

**Town of Ranlo
Ranlo, North Carolina
For the year ended
June 30, 2020**

**Independent Auditor's Reports
Basic Financial Statements
And
Information Accompanying the
Basic Financial Statements**

Town of Ranlo

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June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
And Board of Commissioners
Town of Ranlo, North Carolina

Report on the Financial Statements

I 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 Town of Ranlo, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Town of Ranlo, North Carolina, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison of 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, the Law Enforcement Officers' Schedules of Funding Progress and Schedules of Employer Contributions the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 3-12, 44-45 and 46-47, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 18, 2020, on my consideration of the Town of Ranlo, North Carolina's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Ranlo, North Carolina's internal control over financial reporting and compliance.

Eddie Carrick, CPA, PC

A handwritten signature in black ink, appearing to read "E. Carrick" or similar, with a stylized flourish at the end.

Lexington, North Carolina
November 18, 2020



TOWN OF RANLO
1624 SPENCER MOUNTAIN ROAD
GASTONIA, NORTH CAROLINA 28054
PHONE (704) 824-3461 / FAX (704) 824-3423



Management's Discussion and Analysis

As management of the Town of Ranlo, we offer the readers of the Town of Ranlo's financial statements this narrative overview and analysis of the financial activities of the Town of Ranlo 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 Town's financial statements, which follow this narrative.

Financial highlights

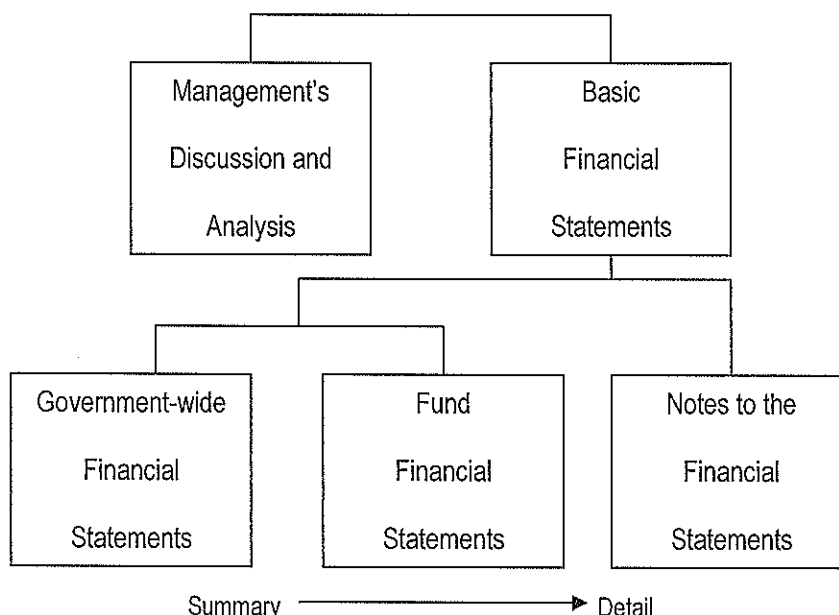
- The assets and deferred outflows of resources of the Town of Ranlo exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$9,161,046 (*net position*).
- The government's total net position decreased by \$543,240 due to a decrease in the Governmental Activities of \$260,729 and a decrease in the Business-type Activities of \$282,511.
- As of the close of the current fiscal year, the Town of Ranlo's governmental funds reported ending fund balance of \$1,146,148 with a net decrease of \$641,732 in fund balance. Approximately 50 percent of this total amount, or \$570,519, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$575,629, or 21 percent of total general fund expenditures for the fiscal year.
- The Town of Ranlo's total debt increased by \$135,808 during the current fiscal year. Key factors in this increase were the Town incurred no new debt, an increase in LGERS pension liability of \$63,360, an increase in LEO pension liability of \$65,989 and an increase in compensated absences of \$6,459.

Overview of the Financial Statements

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

Management Discussion and Analysis
Town of Ranlo

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibit 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements 2) the budgetary comparison statements and 3) the proprietary fund statements.

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

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town'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 Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include water and sewer services offered by the Town of Ranlo.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Ranlo, 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 General Statutes or the Town's budget ordinance. All of the funds of the Town of Ranlo can be divided into two categories: governmental funds and proprietary funds.

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

Management Discussion and Analysis

Town of Ranlo

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

Proprietary funds – The Town of Ranlo has one kind of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Ranlo 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 Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to the full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplemental information concerning the Town of Ranlo's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found beginning on page 44 of this report.

Interdependence with Other Entities - The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S.

Management Discussion and Analysis
Town of Ranlo

Town of Ranlo' Net Position (Figure 2)

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,221,173	\$ 1,851,795	\$ 2,040,268	\$ 2,232,115	\$ 3,261,441	\$ 4,083,910
Capital assets	2,471,447	2,010,252	3,989,325	4,050,333	6,460,772	6,060,585
Deferred outflows of resources	237,834	205,881	42,092	43,884	279,926	249,765
Total assets and deferred outflows	3,930,454	4,067,928	6,071,685	6,326,332	10,002,139	10,394,260
Long-term liabilities	592,690	467,643	67,319	56,558	660,009	524,201
Current liabilities	45,161	41,065	122,202	104,229	167,363	145,294
Deferred inflows of resources	13,163	19,050	559	1,428	13,722	20,478
Total liabilities and deferred inflows	651,014	527,758	190,080	162,215	841,094	689,973
Net position						
Net investment in capital assets	2,471,447	2,010,252	3,989,325	4,050,333	6,460,772	6,060,585
Restricted	570,519	522,098	806,824	823,059	1,377,343	1,345,157
Unrestricted	237,475	1,007,820	1,085,457	1,290,725	1,322,932	2,298,545
Total net position	\$ 3,279,441	\$ 3,540,170	\$ 5,881,606	\$ 6,164,117	\$ 9,161,046	\$ 9,704,287

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflow of resources of the Town of Ranlo exceeded liabilities and deferred inflow of resources by \$9,161,046 as of June 30, 2020. The Town's net position decreased by \$543,240 for the fiscal year ended June 30, 2020. However, the largest portion (71%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Ranlo uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$1,377,343 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,322,932 is unrestricted.

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

- Utilize expenditures to reduce work load and prevent undo or duplicate working conditions contributed to obsolete technological advances or failure to advance conditions to reflect a non-wasteful work environment in order to control costs and reduce spending.
- Improve the Towns infrastructure with the Towns staff and eliminate contracting said improvements whenever and at all times feasible.
- Increased expenditures and reduction in revenues in the Water Sewer Fund
- Increased expenditures in the General Fund

Management Discussion and Analysis
Town of Ranlo

Town of Ranlo's Changes in Net Position (Figure 3)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 188,656	\$ 187,875	\$ 1,319,131	\$ 1,349,711	\$ 1,507,787	\$ 1,537,586
Operating Grants and contributions	113,750	113,489	-	-	113,750	113,489
Capital Grants and contributions	-	-	18,750	210,000	18,750	210,000
General revenues:	-	-				
Property taxes	1,150,537	1,022,277	-	-	1,150,537	1,022,277
Grants and contributions not restricted to specific programs	622,193	608,042	-	-	622,193	608,042
Other	34,660	54,480	-	-	34,660	54,480
Total revenues	2,109,796	1,986,163	1,337,881	1,559,711	3,447,677	3,545,874
Expenses:						
General government	413,787	539,247	-	-	413,787	539,247
Public safety	1,046,985	791,426	-	-	1,046,985	791,426
Public works	425,712	351,863	-	-	425,712	351,863
Sanitation	179,975	159,507	-	-	179,975	159,507
Street maintenance	178,659	133,951	-	-	178,659	133,951
Cultural and recreational	125,408	126,152	-	-	125,408	126,152
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	1,620,392	1,530,477	1,620,392	1,530,477
Total expenses	2,370,526	2,102,146	1,620,392	1,530,477	3,990,918	3,632,623
Increase in net assets before transfers and contributions	(260,729)	(115,983)	(282,511)	29,234	(543,240)	(86,749)
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	(260,729)	(115,983)	(282,511)	29,234	(543,240)	(86,749)
Net position, July 1	3,539,970	3,655,953	6,164,117	6,134,883	9,704,287	9,790,836
Net position, June 30	\$ 3,279,241	\$ 3,539,970	\$ 5,881,606	\$ 6,164,117	\$ 9,161,046	\$ 9,704,087

Governmental activities. Governmental activities decreased the Town's net position by \$260,729 thereby accounting for 48% of the total decrease in the net position of the Town of Ranlo. Key elements of this decrease are as follows:

- Increased expenditures in the General Fund.

Business-type activities. Business-type activities decreased the Town of Ranlo's net position by \$282,511 accounting for 52% of the total decrease in the government's net position. Key elements of this decrease are as follows:

Management Discussion and Analysis
Town of Ranlo

Business-type activities. (Continued)

- The Town's system development and connection fees accounted for \$18,750 in increased revenues for the 19-20 fiscal year compared to \$210,000 for the 18-19 fiscal year.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Ranlo's fund balance available in the General Fund was \$575,629 while total fund balance reached \$1,146,148. The Town currently has an available fund balance of 21% of general fund expenditures, while total fund balance represents 42% of the same amount.

At June 30, 2020, the governmental funds of the Town of Ranlo reported a combined fund balance of \$1,146,148 with a net decrease in fund balance of \$641,732.

General Fund Budgetary Highlights: During the fiscal year, the Town made several revisions to the budget. 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.

Several budgetary adjustments were made during the year.

Proprietary Funds: The Town of Ranlo's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position in the Water and Sewer Fund at the end of the fiscal year amounted to \$1,085,457. The total change in net position for the fund was a decrease of \$282,511. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Management Discussion and Analysis
Town of Ranlo

Capital Asset and Debt Administration

Capital Assets. The Town of Ranlo's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$6,460,772 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Town of Ranlo's Capital Assets (net of depreciation) (Figure 4)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Land and improvements	\$ 128,416	\$ 128,416	\$ 4,100	\$ 4,100	\$ 132,516	\$ 132,516
Buildings	458,104	472,442	-	-	458,104	472,442
Improvements other than buildings	48,440	49,542	-	-	48,440	49,542
Machinery and equipment	617,868	526,562	361,706	272,039	979,574	798,601
Infrastructure	526,937	544,312	-	-	526,937	544,312
Vehicles and motorized equipment	691,682	288,978	-	-	691,682	288,978
Right-of-ways and easements	-	-	166,515	166,515	166,515	166,515
Distribution and collection system	-	-	3,457,004	3,607,679	3,457,004	3,607,679
	<u>\$ 2,471,447</u>	<u>\$ 2,010,252</u>	<u>\$ 3,989,325</u>	<u>\$ 4,050,333</u>	<u>\$ 6,460,772</u>	<u>\$ 6,060,585</u>

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

Management Discussion and Analysis
Town of Ranlo

Long-term Debt. As of June 30, 2020, the Town of Ranlo had no bonded debt outstanding.

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 the Town of Ranlo is \$22,971,760.

The Town of Ranlo's total debt increased by \$135,808 during the current fiscal year. Key factors in this increase were the Town incurred no new debt, an increase in LGERS pension liability of \$63,360, an increase in LEO pension liability of \$65,989 and an increase in compensated absences of \$6,459

Changes in long-term obligations are as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Installment purchases	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences	32,904	6,296	-	39,200	-
Net pension liability (LGERS)	232,645	52,762	-	285,407	-
Net pension obligation (LEO)	202,094	65,989	-	268,083	-
Governmental activity long-term liabilities	467,643	125,047	-	592,690	-
Business-type activities					
<u>Water and sewer fund</u>					
Installment purchases	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability (LGERS)	54,645	10,598	-	65,243	-
Compenstated absences	1,913	163	-	2,076	-
Business-type activity long-term liabilities	\$ 56,558	\$ 10,761	\$ -	\$ 67,319	\$ -

Economic Factors and Next Year's Budgets and Rates

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

- Continued housing growth in the Mountainview subdivision.
- Continued economic growth
- Extensive renovations of older mill homes are increasing tax values

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities:

General Fund revenues budgeted for the fiscal year ending June 30, 2021 should remain steady, reflected by the towns housing growth and the previous tax increase and 2019 property revaluations.

Proprietary Activities: Proprietary Fund revenues budgeted for the fiscal year ending June 30, 2021 will slightly increase over revenues received during the fiscal year ending June 30, 2020 as rate increases were instituted in the 20-21 fiscal year.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Coordinator, 1624 Spencer Mountain Road, Gastonia, NC 28054. You may call (704)824-3461.

Town of Ranlo North Carolina
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments - unrestricted	\$ 621,429	\$ 944,741	\$ 1,566,170
Property taxes receivable (net)	11,145	-	11,145
Accounts receivable (net)	18,080	256,393	274,473
Due from other governments	168,376	-	168,376
Cash and investments - restricted	402,143	839,134	1,241,277
	<u>1,221,173</u>	<u>2,040,268</u>	<u>3,261,442</u>
Non-current assets:			
Capital assets (Note 4):			
Land and CWIP not being depreciated	128,416	170,615	299,031
Other capital assets, net of depreciation	2,343,031	3,818,710	6,161,741
Total capital assets	<u>2,471,447</u>	<u>3,989,325</u>	<u>6,460,772</u>
Total assets	<u>3,692,620</u>	<u>6,029,593</u>	<u>9,722,214</u>
DEFERRED OUTFLOWS OF RESOURCES			
LEO	53,703	-	53,703
LGERS	184,131	42,092	226,223
Deferred pension outflows	237,834	42,092	279,926
Total deferred outflows of resources	<u>237,834</u>	<u>42,092</u>	<u>279,926</u>
LIABILITIES			
Current liabilities:			
Accounts payable	45,161	89,892	135,052
Liabilities payable from restricted assets	-	32,310	32,310
Long-term liabilities:			
Pension liability - LEO	268,083	-	268,083
Pension liability - LGERS	285,407	65,243	350,650
Accrued vacation	39,200	2,076	41,276
Total liabilities	<u>637,851</u>	<u>189,521</u>	<u>827,371</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	639	-	639
LEO	10,078	-	10,078
LGERS	2,446	559	3,005
Total deferred inflows of resources	<u>13,163</u>	<u>559</u>	<u>13,722</u>
NET POSITION			
Net investment in capital assets	2,471,447	3,989,325	6,460,772
Restricted for:			
Stabilization by State Statute	168,376	-	168,376
Streets	402,143	-	402,143
Future infrastructure development	-	806,824	806,824
Unrestricted	237,475	1,085,457	1,322,931
Total net position	<u>\$ 3,279,441</u>	<u>\$ 5,881,606</u>	<u>\$ 9,161,046</u>

The accompanying notes are an integral part of the financial statements

Town of Ranlo, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

Exhibit 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Function / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 413,787	\$ 8,306	\$ -	\$ -	\$ (405,481)	\$ -	\$ (405,481)
Public safety	1,046,985	-	15,441	-	(1,031,544)	-	(1,031,544)
Public works	425,712	-	-	-	(425,712)	-	(425,712)
Sanitation	179,975	177,084	2,875	-	(16)	-	(16)
Street maintenance	178,659	-	95,434	-	(83,225)	-	(83,225)
Parks and recreation	125,408	3,266	-	-	(122,142)	-	(122,142)
Debt service	-	-	-	-	-	-	-
Total governmental activities	<u>2,370,526</u>	<u>188,656</u>	<u>113,750</u>	<u>-</u>	<u>(2,068,120)</u>	<u>-</u>	<u>(2,068,120)</u>
Business-type activities:							
Water and sewer	<u>1,620,392</u>	<u>1,319,131</u>	<u>-</u>	<u>18,750</u>	<u>-</u>	<u>(282,511)</u>	<u>(282,511)</u>
Total business activities	<u>1,620,392</u>	<u>1,319,131</u>	<u>-</u>	<u>18,750</u>	<u>-</u>	<u>(282,511)</u>	<u>(282,511)</u>
Total government	<u>\$ 3,990,918</u>	<u>\$ 1,507,787</u>	<u>\$ 113,750</u>	<u>\$ 18,750</u>	<u>(2,068,120)</u>	<u>(282,511)</u>	<u>(2,350,630)</u>
General revenues:							
Taxes:							
Property taxes levied for general purposes					1,150,537	-	1,150,537
Unrestricted investment earnings					34,660	-	34,660
Other unrestricted revenues					622,193	-	622,193
Transfers					-	-	-
Total general government revenues and transfers					<u>1,807,390</u>	<u>-</u>	<u>1,807,390</u>
Change in net position					(260,729)	(282,511)	(543,240)
Net position, beginning					3,540,170	6,164,117	9,704,287
Net position, ending					<u>\$ 3,279,441</u>	<u>\$ 5,881,606</u>	<u>\$ 9,161,046</u>

The accompanying notes are an integral part of the financial statements

Town of Ranlo, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

	Major General	Total Governmental
ASSETS		
Cash and investments -- unrestricted	\$ 621,429	\$ 621,429
Cash and investments -- restricted	402,143	402,143
Property taxes receivable (net)	11,145	11,145
Accounts receivable (net)	18,080	18,080
Due from other governments	168,376	168,376
Total assets	<u>\$ 1,221,173</u>	<u>\$ 1,221,173</u>
LIABILITIES		
Accounts payable	\$ 45,161	\$ 45,161
Accounts payable from restricted assets	-	-
Total liabilities	<u>45,161</u>	<u>45,161</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	11,145	11,145
Landfill fees receivable	18,080	18,080
Prepaid taxes	639	639
Total deferred inflows of resources	<u>29,864</u>	<u>29,864</u>
Fund balances:		
Restricted:		
Stabilization by State Statute	168,376	168,376
Streets	402,143	402,143
Unassigned	575,629	575,629
Total fund balances	<u>1,146,148</u>	<u>1,146,148</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,221,173</u>	
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.		2,471,447
Deferred pension outflows		
LEO	53,703	
LGERS	<u>184,131</u>	237,834
Earned revenues considered deferred inflows of resources in fund statements.		29,226
Pension related deferrals		
LEO	(10,078)	
LGERS	<u>(2,446)</u>	(12,524)
Some liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the net position of the governmental activities:		
Accrued vacation	(39,200)	
LEO	(268,083)	
LGERS	<u>(285,407)</u>	(592,690)
Net position of the governmental activities		<u>\$ 3,279,441</u>

The accompanying notes are an integral part of the financial statements

Town of Ranlo, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	Major	Total
	General	Governmental
Revenues:		
Ad Valorem taxes	\$ 1,143,523	\$ 1,143,523
Unrestricted intergovernmental revenues	568,880	568,880
Restricted intergovernmental revenues	113,750	113,750
Permits and fees	3,100	3,100
Sales and services	185,556	185,556
Investment earnings	34,660	34,660
Other revenues	53,313	53,313
	<u>2,102,783</u>	<u>2,102,783</u>
Expenditures:		
General government	402,562	402,562
Public safety	1,109,735	1,109,735
Public works	355,873	355,873
Sanitation	592,875	592,875
Street maintenance	184,429	184,429
Parks and recreation	99,041	99,041
Debt service	-	-
	<u>2,744,515</u>	<u>2,744,515</u>
Excess of revenues and other sources over expenditures and other uses	<u>(641,732)</u>	<u>(641,732)</u>
Other Financing Sources (Uses):		
None	-	-
	<u>-</u>	<u>-</u>
Net change in fund balance	(641,732)	(641,732)
Fund Balances		
Beginning of year, July 1	<u>1,787,880</u>	<u>1,787,880</u>
End of year, June 30	<u>\$ 1,146,148</u>	<u>\$ 1,146,148</u>

The accompanying notes are an integral part of the financial statements

Town of Ranlo, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$	(641,732)
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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 for the current period.

Capital outlay	\$ 746,065	
Depreciation	<u>(284,870)</u>	461,195

Change in pension expense		
Change in deferred outflows	(2,899)	
Decrease in pension liability	(52,761)	
Change in deferred inflows	<u>3,636</u>	(52,024)

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

Loan proceeds		-
Change in unavailable revenue for tax and garbage revenues		7,014

Some of the 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.

Separation allowance for law enforcement officers		
Change in deferred outflows	34,852	
Decrease in pension liability	(65,989)	
Change in deferred inflows	<u>2,251</u>	(28,886)

Compensated absences		<u>(6,296)</u>
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Total changes in net position of governmental activities	\$	<u>(260,729)</u>
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Town of Ranlo, North Carolina

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

	Budget			Variance with Final budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Ad Valorem taxes	\$ 896,000	\$ 976,000	\$ 1,143,523	\$ 167,523
Unrestricted intergovernmental revenues	482,498	481,000	568,880	87,880
Restricted intergovernmental revenues	165,000	112,500	113,750	1,250
Permits and fees	-	-	3,100	3,100
Sales and services	211,600	226,600	185,556	(41,044)
Investment earnings	4,000	15,775	34,660	18,885
Other revenues	297,602	156,250	53,313	(102,937)
	<u>2,056,700</u>	<u>1,968,125</u>	<u>2,102,783</u>	<u>134,658</u>
Other financing sources:				
Transfers from other funds	-	-	-	-
Appropriated fund balance	-	645,034	-	(645,034)
Total revenues and other sources	<u>2,056,700</u>	<u>2,613,159</u>	<u>2,102,783</u>	<u>(510,376)</u>
Expenditures:				
General government	494,050	415,828	402,562	13,265
Public safety	782,100	800,031	1,109,735	(309,704)
Public works	310,750	302,583	355,873	(53,290)
Sanitation	126,000	747,904	592,875	155,029
Street maintenance	246,500	246,500	184,429	62,071
Parks and recreation	97,300	100,313	99,041	1,272
Debt service	-	-	-	-
	<u>2,056,700</u>	<u>2,613,159</u>	<u>2,744,515</u>	<u>(131,356)</u>
Other Financing Uses:				
None	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Other Uses	<u>2,056,700</u>	<u>2,613,159</u>	<u>2,744,515</u>	<u>(131,356)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	(641,732)	<u>\$ (641,732)</u>
Fund Balances				
Beginning of year, July 1			<u>1,787,880</u>	
End of year, June 30			<u>\$ 1,146,148</u>	

The accompanying notes are an integral part of the financial statements

Town of Ranlo, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2020

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and investments - unrestricted	\$ 944,741
Cash and investments - restricted	839,134
Accounts receivable (net)	256,393
Total current assets:	<u>2,040,268</u>
Non-current assets:	
Capital assets:	
Land and construction in progress	170,615
Other capital assets, net of depreciation	3,818,710
Total non-current assets:	<u>3,989,325</u>
Total assets	<u>6,029,593</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	<u>42,092</u>
LIABILITIES	
Current liabilities:	
Accounts payable	89,892
Liabilities payable from restricted assets:	
Customer deposits	32,310
Non-current liabilities:	
Accrued vacation	2,076
Pension liability	65,243
Total non-current liabilities	<u>67,319</u>
Total liabilities	<u>189,521</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	<u>559</u>
NET POSITION	
Net investment in capital assets	3,989,325
Restricted for other uses	806,824
Unrestricted	1,085,457
Total net position	<u><u>\$ 5,881,606</u></u>

The accompanying notes are an integral part of the financial statements

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

	<u>Water and Sewer Fund</u>
Operating revenues:	
Charges for services	\$ 1,248,080
Connection fees	40,063
Other operating income	30,988
	<u>1,319,131</u>
Operating expenses:	
Purchases for resale	801,422
Water and sewer operations	622,019
Depreciation	196,951
	<u>1,620,392</u>
Operating income	<u>(301,261)</u>
Nonoperating revenue (expense):	
System development fees	18,750
Use of system development fees	-
Transfers to other funds	-
Interest income	-
Total nonoperating revenue (expense)	<u>18,750</u>
Change in net position	<u>(282,511)</u>
Total net position - July 1	<u>6,164,117</u>
Total net position - June 30	<u><u>\$ 5,881,606</u></u>

Town of Ranlo, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020

	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,329,499
Cash payment to suppliers of goods and services	(1,004,191)
Cash payment to employees and benefits	(393,384)
Net Cash Provided By Operating Activities	<u>(68,076)</u>
Cash flows from noncapital financial activities:	
Transfer to General Fund	-
Net Cash Provided by Noncapital Financing Activities	<u>-</u>
Cash from capital and related financing activities:	
Capital contributions	18,750
Use of capital contributions	-
Purchase of capital assets	(135,943)
Net Cash Used by Capital and Related Financing Activities	<u>(117,193)</u>
Cash flows from investing activities:	
Interest on investments	-
Net Cash Provided by Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash	(185,269)
Cash - Beginning of Year, July 1	<u>1,969,144</u>
Cash - End of Year, June 30	<u><u>\$ 1,783,875</u></u>
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Net Operating Income	\$ (301,261)
Depreciation	196,951
Changes in Current Assets and Liabilities:	
(Increase) decrease in accounts receivable	6,578
(Increase) decrease in pension deferrals	11,521
Increase (decrease) in accounts payable	14,182
Increase (decrease) in accrued vacation	163
Increase (decrease) in customer deposits	3,790
	<u><u>\$ (68,076)</u></u>
Interest paid	<u><u>\$ -</u></u>

Town of Ranlo, North Carolina
NOTES TO FINANCIAL STATEMENTS
As of or for the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Ranlo is a municipal corporation that is governed by an elected mayor and a five-member commission.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

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

The Town reports the following major governmental funds:

General Fund

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

Notes to the Financial Statements (continued)

C. Measurement Focus and Basis of Accounting

The Town reports the following major enterprise funds:

Water and Sewer Fund

This fund is used to account for the Town's water and sewer operations. The Town established a Water and Sewer Capital Recovery fund to account for system development fees and related expenditures. These amounts are consolidated on the basic financial statements.

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

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

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

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

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

The Town considers all revenue 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.

Notes to the Financial Statements (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the objected level for the multi-year funds. The Town clerk is authorized to transfer objects of expenditures within a department without limit and without a report to the governing board and to transfer appropriations between departments within a fund up to \$2,000 with a report to the governing board at the next regular meeting. 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 Outflows/Inflows of Resources, and Fund Equity:

1. Deposits and Investments

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

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Notes to the Financial Statements (continued)

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursements and investment and to maximize investment income and consider all cash and investments to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Storm water funds are restricted for use in storm water activities. Powell Bill funds are also classified as restricted cash because it 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

Town of Ranlo Restricted Cash

Governmental Activities		
General Fund	Streets	\$ 402,143
Total governmental activities		<u>402,143</u>
Business-type Activities		
Water and Sewer Fund	Customer deposits	32,310
	Capital Reserve fund	580,998
	Storm Water	<u>225,826</u>
Total Business-type Activities		<u>839,134</u>
Total Restricted Cash		<u><u>\$1,241,277</u></u>

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This account is estimated by analyzing an aging of receivables and estimating a percentage of delinquent accounts that are uncollectable.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life of more than two years. Minimum capitalization costs are as follows: land \$300; buildings, improvements, substations, lines, and other plant and distribution systems, \$300; infrastructure, \$300; furniture and equipment, \$300; vehicles and motorized equipment, \$300; and computer software and equipment, \$300.

Notes to the Financial Statements (continued)

6. Capital Assets (continued)

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received after June 15, 2015 is recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at cost or estimated cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated useful Life</u>
Infrastructure	25-50
Buildings	40
Improvements	10-50
Vehicles	5
Furniture and equipment	10
Computer equipment	3

7. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, contributions made to the pension plan in the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - property taxes receivable, landfill fees receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

8. 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 statements of net position.

9. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to one hundred twenty (120) hours earned vacation leave that can be carried over from one calendar to the next. For the Town's government-wide funds and proprietary funds, an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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

Notes to the Financial Statements (continued)

10. 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.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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 Future infrastructure improvements – portion of the unexpended proceeds of System Development fees collected by the Water Sewer Fund.

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

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

Notes to the Financial Statements (continued)

10. Net position / Fund Balances (continued)

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

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

The Town of Ranlo 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-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

11. 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 Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions The Town was over budget in several departments of the General Fund and also the Water Sewer fund in violation of NC General Statutes. The Town also is in violation of statutes associated with pre-audit certification of disbursements.

B. Deficit in Fund Balance or Net position of Individual Funds None were noted.

C. Excess of Expenditures over Appropriations The Town was over budget in several departments of the General Fund and also the Water Sewer fund in violation of NC General Statutes.

III. Detail Notes on All Funds and Account Groups

A. Assets:

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in its 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 capacity for the Town, these deposits are considered to be held by the Town's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists to under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of

Notes to the Financial Statements (continued)

1. Deposits (continued)

North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with provisions of GS 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$88,208 and a bank balance of \$99,321. The bank balances of the Town were covered by \$250,000 of federal depository insurance. The remaining balance of deposits is collateralized under the Pooling Method as enumerated above. At June 30, 2020, the Town's cash fund for change totaled \$500. The Town has no petty cash fund.

2. Investments

At June 30, 2020, the Town had \$2,718,739 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivable - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 17,821
Accounts receivable	6,295
Total General Fund	<u>24,116</u>
Enterprise Funds	
Accounts receivable	38,765
Total Enterprise Funds	<u>38,765</u>
Total	<u><u>\$ 62,881</u></u>

Notes to the Financial Statements (continued)

4. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 128,416	\$ -	\$ -	\$ 128,416
Total capital assets not being depreciated:	<u>128,416</u>	<u>-</u>	<u>-</u>	<u>128,416</u>
Capital assets being depreciated:				
Buildings	831,884	-	-	831,884
Other Improvements	149,466	-	-	149,466
Equipment	1,689,291	213,838	-	1,903,129
Vehicles and motorized equipment	839,932	532,227	-	1,372,159
Infrastructure	695,000	-	-	695,000
Total capital assets being depreciated:	<u>4,205,573</u>	<u>746,065</u>	<u>-</u>	<u>4,951,638</u>
Less, accumulated depreciation for:				
Buildings	359,442	14,338	-	373,780
Other Improvements	99,924	1,102	-	101,026
Equipment	1,162,729	122,532	-	1,285,261
Vehicles and motorized equipment	550,954	129,523	-	680,477
Infrastructure	150,688	17,375	-	168,063
Total accumulated depreciation	<u>2,323,737</u>	<u>284,870</u>	<u>-</u>	<u>2,608,607</u>
Total assets being depreciated, net	<u>1,881,836</u>			<u>2,343,031</u>
Governmental activity capital assets, net	<u><u>\$ 2,010,252</u></u>			<u><u>\$ 2,471,447</u></u>

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

General government	\$23,891
Recreation	29,849
Public safety	102,926
Public works	87,523
Street maintenance	40,681
Total Depreciation expense	<u><u>\$284,870</u></u>

Notes to the Financial Statements (continued)

4. Capital Assets (continued)

Business-type activities:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and sewer fund:				
Capital assets not being depreciated				
Land	\$ 4,100	\$ -	\$ -	\$ 4,100
Right-of-ways and easements	166,515	-	-	166,515
Total capital assets not being depreciated	<u>170,615</u>	<u>-</u>	<u>-</u>	<u>170,615</u>
Capital assets being depreciated:				
Buildings	8,770	-	-	8,770
Machinery and equipment	532,445	135,943	-	668,388
Distribution and collection system	6,839,604	-	-	6,839,604
Total capital assets being depreciated:	<u>7,380,819</u>	<u>135,943</u>	<u>-</u>	<u>7,516,762</u>
Less, accumulated depreciation for:				
Buildings	8,770	-	-	8,770
Machinery and equipment	260,406	46,276	-	306,682
Distribution and collection system	3,231,925	150,675	-	3,382,600
Total accumulated depreciation	<u>3,501,101</u>	<u>196,951</u>	<u>-</u>	<u>3,698,052</u>
Total capital assets being depreciated, net	<u>3,879,718</u>			<u>3,818,710</u>
Water and Sewer fund capital assets, net	<u><u>\$ 4,050,333</u></u>			<u><u>\$ 3,989,325</u></u>

Notes to the Financial Statements (continued)

B. Liabilities:

1. Pension Plan Obligations:

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2020, was 9.31% of compensation for law enforcement officers and 8.95% for general employees, actuarially

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$93,653 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$350,650 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, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (as measured at June 30, 2019), the Town's proportion was 0.01284%, which was an increase of 0.00073% from its proportion as of June 30, 2019 (as measured at June 30, 2018) of .01211%.

For the year ended June 30, 2020, the Town recognized pension expense of \$154,220. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 60,040	\$ -
Changes of assumptions	57,150	-
Net difference between projected and actual earnings on pension plan investments	8,553	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,827	3,005
Town contributions subsequent to the measurement date	93,653	-
Total	<u>\$ 226,223</u>	<u>\$ 3,005</u>

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

\$93,653 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	62,124
2021		21,127
2022		36,106
2023		10,208
2024		-
	\$	<u>129,565</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 December 31, 2010 through December 31, 2014.

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

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

Notes to the Financial Statements (continued)

a. Local Governmental Employees' Retirement System (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
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 Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 802,002	\$ 350,650	\$ (24,514)

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.

Notes to the Financial Statements (continued)

b. Law Enforcement Officers Special Separation Allowance

1. Plan description.

The Town administers a public employee retirement system (the "Separation Allowance"); a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of GS Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>10</u>
Total	<u>10</u>

A separate report was not issued for the plan.

2. Summary of significant accounting policies:

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

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

3. Actuarial assumptions

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

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

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

Notes to the Financial Statements (continued)

b. Law Enforcement Officers Special Separation Allowance (continued)

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$-0- 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 Town reported a total pension liability of \$268,083. 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 Town recognized pension expense of \$28,886.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,199	\$ -
Changes of assumptions	10,652	10,078
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 18,851	\$ 10,078

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an Increase or (decrease) to Pension Expense
2020	\$9,978	\$2,251	\$7,727
2021	9,978	2,251	7,727
2022	9,978	2,251	7,727
2023	9,978	1,830	8,148
2024	7,721	1,495	6,226
Thereafter	6,070	-	6,070

\$0 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Notes to the Financial Statements (continued)

b. Law Enforcement Officers Special Separation Allowance(continued)

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

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 297,070	\$ 268,083	\$ 241,645

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

Beginning balance	\$ 202,094
Service costs	13,803
Interest on net pension obligation	7,356
Change in benefit terms	-
Difference between expected and actuarial experience	34,492
Change in assumptions	10,338
Net pension obligation end of year	<u>\$ 268,083</u>

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

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

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	\$ 154,220	\$ 28,886	\$ 183,106
Pension Liability	350,650	268,083	618,733
Proportionate share of the net pension liability	0.01284%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	60,040	8,199	68,239
Changes of assumptions	57,150	10,652	67,802
Net difference between projected and actual earnings on plan investments	8,553	-	8,553
Changes in proportion and differences between contributions and proportionate share of contributions	6,827	-	6,827
Benefit payments and administrative costs paid subsequent to the measurement date	93,653	-	93,653
Deferred of Inflows of Resources			
Changes of assumptions	-	10,078	10,078
Changes in proportion and differences between contributions and proportionate share of contributions	3,005	-	3,005

Notes to the Financial Statements (continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

d. Supplemental Retirement Income Plan for Employees Other than Law Enforcement Officers

Plan Description. All full-time employees of the Town other than law enforcement officers participate in the Supplemental Retirement Income Plan which is a Section 401(k) plan.

Funding Policy. The Town contributes each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the plan. The Town's contribution to the plan was \$49,436.

e. Other Post-Employment Benefits

1. Healthcare Benefits

The Town has no other postemployment healthcare benefits.

2. Other Employment Benefit

The Town has elected to provide death benefits to law enforcement 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 law enforcement employees who die in active duty 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 services in the system at the time of death are eligible for death benefits. Lump sum death benefits 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. Because all death benefits payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. 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. The Town considers these contributions to be immaterial.

Notes to the Financial Statements (continued)

3. Deferred Outflows and Inflows of Resources

The Town has one deferred outflows of resources. Deferred outflows of resources are comprised of the following:

Source	Amount
Contributions and other adjustments to pension plans in current fiscal year	\$279,926
Total	<u>\$279,926</u>

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

	Statement of Net Position	General Fund Balance Sheet
Property tax receivable	\$ -	\$ 11,145
Landfill fee receivable	-	18,080
Prepaid taxes	639	639
Pension deferrals (LGERS)	3,005	-
Pension deferrals (LEO)	10,078	-
Total	<u>\$ 13,722</u>	<u>\$ 29,864</u>

4. Commitments

The Town had no outstanding commitments at June 30, 2020 other than those in the normal course of business.

5. Risk Management

The Town is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to the statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar levels. Specific information on the limits of the reinsurance and excess loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the North Carolina League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town does not carry flood insurance because the Town and its major properties are not in a flood plain as mapped by the State of North Carolina.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The remaining employees are bonded under a blanket bond of \$10,000.

Notes to the Financial Statements (continued)

6. Long-Term Obligations

a. Capital Leases

The Town had no capital leases or other borrowed debt at June 30, 2020.

b. Changes in Long-term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Installment purchases	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences	32,904	6,296	-	39,200	-
Net pension liability (LGERS)	232,645	52,762	-	285,407	-
Net pension obligation (LEO)	202,094	65,989	-	268,083	-
Governmental activity long-term liabilities	467,643	125,047	-	592,690	-
Business-type activities					
<u>Water and sewer fund</u>					
Installment purchases	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability (LGERS)	54,645	10,598	-	65,243	-
Compensated absences	1,913	163	-	2,076	-
Business-type activity long-term liabilities	\$ 56,558	\$ 10,761	\$ -	\$ 67,319	\$ -

Compensated absences for governmental activities have typically been liquidated in the General Fund.

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 the Town of Randle is \$22,971,760.

c. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 2,471,447	\$ 3,989,325
less: long-term debt	-	-
Net investment in capital assets	<u>\$ 2,471,447</u>	<u>\$ 3,989,325</u>

Notes to the Financial Statements (continued)

d. Fund Balance

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

<i>Total fund balance - General Fund</i>	<i>\$ 1,146,148</i>
Less:	
Stabilization by State Statute	168,376
Streets-Powell Bill	402,143
Appropriated Fund Balance in 2021 Budget	-
Working Capital/Fund Balance Policy	-
Remaining Fund Balance	<i>\$ 575,629</i>

e. Transfers

The Town recorded no transfers between funds for the year ended June 30, 2020.

V. Jointly Governed Organization

The Town, in conjunction with eight counties and fifty other municipalities established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$833 to the Council during the fiscal year ended June 30, 2020.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Notes to the Financial Statements (continued)

V. Significant Effects of Subsequent Events

Subsequent events occurring after the statement of financial position date have been evaluated through November 18, 2020, which is the date the financial statements were available to be issued.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern", which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. The outbreak presents uncertainty and risk with respect to the Town and its ability to carry out its activities which could impact its financial results.

Town of Ranlo, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2020

Schedule of Changes in Total Pension Liability

	2020	2019	2018	2017
Beginning balance	\$ 202,094	\$ 190,189	\$ 153,835	\$ 157,056
Service Cost Interest on total pension liability	13,803	11,786	9,950	(2,937)
Interest	7,356	6,010	5,938	5,119
Differences between expected and actual experience in the measurement of the total pension liability	34,492	4,742	5,724	-
Changes of assumptions or other inputs	10,338	(10,633)	14,742	(5,403)
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 268,083</u>	<u>\$ 202,094</u>	<u>\$ 190,189</u>	<u>\$ 153,835</u>

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll

	2020	2019	2018	2017
Total pension liability	\$ 268,083	\$ 202,094	\$ 190,189	\$ 153,835
Covered payroll	442,859	366,279	345,694	353,154
Total pension liability as a percentage of covered payroll	60.53%	55.17%	55.02%	43.56%

Notes to the schedules:

The employer does not have a special funding situation.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 73 nor does the Plan provide pay related benefits.

Change in actuarial assumptions

December 31, 2019 Measurement date: The Municipal Bond Index rate decreased from 3.64% to 3.26%.

December 31, 2018 Measurement date: The Municipal Bond Index rate increased from 3.16% to 3.64%.

December 31, 2017 Measurement date: The Municipal Bond Index rate decreased from 3.86% to 3.16%.

December 31, 2016 Measurement date: The Municipal Bond Index rate increased from 3.57% to 3.86%.

The assumed inflation rate has been reduced from 3.00% to 2.50% and assumed wage inflation has been increased from .05% to 1.0%.

Town of Ranlo, North Carolina
Separation Allowance for Law Enforcement Officers
Required Supplementary Information
Notes to the Required Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuation as follows:

Valuation Date	12/31/2018
Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar closed
Remaining Amortization Period	6.98 years
Asset Valuation Method	Market value
Actuarial Assumptions:	
Investment Rate of Return	3.26%
Projected Salary Increases	3.50 - 7.35%
Includes inflation at	2.50%
Cost-of living Adjustments	N/A

Town of Ranlo, North Carolina
Town of Ranlo'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
Ranlo's proportion of the net pension liability (asset) (%)	0.01284%	0.01211%	0.01180%	0.01101%	0.01277%	0.01204%	0.01320%
Ranlo's proportion of the net pension liability (asset) (\$)	\$ 350,650	\$ 287,291	\$ 170,798	\$ 233,668	\$ 57,311	\$ (71,005)	\$ 159,111
Ranlo's covered-employee payroll	\$ 801,293	\$ 765,296	\$ 640,546	\$ 650,822	\$ 643,722	\$ 607,049	\$ 602,876
Ranlo's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.76%	37.54%	26.66%	35.90%	8.90%	(11.70%)	26.39%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	91.68%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Town of Ranlo, North Carolina
Town of Ranlo's Contributions
Required Supplementary Information
Last Seven Fiscal Years

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 93,654	\$ 61,342	\$ 59,610	\$ 48,626	\$ 46,431	\$ 46,431	\$ 43,420
Contributions in relation to the contractually required contribution	93,654	61,342	59,610	48,626	46,431	46,431	43,420
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Ranlo's covered-employee payroll	\$ 1,054,867	\$ 801,293	\$ 765,296	\$ 640,546	\$ 650,822	\$ 643,722	\$ 607,049
Contributions as a percentage of covered-employee payroll	8.88%	7.66%	7.79%	7.59%	7.13%	7.21%	7.15%

Town of Ranlo, North Carolina
General Fund
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2019</u>
Revenues:				
Ad valorem taxes (net of refunds):				
Taxes		\$ 1,143,523		\$ 1,018,125
Penalties and interest		-		-
	<u>\$ 976,000</u>	<u>1,143,523</u>	<u>\$ 167,523</u>	<u>1,018,125</u>
Unrestricted intergovernmental revenues				
Local option sales tax		358,764		332,110
Telecommunications sales tax		11,343		12,394
Utilities sales tax		158,516		186,851
Piped natural gas sales tax		10,216		10,033
Video franchise fee		18,211		19,533
Tax refunds		11,831		5,383
	<u>481,000</u>	<u>568,880</u>	<u>87,880</u>	<u>566,303</u>
Restricted intergovernmental revenues:				
Powell Bill allocation		95,434		96,171
Grants		-		-
Solid waste disposal tax		2,875		1,841
Controlled substance tax		15,441		15,477
	<u>112,500</u>	<u>113,750</u>	<u>1,250</u>	<u>113,489</u>
Permits and fees:				
Building permits		3,100		8,150
Sales and services:				
Landfill fees		175,645		171,442
Recycling fees		1,329		208
Trash can sales		110		55
Lodge rental fees		5,205		9,270
Recreation revenue		3,266		6,900
	<u>226,600</u>	<u>185,556</u>	<u>(41,044)</u>	<u>187,875</u>
Investment earnings	<u>15,775</u>	<u>34,660</u>	<u>18,885</u>	<u>54,480</u>
Other revenues:				
Court fees		574		266
Miscellaneous		52,739		33,322
	<u>156,250</u>	<u>53,313</u>	<u>(102,937)</u>	<u>33,588</u>
Total revenues	<u>1,968,125</u>	<u>2,102,783</u>	<u>134,658</u>	<u>1,982,010</u>

General Fund (Continued)
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2019 Actual</u>
Expenditures				
General government:				
Salaries and employee benefits		\$ 123,086		\$ 91,624
Professional		49,782		18,322
Membership dues		14,981		12,217
Other operating expenses		195,120		392,945
Capital outlay		19,593		6,608
Total general government	<u>\$ 415,828</u>	<u>402,562</u>	<u>\$ 13,265</u>	<u>521,717</u>
Public safety:				
Police:				
Salaries and employee benefits		726,464		588,276
Vehicle maintenance and supplies		30,962		16,656
Other operating expenses		110,862		96,458
Capital outlay		241,447		147,818
Total public safety	<u>800,031</u>	<u>1,109,735</u>	<u>(309,704)</u>	<u>849,208</u>
Public works:				
Salaries and employee benefits		258,513		222,732
Maintenance and repairs - vehicles		2,947		4,946
Maintenance and repairs - equipment		3,705		8,246
Other operating expenses		68,482		62,292
Capital outlay		22,226		60,796
Total public works	<u>302,583</u>	<u>355,873</u>	<u>(53,290)</u>	<u>359,011</u>
Sanitation:				
Salaries and employee benefits		79,730		53,730
Garbage disposal		58,332		51,055
Capital outlay		180,383		-
Other operating expenditures		274,429		54,308
Total sanitation	<u>747,904</u>	<u>592,875</u>	<u>155,029</u>	<u>159,093</u>
Street maintenance:				
Powell Bill - operating		137,978		104,678
Powell Bill - capital outlay		46,451		29,056
Total Powell Bill expenditures	<u>246,500</u>	<u>184,429</u>	<u>62,071</u>	<u>133,734</u>
Parks and recreation:				
Maintenance and repairs		42,544		34,985
Capital outlay - grant		6,940		31,340
Other operating expenses		49,556		59,546
Total cultural and recreational	<u>100,313</u>	<u>99,041</u>	<u>1,272</u>	<u>125,872</u>

General Fund (Continued)
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Budget	Actual	Variance Favorable (Unfavorable)	2019 Actual
Debt service:				
Principal retirement		\$ 645,034		\$ -
Interest		-		-
	<u>\$ -</u>	<u>645,034</u>	<u>\$ (645,034)</u>	<u>-</u>
Total debt service				
Contingency	-	-	-	-
Total expenditures	<u>2,613,159</u>	<u>3,389,549</u>	<u>(776,390)</u>	<u>2,148,635</u>
Revenues over (under) expenditures	<u>-</u>	<u>(1,286,766)</u>	<u>(1,286,766)</u>	<u>(166,624)</u>
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Fund balance appropriated	<u>-</u>	<u>645,034</u>	<u>645,034</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>645,034</u>	<u>645,034</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(641,732)</u>	<u>\$ (641,732)</u>	<u>(166,624)</u>
Fund balance:				
Beginning of year, July 1		<u>1,787,880</u>		<u>1,954,504</u>
End of year, June 30		<u>\$ 1,146,148</u>		<u>\$ 1,787,880</u>

Town of Ranlo, North Carolina
Water and Sewer Fund
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Budget	Actual	Variance Favorable (Unfavorable)	Actual Year ended June 30, 2019
Revenues:				
Operating revenues:				
Water and sewer charges		\$ 1,184,467		\$ 1,077,432
Storm water fees		63,614		62,737
Connection fees		40,063		149,390
Other operating revenues		30,988		60,152
Total operating revenues	\$ 1,329,500	1,319,131	\$ 10,369	1,349,711
Expenditures:				
Water and sewer operations:				
Salaries and employee benefits		265,486		210,535
Purchases of water and sewer treatment		801,422		857,772
Utilities		18,101		17,722
System maintenance		82,504		98,522
Testing		3,462		2,736
Professional		20,755		5,208
Postage / telephone		18,882		18,140
Other operating expenses		137,964		57,340
Capital outlay		101,077		106,394
Debt service:				
Principal		-		-
Interest		-		-
	1,392,800	1,449,653	(56,853)	1,374,368
Storm water operations:				
Salaries and employee benefits		39,582		35,618
Postage		2,976		3,140
Capital outlay		34,867		41,221
Other operating expenses		20,623		1,504
	105,500	98,048	7,452	81,483
Total expenditures	1,498,300	1,547,701	(49,401)	1,455,851
Revenues over (under) expenditures	(168,800)	(228,570)	(59,770)	(106,140)
Other sources (uses)				
Transfers to other funds	-	-	-	-
Fund balance appropriated	168,800	-	(168,800)	-
	168,800	-	(168,800)	-
Revenues and other sources over expenditures and other uses	\$ -	\$ (228,570)	\$ (228,570)	\$ (106,140)

Town of Ranlo, North Carolina
Water and Sewer Fund (Continued)
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

Reconciliation from budgetary basis (modified accrual) to full accrual basis:

	<u>2020</u>	<u>2019</u>
Revenues over expenditures	\$ (228,570)	\$ (106,140)
Reconciling items:		
Capital outlay	135,944	147,615
Changes in accrued vacation	(164)	-
System development fees	18,750	210,000
Use of system development fees	-	(24,766)
Changes in deferred outflows - pension	(1,792)	14,304
Changes in net pension liability	(10,598)	(17,381)
Changes in deferred inflows - pension	869	2,382
Depreciation	<u>(196,951)</u>	<u>(196,780)</u>
Total reconciling items	<u>(53,942)</u>	<u>135,374</u>
Net change in net position	<u>\$ (282,511)</u>	<u>\$ 29,234</u>

Town of Ranlo, North Carolina
Water and Sewer Capital Reserve Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the year ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	Budget	Actual	Variance Favorable (Unfavorable)	Actual Year ended June 30, 2019
Revenues:				
System development fee		\$ 18,750		\$ 210,000
Total revenues	\$ 100,000	18,750	\$ 81,250	210,000
Expenditures:				
System improvements		-		24,766
	100,000	-	100,000	24,766
Revenues over (under) expenditures	-	18,750	18,750	185,234
Other sources (uses)	-	-	-	-
Revenues and other sources over expenditures and other uses	\$ -	\$ 18,750	\$ 18,750	\$ 185,234

Town of Ranlo, North Carolina
Schedule of Changes in Ad Valorem Taxes Receivable
For the Year Ended June 30, 2020

<u>Year of Levy</u>	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Balance June 30, 2020</u>
2020		\$ 1,158,816	\$ 1,147,671	\$ 11,145
2019	\$ 6,260		2,293	3,967
2018	2,430		84	2,346
2017	2,382	39	-	2,421
2016	1,586		84	1,502
2015	1,903		143	1,760
2014	2,506		811	1,695
2013	2,753		1,020	1,733
2012	2,261		1,004	1,257
2011	2,535		1,395	1,140
2010	1,959		1,959	-
2009 and prior	247		247	-
	<u>\$ 26,822</u>	<u>\$ 1,158,855</u>	<u>\$ 1,156,712</u>	<u>\$ 28,966</u>
Less, allowance for doubtful accounts				<u>(17,821)</u>
Ad Valorem Taxes Receivable - Net				<u>\$ 11,145</u>
Reconciliation with Revenues:				
Tax - Ad Valorem				\$ 1,143,523
Other Adjustments				<u>13,189</u>
Total collections and credits				<u>\$ 1,156,712</u>

Town of Ranlo, North Carolina
Analysis of Current Tax Levy
For the Year Ended June 30, 2020

	Total Levy				
	Property		Total	Property	Registered
	Valuation	Rate	Levy	excluding	Motor
				Registered	Motor
				Motor	Vehicles
				Vehicles	Vehicles
Tax Levy - Town Wide	\$ 285,166,000	\$ 0.40	\$ 1,140,664	\$ 999,608	\$ 141,056
Discoveries	4,538,250		18,153	18,153	-
Abatements and Releases	<u>(2,557,250)</u>		<u>(10,229)</u>	<u>(10,229)</u>	<u>-</u>
Total for Year	<u>\$ 287,147,000</u>		1,148,588	1,007,532	141,056
Less, Uncollected Tax at June 30, 2020			<u>11,145</u>	<u>11,145</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 1,137,443</u>	<u>\$ 993,387</u>	<u>\$ 141,056</u>
Percent Current Year Collected			99.03%	93.89%	100.00%

EDDIE CARRICK, CPA, PC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the Board of Commissioners

Town of Ranlo, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ranlo, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Ranlo's basic financial statements, and have issued my report thereon dated November 18, 2020.

Internal Control over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did identify deficiencies in internal control that I consider to be material weaknesses. The Town was in violation of the Local Government Budgeting Act and NC General Statutes relating to pre-audit certification. See Findings 2020-1, 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ranlo's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The Town was in violation of the Local Government Budgeting Act and NC General Statutes relating to pre-audit certification. See Findings 2020-1, 2.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



Eddie Carrick, CPA, PC
Lexington, North Carolina
November 18, 2020

Town of Ranlo, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

II Financial Statement Findings

Material weakness

2020-1 Violation of State Statutes

Criteria: State Statutes require pre-audit certification for all expenditures

Condition: The Town over expended its departments in both the General and Proprietary Funds

Effect: Material violation of State Statutes - During the transition of finance officers management was not monitoring budget versus actual in a manner that would allow for pre-audit certification to be handled as it was supposed to be. This condition may allow incorrect reporting, fraudulent transactions to occur which may not be identified on a timely basis, miscoding of expenditures which may not be corrected on a timely basis and erroneous reporting of financial information.

Cause: Pre-audit certification not considered in the budget monitoring process

Recommendation: Pre-audit certification should be done for all expenditures

Management response: See Corrective Action Plan page 58

2020-2 Violation of State Statutes

Criteria: State Statutes require that actual expenditures not to exceed budgeted amounts

Condition: The Town over expended its departments in both the General and Proprietary Funds

Effect: Material violation of State Statutes - During the transition of finance officers management was not monitoring budget versus actual in a manner that would allow for pre-audit certification to be handled as it was supposed to be. This condition may allow incorrect reporting, fraudulent transactions to occur which may not be identified on a timely basis, miscoding of expenditures which may not be corrected on a timely basis and erroneous reporting of financial information.

Cause: Budget to actual expenditures was not considered in the budget monitoring process

Recommendation: The budget versus actual should be monitored monthly.

Management response: See Corrective Action Plan page 58

The above violations were repeat findings from June 30, 2019



TOWN OF RANLO
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Town of Ranlo, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2020

I Financial Statement Findings

Material weakness

2020-1,2 Violation of State Statutes

Name of contact person: Jonathan Blanton, Town Manager

Corrective Action: The Town has hired a Finance Officer who understands the budgetary operations and the required pre-audit certification during the current year. Necessary budget adjustments will be made in a timely manner.

Proposed Completion Date: The Council and management will implement the above procedures as quickly as possible.