,330,955	487,055
Less uncollected taxes at June 30, 2020								60,892	429	-	61,321	61,321	-
Current year's taxes collected								<u>\$ 4,623,205</u>	<u>\$ 5,604</u>	<u>\$ 127,880</u>	<u>\$ 4,756,689</u>	<u>\$ 4,269,634</u>	<u>\$ 487,055</u>
Current levy collection percentage											<u>98.73%</u>	<u>98.58%</u>	<u>100.00%</u>

City of Roxboro, North Carolina
Schedule of Transfers
For the Fiscal Year Ended June 30, 2020

	Transfers	
	From	To
Transfers From/To Other Funds:		
General Fund	\$ -	\$ 210,900
Special Revenue Funds		
Vehicle Tags Fund	128,000	-
Stormwater Fee Fund	82,900	-
Capital Projects Fund	-	-
LEO Separation Fund	-	-
Enterprise Funds		
Capital Reserve Fund	150,000	-
Capital Projects Fund		
Water Plant Laboratory Project	-	150,000
Total transfers- other funds	<u>\$ 360,900</u>	<u>\$ 360,900</u>

City of Roxboro, North Carolina
Schedule of Bonded Debt and Other Long-Term Debt
For the Fiscal Year Ended June 30, 2020

	Date of Issuance	Interest Rate	Maturity Date	Amount Outstanding June 30, 2019	Changes During Year		Amount Outstanding June 30, 2020	Debt Service Requirements 2020-2021	
					Issued	Retired		Principal	Interest
Governmental Activities:									
Capital Leases									
Police software	26-Aug-16	2.85%	26-Aug-20	117,560	-	57,954	59,606	59,606	1,698
Total Capital Lease debt				<u>117,560</u>	<u>-</u>	<u>57,954</u>	<u>59,606</u>	<u>59,606</u>	<u>1,698</u>
Direct Borrowing Agreements:									
Police vehicles/truck					454,880	-	454,880	111,122	7,454
Police station	12-Sep-06	4.38%	30-Sep-36	2,454,447	-	107,382	2,347,065	82,296	103,639
Police vehicles & utility truck	29-Jun-16	1.60%	1-Jun-20	66,742	-	66,742	-	-	-
Police vehicles	26-Jun-17	1.98%	1-Jun-21	49,034	-	24,267	24,767	24,767	490
Fire truck	19-Jun-17	0.00%	1-Sep-26	288,000	-	36,000	252,000	36,000	-
Air truck	18-Sep-18	0.00%	31-Jan-23	80,000	-	20,000	60,000	20,000	-
Police vehicles	25-Jun-19	2.68%	1-Jun-23	102,946	-	24,854	78,092	25,736	2,093
Total direct borrowing debt				<u>3,041,169</u>	<u>454,880</u>	<u>279,245</u>	<u>3,216,804</u>	<u>299,921</u>	<u>113,676</u>
Total Governmental Debt				<u>\$ 3,158,729</u>	<u>\$ 454,880</u>	<u>\$ 337,199</u>	<u>\$ 3,276,410</u>	<u>\$ 359,527</u>	<u>\$ 115,374</u>
Business Type Activities:									
Direct Borrowing Agreements:									
MIEX Water Plant Project	17-Oct-13	2.52%	30-Oct-20	\$ 3,526,342	\$ -	\$ 381,908	\$ 3,144,434	\$ 391,581	\$ 79,243
Brooks Pump Station	30-Jun-10	0.00%	30-Jun-30	95,290	-	8,663	86,627	8,663	-
Backhoe	25-Jun-19	2.68%	1-Jun-23	142,827	-	34,481	108,346	35,164	2,903
Direct Placement Agreements:									
Wastewater Treatment Plant	24-Jul-18	3.30%	30-Jun-22	23,785,000	-	-	23,785,000	-	790,322
Total Business type debt				<u>27,549,459</u>	<u>-</u>	<u>425,052</u>	<u>27,124,407</u>	<u>435,408</u>	<u>872,468</u>
Total long-term debt				<u>\$ 30,708,188</u>	<u>\$ 454,880</u>	<u>\$ 762,251</u>	<u>\$ 30,400,817</u>	<u>\$ 794,935</u>	<u>\$ 987,842</u>

COMPLIANCE SECTION



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**Independent Auditors' Report On Internal Control Over Financial Reporting And
On Compliance and Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roxboro, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Roxboro's basic financial statements, and have issued our report thereon dated February 14, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Roxboro'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 of Roxboro'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Roxboro'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 an instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and which are

described in the accompanying schedule of findings and questioned costs as item 2020-001.

City of Roxboro's Response to Finding

The City of Roxboro's responses to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applies in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

February 14, 2022



PETWAY

MILLS &

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Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

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

Report on Compliance for Each Major Federal Program

We have audited the City of Roxboro's compliance with the types of compliance requirements described in the *OMB Uniform Guidance Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Roxboro's major federal program for the year ended June 30, 2020. The City of Roxboro's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Roxboro complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the City of Roxboro is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements

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

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

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

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

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

February 14, 2022

**City of Roxboro, North Carolina
Schedule of Findings and Responses
For the Year Ended June 30, 2020**

SECTION I. - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted	<u> X </u> yes	<u> </u> no

Federal Awards

Internal control over major federal program:

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

Type of auditors' report issued on compliance for major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	<u> </u> yes	<u> X </u> no
--	-----------------------	---------------------

Identification of major federal program:

<u>Program Name</u>	<u>CFDA #</u>
Water and Waste Disposal Systems for Rural Communities	10.760

Dollar threshold used to distinguish between Type A and Type B programs	<u><u>\$ 750,000</u></u>
---	--------------------------

Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no
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**City of Roxboro, North Carolina
Schedule of Findings and Responses
For the Year Ended June 30, 2020**

SECTION II. - FINANCIAL STATEMENT FINDINGS

2020-001: Material Weakness Over Cybersecurity

Criteria: The City should have an IT security plan in place to prevent cyber incidents or attacks from affecting critical systems.

Conditions: The City's security system left the City susceptible to a ransomware attack and did not have an appropriate system of back-ups in order to recover the data that was lost.

Effect: Critical systems, including the City's general ledger system and electronic document warehouses were breached and taken offline. This breach caused the loss of a significant amount of financial and other data.

Cause: IT system and maintenance was not developed in a manner to protect from outside threats.

Recommendation: We recommend the County develop a disaster recovery plan that includes a backup of all critical systems relevant to financial reporting and a disaggregation of data to help mitigate the loss of data should a cyber-attack occur.

Views of Responsible Parties: Management agrees with this finding.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

**City of Roxboro, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2020**

SECTION II. - FINANCIAL STATEMENT FINDINGS

2020-001: Material Weakness over Cybersecurity

Contact: Daniel Craig, CPA; Finance Director

Corrective Action Plan: The City obtains its IT services from Person County Government. Person County Government has improved the security of its backup solution by placing IT services on a segregated network with local accounts instead of domain accessible accounts. New storage was purchased in response to the 2020 cyber event which includes a "time lock" feature allowing data to be read from the backup solution, but not edited once written for a period of ten days. The storage appliance is duplicated off-site to another similar appliance, both of which are encrypted. The backup routine also includes a replication schedule which copies priority Virtual Servers and their data to another off-site location with its own storage and compute resources. These measures greatly reduce the risk of data loss due to ransomware or other cyber-attacks.

It is worth noting that Person County had a disaster recovery plan previously in place which included multiple tiers of backup storage and replication. All tiers were corrupted as part of the cyber event which steered the change in hardware and configurations that are mentioned above. A contract has been approved with a vendor to develop a formal disaster recovery plan for Person County.

Completion Date: May 27, 2021

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None required

**City of Roxboro, North Carolina
Summary Schedule of Prior Years' Findings
For the Year Ended June 30, 2020**

SECTION II. - FINANCIAL STATEMENT FINDINGS

There were no findings in 2019.

**CITY OF ROXBORO, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Grantor/Pass-through/ Grantor-Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS			
U.S. Department of Agriculture			
Direct Program			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 6,346,624
TOTAL FEDERAL AWARDS			<u>6,346,624</u>
STATE AWARDS			
NC Department of Transportation			
Direct Program			
Powell Bill		DOT-4	<u>172,655</u>
TOTAL STATE AWARDS			<u>172,655</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 6,519,279</u>

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

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the City of Roxboro under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this Schedule of Expenditures of Federal and State Awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)* and of the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Roxboro, it is not intended to and does not present the financial position, changes in net position, or cash flows for the City of Roxboro.

Note 2: Summary of Significant Accounting Policies

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

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

Loans

The City of Roxboro has the following loans without continuing compliance requirements:

	CFDA #	Balance
U.S. Department of Agriculture	10.760	\$ 23,785,000