

CITY OF RANDLEMAN, NORTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

CITY OF RANDLEMAN, NORTH CAROLINA

Board of Aldermen

Clarence Jernigan, Mayor
Melissa Blalock, Mayor Pro-Tempore
Cliff Bowman, Alderman
Eric Ward, Alderman
Ray Hudson Jr., Alderman
Michael Dawkins, Alderman

City Officials

Nick Holcomb, City Manager
Ron Niland, Project Consultant
Zach Hewett, Finance Director
Melody Hancock, City Clerk/Dep. Finance Director
Bob Wilhoit, City Attorney
Steve Leonard, Police Chief
Marty Leonard, Fire Chief
Don Peeler, Public Works Director
Robin Hughes, Superintendent of Parks and Recreation
Greg Patton, Planning Director
Donna Toomes, Library Director
Michael Glass, Wastewater Director

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FINANCIAL SECTION

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Randleman, North Carolina (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Randleman, North Carolina as of June 30, 2015, and the respective changes in financial position, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12; the Law Enforcement Officers' Special Separation Allowance – Schedules of Funding Progress, and Employer Contributions, and the Other Postemployment Benefits – Schedules of Funding Progress, and Employer Contributions on pages 53 through 54, respectively; and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on page 55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2016, on our consideration of the City of Randleman, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Randleman, North Carolina's internal control over financial reporting and compliance.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
February 22, 2016

MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2015

As management of the City of Randleman (the “City”), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Randleman for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

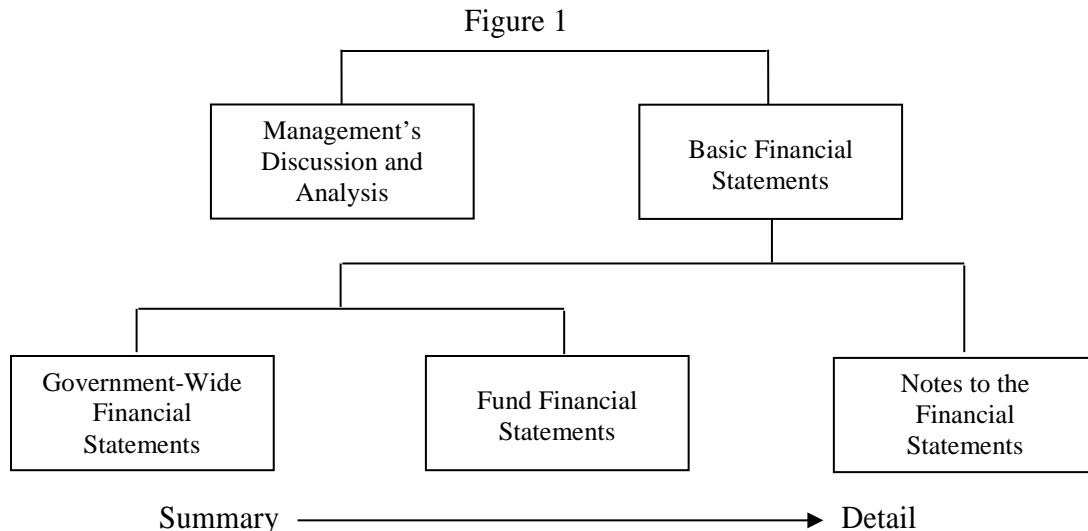
Financial Highlights

- The assets and deferred outflows of resources of the City of Randleman exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$17,571,468 (net position).
- The government's total net position increased by \$2,631,427 primarily due to property tax collections in the General Fund and utility charges in the Water and Sewer Fund.
- As of the close of the current fiscal year, the City of Randleman's governmental funds reported combined ending fund balances of \$3,330,693, a decrease of \$706,191 in comparison with the prior year. Approximately 38% of this total amount, or \$1,266,766, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,922,977, or 36.4%, of total General Fund expenditures for the fiscal year.
- City of Randleman maintained its BBB+ bond rating from Standard & Poor’s Corporation.

Overview of the Financial Statements

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

Required Components of Annual Financial Report



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

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

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

Proprietary Fund - The City of Randleman has one kind of proprietary fund or enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Randleman uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Government-Wide Financial Analysis
City of Randleman's Net Position
Figure 2

	Business-Type					
	Governmental Activities		Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 3,819,193	\$ 4,285,353	\$ 1,593,877	\$ 1,754,179	\$ 5,413,070	\$ 6,039,532
Capital assets	10,850,546	7,772,723	6,901,379	6,965,582	17,751,925	14,738,305
Deferred outflows of resources	133,743	123,662	33,436	30,915	167,179	154,577
Total assets and deferred outflows	<u>14,803,482</u>	<u>12,181,738</u>	<u>8,528,692</u>	<u>8,750,676</u>	<u>23,332,174</u>	<u>20,932,414</u>
Long-term liabilities	2,263,740	2,462,705	2,534,086	2,739,612	4,797,826	5,202,317
Other liabilities	204,109	561,640	158,231	228,403	362,340	790,043
Deferred inflows of resources	480,435	13	120,105	-	600,540	13
Total liabilities and deferred inflows	<u>2,948,284</u>	<u>3,024,358</u>	<u>2,812,422</u>	<u>2,968,015</u>	<u>5,760,706</u>	<u>5,992,373</u>
Net investment in capital assets	9,234,593	5,600,176	4,411,031	4,257,253	13,645,624	9,857,429
Restricted	1,244,557	1,399,521	-	-	1,244,557	1,399,521
Unrestricted	<u>1,376,048</u>	<u>2,157,683</u>	<u>1,305,239</u>	<u>1,525,408</u>	<u>2,681,287</u>	<u>3,683,091</u>
Total net position	<u>\$ 11,855,198</u>	<u>\$ 9,157,380</u>	<u>\$ 5,716,270</u>	<u>\$ 5,782,661</u>	<u>\$ 17,571,468</u>	<u>\$ 14,940,041</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Randleman exceeded liabilities and deferred inflows of resources by \$17,571,468 as of June 30, 2015. One of the largest portions, \$13,645,624 or 78%, reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Randleman uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Randleman's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Randleman's net position, \$1,244,557, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,681,287 is unrestricted. Also the City of Randleman, North Carolina implemented GASB Statement 68 this year. With the new reporting change, the City is allocated proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$338,425. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Randleman, North Carolina's management.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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

- A collection rate of 99.13% for property taxes including Motor Vehicle taxes.
- Donation of the Sophia Fire Department.
- Continual examination of departmental spending to conserve resources and boost fund balance.

City of Randleman's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 365,677	\$ 345,980	\$ 2,163,132	\$ 2,531,624	\$ 2,528,809	\$ 2,877,604
Operating grants and contributions	137,313	255,399	-	-	137,313	255,399
Capital grants and contributions	2,031,317	-	-	-	2,031,317	-
General revenues:						
Property taxes	2,473,919	2,286,827	-	-	2,473,919	2,286,827
Other taxes	321	1,946	-	-	321	1,946
Grants and contributions not restricted to specific programs	1,938,233	1,518,196	-	-	1,938,233	1,518,196
Unrestricted investment earnings	4,082	5,148	-	-	4,082	5,148
Other	605,847	143,435	-	160	605,847	143,595
Total revenues	7,556,709	4,556,931	2,163,132	2,531,784	9,719,841	7,088,715
Expenses:						
General government	1,084,587	843,841	-	-	1,084,587	843,841
Public safety	2,276,630	2,124,197	-	-	2,276,630	2,124,197
Public works	486,055	624,880	-	-	486,055	624,880
Cultural and recreation	855,519	725,849	-	-	855,519	725,849
Economic development	156,100	241,769	-	-	156,100	241,769
Water and sewer	-	-	2,229,523	2,283,266	2,229,523	2,283,266
Total expenses	4,858,891	4,560,536	2,229,523	2,283,266	7,088,414	6,843,802
Increase (decrease) in net position	2,697,818	(3,605)	(66,391)	248,518	2,631,427	244,913
Net position, July 1,	9,428,120	9,431,725	5,850,346	5,601,828	15,278,466	15,033,553
Net position, beginning, restated	9,157,380	9,431,725	5,782,661	5,601,828	14,940,041	15,033,553
Net position, June 30,	\$ 11,855,198	\$ 9,428,120	\$ 5,716,270	\$ 5,850,346	\$ 17,571,468	\$ 15,278,466

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

Governmental Activities - Governmental activities increased the City's net position by \$2,697,818. The key element in this increase is the contribution of the Sophia Fire Department.

Business-Type Activities - Business-type activities decreased the City of Randleman's net position by \$66,391.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Randleman. At the end of the current fiscal year, the City of Randleman's fund balance available in the General Fund was \$1,922,977, while the total fund balance decreased to \$3,330,693. The Governing Body of the City of Randleman has determined that the City should maintain an available fund balance of 10% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 26% of General Fund expenditures, while total fund balance represents 45% of the same amount.

At June 30, 2015, the governmental funds of the City of Randleman reported a combined fund balance of \$3,330,693 with a net decrease in fund balance of \$706,191. Included in this change in fund balance are decreases in fund balance of the General Fund and the Capital Projects Funds.

General Fund Budgetary Highlights - The City amended the budget prior to the end of the fiscal year to reflect revenues that were not anticipated at the beginning of the year as well as expenditures for capital items. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Proprietary Fund - The City of Randleman's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,305,239. The total decrease in net position for the Water and Sewer Fund amounted to \$66,391.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Capital Asset and Debt Administration

Capital Assets - The City of Randleman's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totaled \$17,751,925 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Acquisition of the Sophia Fire Department of \$2,031,317
- Construction in progress on library renovations of \$413,205
- Construction in progress on waterline improvements of \$235,785

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

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
	2015	2014	2015	2014	2015	2014
Land	\$ 355,292	\$ 301,762	\$ 7,275	\$ 7,275	\$ 362,567	\$ 309,037
Construction in progress	641,314	770,356	880,772	1,575,037	1,522,086	2,345,393
Land improvements	999,995	806,356	-	-	999,995	806,356
System improvements	-	-	748,820	789,511	748,820	789,511
Water rights	-	-	1,324,101	1,353,363	1,324,101	1,353,363
Buildings and improvements	5,167,104	3,820,726	832,910	899,951	6,000,014	4,720,677
Water distribution system	-	-	1,897,315	2,028,120	1,897,315	2,028,120
Infrastructure	673,760	655,431	-	-	673,760	655,431
Machinery and equipment	2,986,177	1,394,314	1,210,186	312,325	4,196,363	1,706,639
Other	26,904	23,778	-	-	26,904	23,778
Total	<u>\$ 10,850,546</u>	<u>\$ 7,772,723</u>	<u>\$ 6,901,379</u>	<u>\$ 6,965,582</u>	<u>\$ 17,751,925</u>	<u>\$ 14,738,305</u>

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

Long-Term Debt - As of June 30, 2015, the City of Randleman had total debt outstanding of \$3,994,785. None of the current debt is backed by the full faith and credit of the City. The remainder of the City's debt is secured by specific assets financed by the debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

General Obligation Bonds, Installment Purchases and Notes

Figure 5

	Business-Type					
	Governmental Activities		Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Installment purchases	1,504,437	1,838,492	431,017	563,637	1,935,454	2,402,129
Notes payable	-	-	853,768	866,259	853,768	866,259
PTRWA obligation	-	-	1,205,563	1,278,433	1,205,563	1,278,433
Total	<u>\$ 1,504,437</u>	<u>\$ 1,838,492</u>	<u>\$ 2,490,348</u>	<u>\$ 2,708,329</u>	<u>\$ 3,994,785</u>	<u>\$ 4,546,821</u>

City of Randleman's Outstanding Debt

The City of Randleman's total debt decreased by \$552,036 (12%) during the past fiscal year, primarily due to principal payments.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Randleman as of June 30, 2015 was \$31,261,676. The City had no general obligation bonds outstanding at June 30, 2015.

Economic Factors

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

Unemployment - The City of Randleman's unemployment rate as of June 30, 2015 stands at 5.9% which mirrors the surrounding area as well as the State.

Cost of Living - Compared to the rest of the country, Randleman's cost of living is 12% lower than the U.S. average.

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

The North Carolina Department of Transportation has completed significant upgrades to the major intersection of High Point St. and Academy St. as well as installing roundabouts at the intersections of Tigers Den Rd. and High Point St. and at the Deep River Crossing shopping center and High Point St. making significant traffic flow improvements for this area which is one of the main arteries into the City.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

Investment - During 2015, a few of the major employers in the City cut back on their labor force, however, several commercial developments were in the building stages and are scheduled for completion in the near future.

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

Next Year's Budgets and Rates

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

- Tourism to the City has continued to increase, and with the completion of Phase II of Commerce Square which included the Timken Farmers' Market, the revitalization of the downtown business area is projected to add to the economic growth of the City.
- Recreation and Cultural opportunities will increase with the expansion of the Deep River Greenway trail and the renovation and relocation of the library to the space vacated by the Richard Petty Museum.
- The City approved a \$4,834,000 general fund budget for fiscal year 2015-2016. This budget represents a 10% decrease from the fiscal year 2014-2015 amended budget.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF RANDLEMAN, NORTH CAROLINA
Statement of Net Position
June 30, 2015

Exhibit 1

	Primary Government			City of Randleman ABC Board
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,299,342	\$ 1,027,033	\$ 3,326,375	\$ 350,612
Receivables:				
Taxes receivable, net	41,056	-	41,056	-
Accounts receivable	24,749	442,221	466,970	-
Inventory and prepaid expenses	22,209	67,375	89,584	112,993
Due from other governments	515,114	7,969	523,083	-
Due from component unit	35,333	-	35,333	-
Restricted cash and cash equivalents	684,272	-	684,272	-
Total current assets	<u>3,622,075</u>	<u>1,544,598</u>	<u>5,166,673</u>	<u>463,605</u>
Non-current assets:				
Net pension asset	197,118	49,279	246,397	8,021
Capital assets:				
Land and construction in progress	996,606	888,047	1,884,653	80,170
Other capital assets, net of depreciation	9,853,940	6,013,332	15,867,272	333,455
Total non-current assets	<u>11,047,664</u>	<u>6,950,658</u>	<u>17,998,322</u>	<u>421,646</u>
Total assets	<u>14,669,739</u>	<u>8,495,256</u>	<u>23,164,995</u>	<u>885,251</u>
Deferred Outflows of Resources				
Contributions to pension plan in current fiscal year	133,743	33,436	167,179	5,038
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	204,109	76,873	280,982	56,122
Customer deposits	-	59,627	59,627	-
Other current payables	-	21,731	21,731	35,333
Current portion of long-term liabilities	380,634	326,532	707,166	-
Total current liabilities	<u>584,743</u>	<u>484,763</u>	<u>1,069,506</u>	<u>91,455</u>
Long-term liabilities:				
Due in more than one year	1,883,106	2,207,554	4,090,660	31,074
Total liabilities	<u>2,467,849</u>	<u>2,692,317</u>	<u>5,160,166</u>	<u>122,529</u>
Deferred Inflows of Resources				
Prepaid taxes	13	-	13	-
Pension deferrals	480,422	120,105	600,527	18,781
Net Position				
Net investment in capital assets	9,234,593	4,411,031	13,645,624	413,625
Restricted for:				
Library trust fund	50,000	-	50,000	-
Stabilization by State Statute	510,285	-	510,285	-
Streets	684,272	-	684,272	-
Working capital	-	-	-	42,458
Unrestricted	1,376,048	1,305,239	2,681,287	292,896
Total net position	<u>\$ 11,855,198</u>	<u>\$ 5,716,270</u>	<u>\$ 17,571,468</u>	<u>\$ 748,979</u>

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

CITY OF RANDLEMAN, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,084,587	\$ -	\$ -	\$ -
Public safety	2,276,630	-	-	2,031,317
Public works	486,055	163,011	125,313	-
Cultural and recreational	855,519	202,666	12,000	-
Economic and physical development	156,100	-	-	-
Total governmental activities	<u>4,858,891</u>	<u>365,677</u>	<u>137,313</u>	<u>2,031,317</u>
Business-type activities:				
Water and sewer	2,229,523	2,163,132	-	-
Total business-type activities	<u>2,229,523</u>	<u>2,163,132</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 7,088,414</u>	<u>\$ 2,528,809</u>	<u>\$ 137,313</u>	<u>\$ 2,031,317</u>
Component Unit:				
ABC Board	\$ 1,084,002	\$ 1,107,507	\$ -	\$ -
Total component unit	<u>\$ 1,084,002</u>	<u>\$ 1,107,507</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes and licenses

Grants and contributions not restricted to a specific purpose

Unrestricted investment earnings

Miscellaneous revenues

Total general revenues and transfers

Change in net position

Net position, beginning, previously reported

Restatement

Net position, beginning, restated

Net position, ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			City of Randleman ABC Board
Governmental Activities	Business-type Activities	Total	
\$ (1,084,587)	\$ -	\$ (1,084,587)	\$ -
(245,313)	-	(245,313)	-
(197,731)	-	(197,731)	-
(640,853)	-	(640,853)	-
(156,100)	-	(156,100)	-
<u>(2,324,584)</u>	<u>-</u>	<u>(2,324,584)</u>	<u>-</u>
-	(66,391)	(66,391)	-
-	(66,391)	(66,391)	-
<u>(2,324,584)</u>	<u>(66,391)</u>	<u>(2,390,975)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,505</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,505</u>
2,473,919	-	2,473,919	-
321	-	321	-
1,938,233	-	1,938,233	-
4,082	-	4,082	315
605,847	-	605,847	-
<u>5,022,402</u>	<u>-</u>	<u>5,022,402</u>	<u>315</u>
<u>2,697,818</u>	<u>(66,391)</u>	<u>2,631,427</u>	<u>23,820</u>
9,428,120	5,850,346	15,278,466	735,224
<u>(270,740)</u>	<u>(67,685)</u>	<u>(338,425)</u>	<u>(10,065)</u>
<u>9,157,380</u>	<u>5,782,661</u>	<u>14,940,041</u>	<u>725,159</u>
<u>\$ 11,855,198</u>	<u>\$ 5,716,270</u>	<u>\$ 17,571,468</u>	<u>\$ 748,979</u>

Balance Sheet

Governmental Funds

June 30, 2015

	<u>Major Fund</u>	<u>Total</u>	<u>Total</u>
	<u>General Fund</u>	<u>Non-Major</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Funds</u>
Assets			
Cash and cash equivalents	\$ 2,200,824	\$ 98,518	\$ 2,299,342
Restricted cash	684,272	-	684,272
Receivables:			
Taxes receivable, net	41,056	-	41,056
Accounts receivable	24,749	-	24,749
Inventories	22,209	-	22,209
Due from other governments	496,407	18,707	515,114
Due from component unit	35,333	-	35,333
Total assets	<u>\$ 3,504,850</u>	<u>\$ 117,225</u>	<u>\$ 3,622,075</u>
Liabilities			
Accounts payable and accrued liabilities	<u>\$ 99,425</u>	<u>\$ 104,684</u>	<u>\$ 204,109</u>
Deferred inflows of resources			
Property taxes receivable	87,260	-	87,260
Prepaid taxes	13	-	13
Total deferred inflows of resources	<u>87,273</u>	<u>-</u>	<u>87,273</u>
Fund Balances:			
Non spendable:			
Library trust fund	-	50,000	50,000
Inventories	22,209	-	22,209
Restricted for:			
Stabilization by state statute	510,285	-	510,285
Streets	684,272	-	684,272
Assigned:			
Capital projects	37,459	(37,459)	-
Subsequent year's expenditures	140,950	-	140,950
Unassigned	1,922,977	-	1,922,977
Total fund balances	<u>3,318,152</u>	<u>12,541</u>	<u>3,330,693</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,504,850</u>	<u>\$ 117,225</u>	

CITY OF RANDLEMAN, NORTH CAROLINA
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
For the Year Ended June 30, 2015

Exhibit 4

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

Total Fund Balance, Governmental Funds		\$ 3,330,693
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Gross capital assets at historical cost	\$ 16,381,591	
Accumulated depreciation	<u>(5,531,045)</u>	10,850,546
Liabilities for earned revenues considered deferred inflows of resources in fund statements		87,260
Net pension asset		197,118
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement Net Position		133,743
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:		
Gross long-term debt beginning	(2,857,107)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year)	<u>593,367</u>	(2,263,740)
Pension related deferrals		<u>(480,422)</u>
Net position of governmental activities		<u>\$ 11,855,198</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

Exhibit 5

	<u>Major Fund</u> <u>General Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues			
Ad valorem taxes	\$ 2,467,877	\$ -	\$ 2,467,877
Other taxes and licenses	321	-	321
Intergovernmental revenues:			
Unrestricted	1,938,233	-	1,938,233
Restricted	137,313	-	137,313
Sales and services	365,677	-	365,677
Investment earnings	4,082	-	4,082
Miscellaneous revenue	609,327	2,139	611,466
Total revenues	<u>5,522,830</u>	<u>2,139</u>	<u>5,524,969</u>
Expenditures			
Current:			
General government	1,021,937	-	1,021,937
Public safety	1,969,245	-	1,969,245
Public works	433,049	5,000	438,049
Cultural and recreational	629,340	60,830	690,170
Economic and physical development	58,728	13,432	72,160
Capital outlay	783,037	871,787	1,654,824
Debt service:			
Principal retirement	334,055	-	334,055
Interest	50,720	-	50,720
Total expenditures	<u>5,280,111</u>	<u>951,049</u>	<u>6,231,160</u>
Deficiency of revenues over expenditures	<u>242,719</u>	<u>(948,910)</u>	<u>(706,191)</u>
Other Financing Sources (Uses)			
Transfers to other funds	(529,165)	-	(529,165)
Transfers from other funds	-	529,165	529,165
Total other financing sources (uses)	<u>(529,165)</u>	<u>529,165</u>	<u>-</u>
Net change in fund balances	(286,446)	(419,745)	(706,191)
Fund balances, beginning	<u>3,604,598</u>	<u>432,286</u>	<u>4,036,884</u>
Fund balances, ending	<u>\$ 3,318,152</u>	<u>\$ 12,541</u>	<u>\$ 3,330,693</u>

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

CITY OF RANDLEMAN, NORTH CAROLINA

Exhibit 6

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of the Governmental Funds to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2015**

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

Net change in fund balances - total governmental funds \$ (706,191)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 3,686,141	
Depreciation expense for governmental assets	(602,699)	3,083,442

Proceeds from the sale of governmental assets		(7,500)
---	--	---------

Gain on disposal of governmental assets		1,881
---	--	-------

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		133,578
--	--	---------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		6,042

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of differences in the treatment of long-term debt and related items.

New long-term debt issued	\$ -	
Principal payments on long-term debt	334,055	334,055

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

Compensated absences	\$ (38,084)	
Pension expense	(12,399)	
Net pension obligation	(14,759)	
Other postemployment benefits	(82,247)	(147,489)

Total changes in net position of governmental activities		<u>\$ 2,697,818</u>
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CITY OF RANDLEMAN, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Annual Budget and Actual - General Fund
For the Year Ended June 30, 2015

Exhibit 7

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Ad valorem taxes	\$ 2,327,000	\$ 2,489,000	\$ 2,467,877	\$ (21,123)
Other taxes and licenses	3,500	500	321	(179)
Intergovernmental revenues:				
Unrestricted	1,507,000	1,729,000	1,938,233	209,233
Restricted	132,000	138,000	137,313	(687)
Sales and services	381,000	422,000	365,677	(56,323)
Investment earnings	5,000	5,000	4,082	(918)
Miscellaneous revenue	322,500	606,500	609,327	2,827
Total revenues	<u>4,678,000</u>	<u>5,390,000</u>	<u>5,522,830</u>	<u>132,830</u>
Expenditures				
Current:				
General government	1,005,700	1,110,500	1,021,937	88,563
Public safety	2,085,700	2,405,600	2,280,418	125,182
Public works	561,000	777,000	721,815	55,185
Cultural and recreational	669,500	804,500	735,667	68,833
Economic and physical development	143,400	150,900	135,499	15,401
Debt payments	400,150	400,500	384,775	15,725
Total expenditures	<u>4,865,450</u>	<u>5,649,000</u>	<u>5,280,111</u>	<u>368,889</u>
Revenues over (under) expenditures	<u>(187,450)</u>	<u>(259,000)</u>	<u>242,719</u>	<u>501,719</u>
Other Financing Sources (Uses)				
Debt proceeds	50,000	-	-	-
Transfer to other funds	<u>-</u>	<u>(551,000)</u>	<u>(529,165)</u>	<u>21,835</u>
Total other financing sources (uses)	<u>50,000</u>	<u>(551,000)</u>	<u>(529,165)</u>	<u>21,835</u>
Fund balance appropriated	137,450	810,000	-	(810,000)
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(286,446)</u>	<u>\$ (286,446)</u>
Fund balances, beginning			<u>3,604,598</u>	
Fund balances, ending			<u>\$ 3,318,152</u>	

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

CITY OF RANDLEMAN, NORTH CAROLINA
Statement of Net Position
Proprietary Fund
June 30, 2015

Exhibit 8

	<u>Water and Sewer Fund</u>
Assets	
Current assets:	
Cash and equivalents	\$ 1,027,033
Account receivables, net	442,221
Due from other governments	7,969
Inventories	67,375
Total current assets	<u>1,544,598</u>
Noncurrent assets:	
Net pension asset	<u>49,279</u>
Capital assets:	
Land and other non-depreciable assets	888,047
Other capital assets, net of depreciation	<u>6,013,332</u>
Total non-current assets	<u>6,901,379</u>
Total assets	<u>8,495,256</u>
Deferred Outflows of Resources	
Contributions to pension plan	<u>33,436</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	76,873
Customer deposits	59,627
Accrued interest payable	21,731
Compensated absences - current	33,000
General obligation bonds payable - current	86,046
Installment purchase agreements payable - current	<u>207,486</u>
Total current liabilities	<u>484,763</u>
Noncurrent liabilities:	
Compensated absences - noncurrent	10,738
General obligation bonds payable - noncurrent	767,722
Installment purchase agreements payable - noncurrent	<u>1,429,094</u>
Total noncurrent liabilities	<u>2,207,554</u>
Total Liabilities	<u>2,692,317</u>
Deferred Inflows of Resources	
Pension deferrals	<u>120,105</u>
Net Position	
Net investment in capital assets	4,411,031
Unrestricted	<u>1,305,239</u>
Total net position	<u>\$ 5,716,270</u>

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

CITY OF RANDLEMAN, NORTH CAROLINA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2015

Exhibit 9

	<u>Water and Sewer Fund</u>
Operating revenues:	
Water sales	\$ 1,230,799
Sewer charges	885,377
Water and sewer taps	14,400
Sampling and monitoring fees	517
Other operating revenues	32,039
Total operating revenues	<u>2,163,132</u>
Operating expenses:	
Water and treatment and distribution	890,902
Water and sewer maintenance	359,041
Wastewater treatment	546,449
Depreciation	323,375
Total operating expenses	<u>2,119,767</u>
Operating income	<u>43,365</u>
Non-operating expenses:	
PTRWA administration operating costs	(34,023)
Interest and other charges	(75,733)
Total non-operating expenses	<u>(109,756)</u>
Change in net position	<u>(66,391)</u>
Total net position, previously reported	5,850,346
Restatement	(67,685)
Total net position, restated	<u>5,782,661</u>
Total net position, ending	<u><u>\$ 5,716,270</u></u>

CITY OF RANDLEMAN, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

Exhibit 10

	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 2,229,844
Cash paid for goods and services	(1,141,904)
Cash paid to employees for services	(643,243)
Other operating revenues	<u>32,039</u>
Net cash provided by operating activities	<u>476,736</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(259,172)
Payments for PTRWA administration operating costs	(34,023)
Issuance of bonds and installment purchase agreements	73,554
Principal paid on bonds and installment purchase agreements	(291,535)
Interest paid on bonds and installment purchase agreements	<u>(75,733)</u>
Net cash used in capital and related financing activities	<u>(586,909)</u>
Net decrease in cash and cash equivalents	(110,173)
Balances, beginning	<u>1,137,206</u>
Balances, ending	<u>\$ 1,027,033</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 43,365</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	323,375
Pension expense	3,100
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	98,751
Due from other governments	657
Deferred outflows of resources for pensions	(33,395)
Increase (decrease) in:	
Accounts payable and accrued liabilities	27,160
Customer deposits	1,268
Accrued compensated absences	<u>12,455</u>
Total adjustments	<u>433,371</u>
Net cash provided by operating activities	<u>\$ 476,736</u>

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

CITY OF RANDLEMAN, NORTH CAROLINA
Statement of Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2015

Exhibit 11

	<u>Fireman's Relief Fund</u>
Assets:	
Cash and cash equivalents	\$ 146,721
Total assets	<u>\$ 146,721</u>
Liabilities:	
Intergovernmental payable	\$ 146,721
Total liabilities	<u>\$ 146,721</u>

NOTES TO THE FINANCIAL STATEMENTS

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

City of Randleman ABC Board

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

Basis of Presentation

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

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

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

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

The City reports the following major governmental funds:

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

The City reports the following non-major governmental funds:

Randleman Library Endowment Fund – This fund is used to account for assets held by the City for the maintenance of the Randleman Library.

Public Works Building Fund – This fund is used to account for the construction of a new public works building.

City Center Fund – This fund is used to account for the construction of a new city center.

Library Renovation Fund – This fund is used to account for the renovations to the City's library.

City Hall Fund – This fund is used to account for the purchase and renovation of the new city hall.

Phase II Fund – This fund is used to account for the second phase of construction of the new City center.

Stout Street Park Fund – This fund is used to account for the renovation of the Stout Street Park.

Animal Shelter Fund – This fund is used to account for the construction of an animal rescue facility.

Deep River Greenway Fund – This fund is used to account for development of a greenway around the Deep River.

The City reports the following major proprietary fund:

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

The City reports the following fund type:

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

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

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

Budgetary Data

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

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

Deposits and Investments

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

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

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments (Continued)

The City's and the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings are reported at cost.

Cash and Cash Equivalents

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

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

Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2014. As allowed by State law, the City has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

Allowance for Doubtful Accounts

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

Inventory and Prepaid Items

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

The inventories of the City's enterprise fund consist of materials and supplies held for consumption. The inventories of the City of Randleman ABC Board consist of items held for resale. The cost of these inventories is recorded as an expense as the inventories are consumed.

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

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years.

Minimum capitalization costs are as follows: software, equipment and supplies unit cost, \$5,000; vehicles (except for vehicles having a useful life of three years or less), \$10,000; all inexhaustible assets, \$1,000; buildings and improvements, \$20,000; and infrastructure, \$100,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meet this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet the criterion for this category – prepaid taxes and deferrals of pension expense that result from the implementation of GASB Statement 68.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

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

Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide statements. Both the City's and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

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

Fund Balances

In the governmental fund financial statements, fund balance is comprised of four 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:

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

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

Library Trust Fund - Library resources that are required to be retained under the terms of an endowment agreement for activities at the City of Randleman Public Library.

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 - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

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

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

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

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

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

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

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

Revenues, Expenditures and Expenses

Other Resources

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

Pensions

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

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit in Fund Balance or Net Position of Individual Funds

As of June 30, 2015, the Stout Street Park Improvements Fund and Deep River Greenway Fund had deficit fund balances of \$56,248 and \$31,940, respectively. These deficits were caused because transfers from the general fund were not made to cover the deficits prior to year end. The City will budget for adequate transfers from the general fund during the year ended June 30, 2016 to cover these deficits in fund balance.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

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

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

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

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Deposits (Continued)

At June 30, 2015, the City's deposits, which include the Firemen's Relief Fund, had a carrying amount of \$1,611,791 and a bank balance of \$1,692,906. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$1,192,906 in interest-bearing deposits was covered by collateral held under the Pooling Method. Also included in the City's cash balance is \$350 in petty cash on hand.

At June 30, 2015, the ABC Board's deposits had a carrying amount of \$348,662 and a bank balance of \$356,096. All of the bank balance was covered by federal depository insurance and collateral securities.

Investments

At June 30, 2015, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Cash Portfolio	\$ 284,757	N/A	AAAm
NC Capital Management Trust - Term Portfolio	<u>2,260,470</u>	0.3 years	Unrated
Total	<u>\$ 2,545,227</u>		

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

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

Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts: Enterprise Fund – Customer accounts receivable in the amount of \$11,667.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

Governmental Activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 301,762	\$ 53,530	\$ -	\$ 355,292
Construction in progress	770,356	-	129,042	641,314
Total capital assets not being depreciated	<u>1,072,118</u>	<u>53,530</u>	<u>129,042</u>	<u>996,606</u>
Capital assets being depreciated:				
Land improvements	923,553	248,981	-	1,172,534
Buildings and improvements	5,428,693	1,485,350	-	6,914,043
Infrastructure	811,916	42,493	-	854,409
Equipment and heavy equipment	4,397,957	1,978,049	44,183	6,331,823
Other	143,239	6,780	37,843	112,176
Total capital assets being depreciated	<u>11,705,358</u>	<u>3,761,653</u>	<u>82,026</u>	<u>15,384,985</u>
Less accumulated depreciation for:				
Land improvements	117,197	55,342	-	172,539
Buildings and improvements	1,607,967	138,972	-	1,746,939
Infrastructure	156,485	24,164	-	180,649
Equipment and heavy equipment	3,003,643	383,556	41,553	3,345,646
Other	119,461	665	34,854	85,272
Total accumulated depreciation	<u>5,004,753</u>	<u>602,699</u>	<u>76,407</u>	<u>5,531,045</u>
Total capital assets being depreciated, net	<u>6,700,605</u>			<u>9,853,940</u>
Government activity capital assets, net	<u>\$ 7,772,723</u>			<u>\$ 10,850,546</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

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

General Government	\$ 74,362
Public Safety	284,792
Public Works	45,929
Economic Development	114,012
Cultural and Recreational	83,604
Total depreciation expense	<u>\$ 602,699</u>

Business-Type Activities - Water and Sewer Fund:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 7,275	\$ -	\$ -	\$ 7,275
Construction in progress	1,575,037	235,785	930,050	880,772
Total capital assets not being depreciated	<u>1,582,312</u>	<u>235,785</u>	<u>930,050</u>	<u>888,047</u>
Capital assets being depreciated:				
System improvements	1,463,700	-	-	1,463,700
Water rights	1,463,095	-	-	1,463,095
Buildings and improvements	2,362,343	-	-	2,362,343
Water distribution system	6,675,284	-	-	6,675,284
Equipment and heavy vehicle	939,139	953,437	-	1,892,576
Total capital assets being depreciated	<u>12,903,561</u>	<u>953,437</u>	<u>-</u>	<u>13,856,998</u>
Less accumulated depreciation for:				
System improvements	674,189	40,691	-	714,880
Water rights	109,732	29,262	-	138,994
Buildings and improvements	1,462,392	67,041	-	1,529,433
Water distribution system	4,647,164	130,805	-	4,777,969
Equipment and heavy vehicle	626,814	55,576	-	682,390
Total accumulated depreciation	<u>7,520,291</u>	<u>323,375</u>	<u>-</u>	<u>7,843,666</u>
Total capital assets being depreciated, net	<u>5,383,270</u>			<u>6,013,332</u>
Business-type activities capital assets, net	<u>\$ 6,965,582</u>			<u>\$ 6,901,379</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

Discretely Presented Component Unit

Activity for the ABC Board for the year end June 30, 2015, was as follows:

	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Capital assets not being depreciated:				
Land	\$ 80,170	\$ -	\$ -	\$ 80,170
Total capital assets not being depreciated	<u>80,170</u>	<u>-</u>	<u>-</u>	<u>80,170</u>
Capital assets being depreciated:				
Buildings	519,332	-	-	519,332
Store and administrative equipment	<u>63,755</u>	<u>7,216</u>	<u>5,014</u>	<u>65,957</u>
Total capital assets being depreciated	<u>583,087</u>	<u>7,216</u>	<u>5,014</u>	<u>585,289</u>
Less accumulated depreciation:				
Buildings	188,258	12,983	-	201,241
Store and administrative equipment	<u>51,635</u>	<u>3,786</u>	<u>4,828</u>	<u>50,593</u>
Total accumulated depreciation	<u>239,893</u>	<u>16,769</u>	<u>4,828</u>	<u>251,834</u>
ABC capital assets, net	<u>\$ 423,364</u>			<u>\$ 413,625</u>

Liabilities

Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description: The City of Randleman and the ABC Board are participating employers in the statewide Local Governmental Employees' Retirement System ("LGERS"), a cost-sharing multiple employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. LGERS provides retirement and disability benefits to plan members and beneficiaries. 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 thirteen members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representative 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, or by calling (919) 981-5454.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

Funding Policy: Plan members are required to contribute six percent of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.96% and 7.05%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 6.45% of annual covered payroll. The contribution requirements of members and of the City of Randleman are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, **2015**, 2014, and 2013 were **\$167,243**, \$154,696 and \$132,744, respectively. The ABC Board's contributions to LGERS for the years ended June 30, **2015**, 2014, and 2013 were **\$5,038**, \$8,016, and \$8,376, respectively. The contributions made by the City and the ABC Board equaled the required contributions for each year.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The City of Randleman, North Carolina employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Randleman, North Carolina's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

earned by employees during the year. Contributions to the pension plan from the City of Randleman, North Carolina were \$154,577 for the year ended June 30, 2015.

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

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

At June 30, 2015, the City reported an asset of \$246,397 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing updated procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participants. LGERS employers, actuarially determined, at June 30, 2014 the City's proportion was 0.041%, which was a decrease of 0.001% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$15,499. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 26,923
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	573,604
Changes in proportion and differences between City contributions and proportionate share of contributions	206	-
City contributions subsequent to the measurement date	166,973	-
	<u>\$ 167,179</u>	<u>\$ 600,527</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

\$166,973 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources, net or deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2016	\$ (150,097)
2017	(150,097)
2018	(150,097)
2019	(150,029)
	<u>\$ (600,320)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increase	4.25 to 8.55%, including inflation and productivity factor
Investment	7.25%, 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation protection	4.5%	3.7%
	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2015 to be effective July 1, 2015. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
	<u> </u>	<u> </u>	<u> </u>
City's proportionate share of the net pension liability (asset)	\$ 836,375	\$ (246,396)	\$ (1,158,054)

b. Law Enforcement Officers Special Separation Allowance

Plan Description

The City of Randleman administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. 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 G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan member entitled to but not yet receiving benefits	-
Active plan members	<u>15</u>
	<u>15</u>

The plan does not issue a separate financial report.

Summary of Significant Accounting Policies

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

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Method Used to Value Investments: No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases.

Annual Pension Costs and Net Pension Obligation: The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contributions	\$ 18,956
Interest on net pension obligation	6,087
Adjustment to annual required contribution	<u>(10,284)</u>
Annual pension cost	14,759
Contributions made	<u>-</u>
Increase (decrease) in net pension obligation	14,759
Net pension obligation, beginning of year	<u>121,738</u>
Net pension obligation, end of year	<u><u>\$ 136,497</u></u>

3 Year Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2013	\$ 12,176	0.0%	\$ 109,080
2014	12,658	0.0%	121,738
2015	14,759	0.0%	136,497

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (“UAAL”) was \$102,356. The covered payroll (annual payroll of active employees covered by the plan) was \$556,007, and the ratio of the UAAL to the covered payroll was 18.41%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy: Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2015 were \$27,355, which consisted of \$27,355 from the City and no contributions from the law enforcement officers.

Other Post-Employment Benefits

Healthcare Benefits

Plan Description: In addition to providing pension benefits, the City of Randleman has elected to provide post employment health care benefits to retirees of the City who participate in the North Carolina Local Governmental Employees' Retirement System and have at least five years of creditable service with the City. The City pays the full cost of coverage for these benefits for employees that have thirty years of creditable service with the City; for employees that have twenty-five years of creditable service, the City pays 85% of the cost of coverage for these benefits; and for employees that have twenty years of creditable service, the City pays 75% of the cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the City's group rates.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Healthcare Benefits (Continued)

Membership of the Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers	Firefighters
Retirees receiving benefits	1	-	-
Terminated plan members entitled to but not yet receiving benefits	-	-	-
Active plan members	25	16	15
Total	<u>26</u>	<u>16</u>	<u>15</u>

Funding Policy: The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 4.17% of annual covered payroll. For the current year, the City contributed \$5,418, or 0.26% of annual covered payroll. The City participates in the self-funded risk-financing pool administered by the North Carolina League of Municipalities.

Summary of Significant Accounting Policies: Post employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the *annual required contribution of the employer* ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 87,049
Interest on net OPEB obligation	13,805
Adjustment to annual required contribution	<u>(13,188)</u>
Annual OPEB cost	87,666
Contributions made	<u>(5,418)</u>
Increase (decrease) in net OPEB obligation	82,248
Net OPEB pension, beginning of year	<u>345,131</u>
Net OPEB pension, end of year	<u>\$ 427,379</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Healthcare Benefits (Continued)

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015 were as follows:

Fiscal Year Ended June 30	Annual OPEB Cost (AOC)	Percentage of Annual AOC Cost Contributed	Net OPEB Obligation
2015	\$ 87,666	6.2%	\$ 427,379
2014	87,518	5.6%	345,131
2013	78,178	6.5%	262,497

Funded Status and Funding Progress: As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (“UAAL”) was \$764,005. The covered payroll (annual payroll of active employees covered by the plan) was \$2,089,610, and the ratio of the UAAL to the covered payroll was 36.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return, which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. The assumed investment rate of return reflects the fact that no assets are set aside within the City of Randleman that are legally held exclusively for retiree health benefits. The investment rate included a 3% inflation assumption. The asset valuation method is the market value of assets. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, was 30 years.

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Other Employment Benefits

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

All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The City considers these contributions to be immaterial.

Deferred Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
Taxes receivable, net	\$ 41,056	\$ -
Recycling reimbursement, net	22,209	-
Tipping fees, net	17,806	-
Storm water fees, net	5,686	-
Privilege license fees, net	503	-
Property taxes received but not yet earned	-	13
Total	<u>\$ 87,260</u>	<u>\$ 13</u>

Risk Management

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

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

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

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

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

Claims, Judgments and Contingent Liabilities

At June 30, 2015, there was no material pending or threatened litigation, claims or assessments involving the City of Randleman.

Long-Term Obligations

Installment Purchases

The City has entered into the following installment purchase contracts:

In September 2003, the City entered into an installment financing agreement of \$2,772,026 to refinance a prior note and to finance costs of construction, renovation and improvements to the Randleman Community Center. The financing agreement requires monthly principal payments of \$15,400 plus interest at a rate of 3.67%.

In September 2003, the City entered into an installment financing agreement of \$1,989,306 to finance water treatment plant improvements. The financing agreement requires monthly principal payments of \$11,052 plus interest at a rate of 4.09%.

In December 2010, the City entered into an installment purchase agreement of \$250,000 to finance the purchase of a vehicle. The financing agreement requires quarterly payments with an interest rate of 2.34%.

Annual debt service requirements of the installment purchases as of June 30, 2015, including \$167,574 of interest, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 308,634	\$ 40,318	\$ 132,620	\$ 15,142
2017	282,302	30,828	132,620	9,718
2018	282,302	21,569	132,620	4,294
2019	143,699	14,007	33,157	226
2020	97,500	11,247	-	-
2021-2024	390,000	20,225	-	-
Totals	<u>\$ 1,504,437</u>	<u>\$ 138,194</u>	<u>\$ 431,017</u>	<u>\$ 29,380</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

Notes Payable

Notes payable - Water and Sewer Fund consists of the following at June 30, 2015:

North Carolina Clean Water Revolving Loan:

On May 1, 1998, the City executed a note with the State of North Carolina to borrow \$835,593 in accordance with the North Carolina Education, Clean Water and Parks Revolving Bond Act of 1993. Annual principal payments of \$42,518 are required through May 1, 2017. Interest at 3.43% on \$555,000 and 5.85% on \$280,593 is payable on November 1 and May 1 of each year until the loan is repaid. \$ 70,268

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

783,500
\$ 853,768

Annual debt service requirements to maturity for the note payable - Water and Sewer Fund at June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 86,046	\$ 17,810
2017	71,278	15,751
2018	43,528	13,929
2019	43,528	13,058
2020	43,528	12,188
2021-2025	217,640	47,881
2026-2030	217,640	26,116
2031-2034	130,580	5,224
Totals	<u>\$ 853,768</u>	<u>\$ 151,957</u>

PTRWA Obligation

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

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 3 – DETAIL NOTES ON ALL FUNDS (Continued)

PTRWA Obligation (continued)

Annual debt service requirements of the PTRWA Obligation as of June 30, 2015, including \$245,776 of interest, are as follows:

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 74,866	\$ 32,642
2017	76,939	30,569
2018	79,070	28,439
2019	81,259	26,250
2020	83,509	24,000
2021-2025	410,808	84,006
2026-2030	399,112	19,870
Totals	<u>\$ 1,205,563</u>	<u>\$ 245,776</u>

At June 30, 2015, the City of Randleman had a legal debt margin of \$31,261,676.

Changes in Long-Term Liabilities

Compensated absences typically have been liquidated in the General Fund.

	<u>Balance</u>			<u>Balance</u>	<u>Current Portion</u>
	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>of Balance</u>
Governmental Activities:					
Installment purchases	\$ 1,838,492	\$ -	\$ 334,055	\$ 1,504,437	\$ 308,634
Compensated absences	157,343	110,121	72,037	195,427	72,000
Other post employment benefits	345,132	82,247	-	427,379	-
Net pension liability (LGERS)	394,402	-	394,402	-	-
Unfunded pension obligation	121,738	14,759	-	136,497	-
Governmental Activity Long-term Liabilities	<u>\$ 2,857,107</u>	<u>\$ 207,127</u>	<u>\$ 800,494</u>	<u>\$ 2,263,740</u>	<u>\$ 380,634</u>
Business-Type Activities:					
Installment purchases	\$ 563,637	\$ -	\$ 132,620	\$ 431,017	\$ 132,620
Notes payable	866,259	73,554	86,045	853,768	86,046
PTRWA Obligation	1,278,433	-	72,870	1,205,563	74,866
Net pension liability (LGERS)	98,600	-	98,600	-	-
Compensated absences	31,283	45,488	33,033	43,738	33,000
Business-Type Activity Long-term Liabilities	<u>\$ 2,838,212</u>	<u>\$ 119,042</u>	<u>\$ 423,168</u>	<u>\$ 2,534,086</u>	<u>\$ 326,532</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 4 – INTER-FUND ACTIVITY

Transfers to/from other funds at June 30, 2015, consist of the following:

From the General Fund to Nonmajor Governmental Funds	\$ 551,000
From the Nonmajor Governmental Funds to General Fund	<u>21,835</u>
Total	<u>\$ 572,835</u>

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

NOTE 5 – COMMITMENTS

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

NOTE 6 – FUND BALANCE

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

Total fund balance - General Fund	<u>\$ 3,318,152</u>
Less:	
Stabilization by State Statute	510,285
Street - Powell Bill	684,272
Appropriated Fund balance in 2014 budget	140,950
Working Capital / Fund Balance Policy	<u>486,545</u>
Remaining Fund Balance	<u>\$ 1,496,100</u>

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

NOTE 7 – JOINT VENTURES

Firemen's Relief Fund

The City and the members of the City's fire department each appoint two members to the five member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the Fund on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2015, the City reported no payments through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 7 – JOINT VENTURES (Continued)

venture, so no equity has been reflected in the financial statements at June 30, 2015. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

Piedmont Triad Regional Water Authority

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

NOTE 8 – JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with 7 counties and 42 other municipalities established the Piedmont Triad Regional Council of Governments (“Council”). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council’s governing board. The City paid membership fees of \$4,362 to the Council during the fiscal year ended June 30, 2015.

NOTE 9 – RELATED ORGANIZATION

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

NOTE 10 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

CITY OF RANDLEMAN, NORTH CAROLINA
Notes to Financial Statements

NOTE 11 – SUBSEQUENT EVENTS

The City has evaluated all subsequent events through February 22, 2016, the date the financial statements were available to be issued.

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions* (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of the Statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$270,740 and \$67,685, respectively.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

CITY OF RANDLEMAN, NORTH CAROLINA
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Project Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Dec. 31, 2009	\$ -	\$ 91,383	\$ 91,383	0.0%	\$ 496,256	18.41%
Dec. 31, 2010	-	76,418	76,418	0.0%	487,530	15.67%
Dec. 31, 2011	-	80,180	80,180	0.0%	456,683	17.56%
Dec. 31, 2012	-	95,294	95,294	0.0%	535,235	17.80%
Dec. 31, 2013	-	103,598	103,598	0.0%	549,486	18.85%
Dec. 31, 2014	-	102,356	102,356	0.0%	556,007	18.41%

CITY OF RANDLEMAN, NORTH CAROLINA
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contributed
2010	\$ 9,798	0.00%
2011	16,317	0.00%
2012	13,241	0.00%
2013	16,091	0.00%
2014	12,658	0.00%
2015	14,759	0.00%

Notes to required schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay closed
Remaining amortization period	16 years
Asset valuation method	Market value
Actuarial Assumptions:	
Investment rate of return	5.00%
Projected salary increases*	From 4.25% - 7.85%
*Includes inflation at	3.00%
Cost-of-Living Adjustments	N/A

CITY OF RANDLEMAN, NORTH CAROLINA
Other Post Employment Benefits
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2013	-	\$ 764,005	\$ 764,005	0.00%	\$2,089,610	36.56%

CITY OF RANDLEMAN, NORTH CAROLINA
Other Post Employment Benefits
Required Supplementary Information
Schedule of Employer Contributions

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2013	\$ 78,178	6.50%
2014	87,518	5.60%
2015	87,666	6.20%

Notes to required schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation	Market value
Actuarial Assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	7.75% - 5.00%
Year of ultimate trend rate	2019
*Includes inflation at	3.00%

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

	<u>2015</u>	<u>2014</u>
Randleman's proportion of the net pension liability (asset) (%)	0.04090%	0.04178%
Randleman's proportion of the net pension liability (asset) (\$)	\$ (246,397)	\$ 493,002
Randleman's covered-employee payroll	\$ 2,445,608	\$ 2,234,536
Randleman's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-10.08%	22.06%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

CITY OF RANDLEMAN, NORTH CAROLINA
Local Government Employees' Retirement System
Required Supplementary Information
City of Randleman's Contributions

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 166,973	\$ 154,577
Contributions related to the contractual required contribution	<u>166,973</u>	<u>154,577</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Randleman's covered-employee payroll	\$ 2,445,608	\$ 2,234,536
Contributions as a percentage of cover-employee payroll	6.83%	6.92%

SUPPLEMENTAL STATEMENTS

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2015

Schedule 1
(Page 1 of 5)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year	\$ 2,435,000	\$ 2,446,878	\$ 11,878
Prior years	47,000	13,793	(33,207)
Penalties and interest	7,000	7,206	206
Total	<u>2,489,000</u>	<u>2,467,877</u>	<u>(21,123)</u>
Other taxes and licenses:			
Vehicle tag fee	-	36	36
Privilege licenses	500	285	(215)
Total	<u>500</u>	<u>321</u>	<u>(179)</u>
Intergovernmental revenues:			
Unrestricted:			
Local option sales tax	750,000	761,591	11,591
Utilities franchise tax	390,000	587,898	197,898
Randolph County fire district	440,000	442,486	2,486
ABC distribution	121,000	118,333	(2,667)
Beer and wine tax	20,000	19,855	(145)
Fire inspection revenue	8,000	8,070	70
Total	<u>1,729,000</u>	<u>1,938,233</u>	<u>209,233</u>
Restricted:			
Randolph County - Library	12,000	12,000	-
Solid waste disposal tax	2,000	2,070	70
Powell bill street allocation	124,000	123,243	(757)
Total	<u>138,000</u>	<u>137,313</u>	<u>(687)</u>
Sales and services:			
Rents and concessions	-	500	500
Recreation service revenues	237,500	191,179	(46,321)
Library fees	11,500	10,987	(513)
Stormwater fees	38,000	44,092	6,092
Tipping fees	135,000	118,919	(16,081)
Total	<u>422,000</u>	<u>365,677</u>	<u>(56,323)</u>
Investment earnings	<u>5,000</u>	<u>4,082</u>	<u>(918)</u>
Miscellaneous:			
Fundraising	12,000	11,054	(946)
Other	594,500	598,273	3,773
Total	<u>606,500</u>	<u>609,327</u>	<u>2,827</u>
Total Revenues	<u>5,390,000</u>	<u>5,522,830</u>	<u>132,830</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund (Continued)
For the Fiscal Year Ended June 30, 2015

Schedule 1
(Page 2 of 5)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	\$ 30,000	\$ 29,241	\$ 759
Administration:			
Salaries and employee benefits		203,821	
Professional services		34,996	
Telephone and postage		20,345	
Travel and school		7,991	
Insurance		152,945	
Other services and charges		116,397	
Dues and subscriptions		24,634	
Supplies		8,787	
Contracted services		47,927	
Utilities		15,903	
Total	<u>694,500</u>	<u>633,746</u>	<u>60,754</u>
SAFER:			
Salaries and employee benefits		262,194	
Maintenance and repair		5,204	
Other expenditures		6,820	
Capital outlay		1,701	
Total	<u>288,000</u>	<u>275,919</u>	<u>12,081</u>
Central Garage:			
Salaries and employee benefits		52,565	
Automotive supplies		7,108	
Other services and charges		23,358	
Total	<u>98,000</u>	<u>83,031</u>	<u>14,969</u>
Total general government	<u>1,110,500</u>	<u>1,021,937</u>	<u>88,563</u>
Public safety:			
Police:			
Salaries and employee benefits		750,090	
Departmental supplies		46,976	
Telephone		20,167	
Uniforms		6,245	
Fundraising		5,866	

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund (Continued)
For the Fiscal Year Ended June 30, 2015

Schedule 1
(Page 3 of 5)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Public safety (Continued):			
Police:			
Other services and charges		\$ 79,640	
Capital outlay		77,706	
Total	<u>1,060,000</u>	<u>986,690</u>	<u>73,310</u>
Fire:			
Salaries and employee benefits		770,416	
Fire calls		79,738	
Departmental supplies		74,090	
Medical supplies		15,714	
Utilities		18,900	
Telephone and postage		13,708	
Uniforms		6,192	
Fundraising		291	
Capital outlay		274,775	
Other services and charges		39,904	
Total	<u>1,345,600</u>	<u>1,293,728</u>	<u>51,872</u>
Total public safety	<u>2,405,600</u>	<u>2,280,418</u>	<u>125,182</u>
Public works:			
Streets:			
Salaries and employee benefits		84,247	
Utilities		109,746	
Maintenance and repairs		4,640	
Supplies and materials		17,669	
Fundraising		308	
Capital outlay		309,162	
Other services and charges		4,368	
Total	<u>570,000</u>	<u>530,140</u>	<u>39,860</u>
Sanitation:			
Salaries and employee benefits		51,931	
Supplies		7,574	
Gas and automotive supplies		37,915	
Recycling and landfill		94,223	
Other services and charges		32	
Total	<u>207,000</u>	<u>191,675</u>	<u>15,325</u>
Total public works	<u>777,000</u>	<u>721,815</u>	<u>55,185</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund (Continued)
For the Fiscal Year Ended June 30, 2015

Schedule 1
(Page 4 of 5)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		\$ 222,268	
Utilities		36,396	
Gas and supplies		19,611	
Uniforms		16,515	
Special events		79,806	
Fundraising		498	
Capital outlay		82,302	
Other services and charges		57,765	
Total	<u>\$ 554,500</u>	<u>\$ 515,161</u>	<u>\$ 39,339</u>
Library:			
Salaries and employee benefits		164,484	
Utilities		11,633	
Books		12,417	
Maintenance and repairs		10,280	
Fundraising		7,126	
Other services and charges		14,566	
Total	<u>250,000</u>	<u>220,506</u>	<u>29,494</u>
Total cultural and recreational	<u>804,500</u>	<u>735,667</u>	<u>68,833</u>
Economic and physical development:			
Industrial development		6,000	
Senior citizens		20,000	
Other expenditures		32,644	
Total	<u>60,400</u>	<u>58,644</u>	<u>1,756</u>
Planning and zoning:			
Salaries and employee benefits		65,303	
Other services and charges		11,552	
Total	<u>90,500</u>	<u>76,855</u>	<u>13,645</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund (Continued)
For the Fiscal Year Ended June 30, 2015

Schedule 1
(Page 5 of 5)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Supplemental Budget Appropriations:			
Debt principal and interest payments	\$ 400,500	\$ 384,775	\$ 15,725
Total supplemental budget appropriations	<u>400,500</u>	<u>384,775</u>	<u>15,725</u>
Total expenditures	<u>5,649,000</u>	<u>5,280,111</u>	<u>368,889</u>
Revenues over (under) expenditures	<u>(259,000)</u>	<u>242,719</u>	<u>501,719</u>
Other Financing Sources:			
Transfers to/from other funds:			
Nonmajor capital project funds	(551,000)	(529,165)	21,835
Total	<u>(551,000)</u>	<u>(529,165)</u>	<u>21,835</u>
Fund balance appropriated	810,000	-	(810,000)
Net change in fund balance	<u>\$ -</u>	(286,446)	<u>\$ (286,446)</u>
Fund balance, beginning		<u>3,604,598</u>	
Fund balance, ending		<u>\$ 3,318,152</u>	

CITY OF RANDLEMAN, NORTH CAROLINA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Randleman Library Endowment Fund	Public Works Building Fund	City Center Fund	Library Renovation Fund
Assets				
Cash and cash equivalents	\$ 64,304	\$ -	\$ -	\$ -
Due from other governments	-	67	-	17,360
Total assets	<u>\$ 64,304</u>	<u>\$ 67</u>	<u>\$ -</u>	<u>\$ 17,360</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 9,565
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,565</u>
Fund Balances:				
Non spendable:				
Library trust fund	50,000	-	-	-
Restricted for:				
Public works	-	67	-	7,795
Cultural and recreational	14,304	-	-	-
Total fund balances	<u>64,304</u>	<u>67</u>	<u>-</u>	<u>7,795</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 64,304</u>	<u>\$ 67</u>	<u>\$ -</u>	<u>\$ 17,360</u>

Schedule 2

City Hall Fund	Phase II Fund	Stout Street Park Improvements Fund	Animal Shelter Fund	Deep River Greenway Fund	Total Nonmajor Governmental Funds
\$ -	\$ 34,214	\$ -	\$ -	\$ -	\$ 98,518
-	600	-	-	680	18,707
<u>\$ -</u>	<u>\$ 34,814</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 680</u>	<u>\$ 117,225</u>
\$ -	\$ 6,251	\$ 56,248	\$ -	\$ 32,620	\$ 104,684
-	6,251	56,248	-	32,620	104,684
-	-	-	-	-	50,000
-	28,563	-	-	-	36,425
-	-	(56,248)	-	(31,940)	(73,884)
-	28,563	(56,248)	-	(31,940)	12,541
<u>\$ -</u>	<u>\$ 34,814</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 680</u>	<u>\$ 117,225</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Randleman Library Endowment Fund	Public Works Building Fund	City Center Fund	Library Renovation Fund
Expenditures				
Current:				
Public works	\$ -	\$ 5,000	\$ -	\$ -
Cultural and recreational	-	-	-	4,582
Economic and physical development	-	-	-	-
Capital outlay	-	79,026	-	408,623
Total expenditures	-	84,026	-	413,205
Revenues over (under) expenditures	-	(84,026)	-	(413,205)
Other Financing Sources				
Transfers (to) from other funds	-	127,000	(8,494)	30,000
Other income	-	-	-	-
Total other financing sources	-	127,000	(8,494)	30,000
Net change in fund balances	-	42,974	(8,494)	(383,205)
Fund balances, beginning	64,304	(42,907)	8,494	391,000
Fund balances, ending	\$ 64,304	\$ 67	\$ -	\$ 7,795

Schedule 3

City Hall Fund	Phase II Fund	Stout Street Park Improvements Fund	Animal Shelter Fund	Deep River Greenway Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000
-	-	56,248	-	-	60,830
-	13,432	-	-	-	13,432
-	102,198	-	200,000	81,940	871,787
-	115,630	56,248	200,000	81,940	951,049
-	(115,630)	(56,248)	(200,000)	(81,940)	(951,049)
(13,341)	194,000	-	200,000	-	529,165
-	2,139	-	-	-	2,139
(13,341)	196,139	-	200,000	-	531,304
(13,341)	80,509	(56,248)	-	(81,940)	(419,745)
13,341	(51,946)	-	-	50,000	432,286
\$ -	\$ 28,563	\$ (56,248)	\$ -	\$ (31,940)	\$ 12,541

CITY OF RANDLEMAN, NORTH CAROLINA

Schedule 4

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

Capital Projects Fund - Public Works Building

From Inception and For the Fiscal Year Ended June 30, 2015

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures					
Public Works Building Project:					
Engineering and architecture	\$ 70,000	\$ 22,836	\$ -	\$ 22,836	\$ 47,164
Construction	708,000	617,518	79,026	696,544	11,456
Administration	12,000	2,553	5,000	7,553	4,447
Interest	10,000	-	-	-	10,000
Total expenditures	<u>800,000</u>	<u>642,907</u>	<u>84,026</u>	<u>726,933</u>	<u>73,067</u>
Other Financing Sources					
Public Works Building Project:					
Transfers from other funds:					
General fund	250,000	250,000	127,000	377,000	127,000
Water and sewer fund	350,000	350,000	-	350,000	-
Loan proceeds	200,000	-	-	-	(200,000)
Total other financing sources	<u>800,000</u>	<u>600,000</u>	<u>127,000</u>	<u>727,000</u>	<u>(73,000)</u>
Net Change in Fund Balance					
	<u>\$ -</u>	<u>\$ (42,907)</u>	\$ 42,974	<u>\$ 67</u>	<u>\$ 67</u>
Fund balance, beginning			<u>(42,907)</u>		
Fund balance (deficit), ending			<u>\$ 67</u>		

CITY OF RANDLEMAN, NORTH CAROLINA

Schedule 5

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

Capital Projects Fund - Library Renovation

From Inception and For the Fiscal Year Ended June 30, 2015

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures					
Library Renovation Project:					
Engineering and architecture	\$ 10,000	\$ 9,000	\$ 4,582	\$ 13,582	\$ (3,582)
Construction	155,000	-	199,457	199,457	(44,457)
Furnishings and equipment	265,000	-	209,166	209,166	55,834
Total expenditures	<u>430,000</u>	<u>9,000</u>	<u>413,205</u>	<u>422,205</u>	<u>7,795</u>
Other Financing Sources					
Library Renovation Project:					
Transfers from other funds:					
General fund	30,000	-	30,000	30,000	-
Loan proceeds	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>400,000</u>	<u>-</u>
Total other financing sources	<u>430,000</u>	<u>400,000</u>	<u>30,000</u>	<u>430,000</u>	<u>-</u>
Net Change in Fund Balance					
	<u>\$ -</u>	<u>\$ 391,000</u>	<u>\$ (383,205)</u>	<u>\$ 7,795</u>	<u>\$ 7,795</u>
Fund balance, beginning			<u>391,000</u>		
Fund balance, ending			<u>\$ 7,795</u>		

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

Capital Projects Fund - Phase II Project

From Inception and For the Fiscal Year Ended June 30, 2015

	Project	Actual		Total	Variance
	Authorization	Prior	Current	to Date	Positive
		Year	Year		(Negative)
Expenditures					
Phase II Project:					
Repairs and maintenance	\$ 22,000	\$ 3,452	\$ 8,431	\$ 11,883	\$ 10,117
Capital outlay	580,000	487,181	102,198	589,379	(9,379)
Other expenditure	42,000	36,313	5,001	41,314	686
Total expenditures	<u>644,000</u>	<u>526,946</u>	<u>115,630</u>	<u>642,576</u>	<u>1,424</u>
Other Financing Sources					
Phase II Project:					
Transfers from other funds:					
General fund	244,000	-	194,000	194,000	(50,000)
Loan proceeds	400,000	475,000	-	475,000	75,000
Other income	-	-	2,139	2,139	2,139
Total other financing sources	<u>644,000</u>	<u>475,000</u>	<u>196,139</u>	<u>671,139</u>	<u>27,139</u>
Net Change in Fund					
Balance	<u>\$ -</u>	<u>\$ (51,946)</u>	\$ 80,509	<u>\$ 28,563</u>	<u>\$ 28,563</u>
Fund balance (deficit), beginning			<u>(51,946)</u>		
Fund balance, ending			<u>\$ 28,563</u>		

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

Capital Projects Fund - Stout Street Park Improvements

From Inception and For the Fiscal Year Ended June 30, 2015

	Project	Actual		Total	Variance
	Authorization	Prior	Current	to Date	Positive
		Year	Year		(Negative)
Expenditures					
Stout Street Park Improvements:					
Repairs and maintenance	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Capital outlay	1,600,000	-	-	-	1,600,000
Other expenditure	80,000	-	56,248	56,248	23,752
Total expenditures	<u>1,780,000</u>	<u>-</u>	<u>56,248</u>	<u>56,248</u>	<u>1,723,752</u>
Other Financing Sources					
Stout Street Park Improvements:					
Loan proceeds	1,280,000	-	-	-	(1,280,000)
Grants and donations	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>
Total other financing sources	<u>1,780,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,780,000)</u>
Net Change in Fund					
Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (56,248)</u>	<u>\$ (56,248)</u>	<u>\$ (56,248)</u>
Fund balance, beginning			<u>-</u>		
Fund balance (deficit), ending			<u>\$ (56,248)</u>		

CITY OF RANDLEMAN, NORTH CAROLINA

Schedule 8

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

Capital Projects Fund - Animal Shelter

From Inception and For the Fiscal Year Ended June 30, 2015

	Project	Actual		Total	Variance
	Authorization	Prior	Current	to Date	Positive
		Year	Year		(Negative)
Expenditures					
Animal Shelter:					
Capital outlay	\$ 200,000	\$ -	\$ 200,000	\$ 200,000	\$ -
Other expenditure	50,000	-	-	-	50,000
Total expenditures	250,000	-	200,000	200,000	50,000
Other Financing Sources					
Animal Shelter:					
Transfers from other funds:					
General fund	200,000	-	200,000	200,000	-
Grants and donations	50,000	-	-	-	(50,000)
Total other financing sources	250,000	-	200,000	200,000	(50,000)
Net Change in Fund					
Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance (deficit), ending			<u>\$ -</u>		

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

Capital Projects Fund - Deep River Greenway Project

From Inception and For the Fiscal Year Ended June 30, 2015

	Project	Actual		Total	Variance
	Authorization	Prior	Current	to Date	Positive
		Year	Year		(Negative)
Expenditures					
Deep River Greenway Project:					
Construction	\$ 249,000	\$ -	\$ 81,940	\$ 81,940	\$ 167,060
Total expenditures	<u>249,000</u>	<u>-</u>	<u>81,940</u>	<u>81,940</u>	<u>167,060</u>
Other Financing Sources					
Deep River Greenway Project:					
Grant proceeds	\$ 199,000	\$ -	\$ -	\$ -	\$ (199,000)
Loan proceeds	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Total other financing sources	<u>249,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>(199,000)</u>
Net Change in Fund Balance					
	<u>\$ -</u>	<u>\$ 50,000</u>	\$ (81,940)	<u>\$ (31,940)</u>	<u>\$ (31,940)</u>
Fund balance, beginning			<u>50,000</u>		
Fund balance (deficit), ending			<u>\$ (31,940)</u>		

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (NON-GAAP)
Water and Sewer Fund
For the Fiscal Year Ended June 30, 2015

Schedule 10
(Page 1 of 2)

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales		\$ 1,230,799	\$ 1,230,799
Sewer charges		885,377	885,377
Water and sewer taps		14,400	14,400
Other operating revenues		32,556	32,556
Total	<u>2,415,000</u>	<u>2,163,132</u>	<u>(251,868)</u>
Nonoperating revenues:			
Interest earned on investments	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Total revenues	<u>2,416,000</u>	<u>2,163,132</u>	<u>(252,868)</u>
Expenditures:			
Operating expenditures:			
Water treatment and distribution:			
Salaries and employee benefits		154,456	
Repairs and maintenance		3,233	
Utilities		3,578	
Utility services		58,654	
Purchase of water		548,782	
Other operating expenditures		122,199	
Total	<u>952,000</u>	<u>890,902</u>	<u>61,098</u>
Water and sewer maintenance:			
Salaries and employee benefits		255,484	
Repairs and maintenance		39,417	
Other operating expenditures		64,140	
Total	<u>542,900</u>	<u>359,041</u>	<u>183,859</u>
Wastewater treatment:			
Salaries and employee benefits		215,463	
Supplies and chemicals		20,355	
Repairs and maintenance		53,732	
Utilities		127,922	
Pretreatment/lab		22,552	
Sludge removal		33,955	
Capital outlay		23,385	
Other operating expenditures		72,470	
Total	<u>618,000</u>	<u>569,834</u>	<u>48,166</u>
Total operating expenditures	<u>\$ 2,112,900</u>	<u>\$ 1,819,777</u>	<u>\$ 293,123</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (NON-GAAP)
Water and Sewer Fund
For the Fiscal Year Ended June 30, 2015

Schedule 10
(Page 2 of 2)

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures:			
Nonoperating expenditures:			
Interest and fiscal charges on long-term debt		\$ 75,733	
PTRWA principal payments		176,148	
Bond principal payments		115,367	
PTRWA admin operating costs		34,023	
Total nonoperating expenditures	<u>403,100</u>	<u>401,271</u>	<u>\$ 1,829</u>
Total expenditures	<u>2,516,000</u>	<u>2,221,048</u>	<u>294,952</u>
Revenues over (under) expenditures	<u>(100,000)</u>	<u>(57,916)</u>	<u>42,084</u>
Fund balance appropriated	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Revenues and appropriated fund balance over (under) expenditures and other uses	<u><u>\$ -</u></u>	<u>(57,916)</u>	<u><u>\$ (57,916)</u></u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis:			
Reconciling items:			
Depreciation		(323,375)	
Capital outlay		23,385	
Principal retirement		291,515	
Total		<u>(8,475)</u>	
Change in net position		<u><u>\$ (66,391)</u></u>	

CITY OF RANDLEMAN, NORTH CAROLINA

Schedule 11

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

Capital Projects Fund - Waterline Improvements

From Inception and For the Fiscal Year Ended June 30, 2015

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures					
Waterline Improvements					
Project:					
Engineering and architecture	\$ 75,000	\$ 69,756	\$ 1,914	\$ 71,670	\$ 3,330
Waterline improvements	455,000	334,160	235,784	569,944	(114,944)
Contingency	20,000	-	-	-	20,000
Total expenditures	<u>550,000</u>	<u>403,916</u>	<u>237,698</u>	<u>641,614</u>	<u>(91,614)</u>
Other Financing Sources					
Waterline Improvements					
Project:					
Transfers from other fund:					
Water and sewer fund	120,000	120,000	-	120,000	-
Loan Proceeds	430,000	-	-	-	(430,000)
Total other financing sources	<u>550,000</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>	<u>(430,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (283,916)</u>	<u>(237,698)</u>	<u>\$ (521,614)</u>	<u>\$ (521,614)</u>
Fund balance, beginning			<u>(283,916)</u>		
Fund balance, ending			<u>\$ (521,614)</u>		

CITY OF RANDLEMAN, NORTH CAROLINA

Schedule 12

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

Capital Projects Fund - Wastewater System Repair

From Inception and For the Fiscal Year Ended June 30, 2015

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures					
Wastewater System Repair					
Project:					
Construction	\$ 768,020	\$ 791,698	\$ -	\$ 791,698	\$ (23,678)
Technical services	64,585	118,486	-	118,486	(53,901)
Contingency	38,401	-	-	-	38,401
Closing fee	13,566	19,868	-	19,868	(6,302)
Total expenditures	<u>884,572</u>	<u>930,052</u>	<u>-</u>	<u>930,052</u>	<u>(45,480)</u>
Other Financing Sources					
Wastewater System Repair					
Project:					
Transfers from other funds:					
Water and sewer fund	192,690	-	-	-	(192,690)
Revolving loan proceeds	<u>691,882</u>	<u>797,001</u>	<u>73,554</u>	<u>870,555</u>	<u>178,673</u>
Total other financing sources	<u>884,572</u>	<u>797,001</u>	<u>73,554</u>	<u>870,555</u>	<u>(14,017)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (133,051)</u>	<u>73,554</u>	<u>\$ (59,497)</u>	<u>\$ (59,497)</u>
Fund balance, beginning			<u>(133,051)</u>		
Fund balance, ending			<u>\$ (59,497)</u>		

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

Capital Projects Fund - Water Tank Improvements

From Inception and For the Fiscal Year Ended June 30, 2015

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures					
Water Tank Improvements					
Project:					
Water tank improvements	\$ 195,000	\$ 234,908	\$ -	\$ 234,908	\$ (39,908)
Contingency	5,000	-	-	-	5,000
Total expenditures	<u>200,000</u>	<u>234,908</u>	<u>-</u>	<u>234,908</u>	<u>(34,908)</u>
Other Financing Sources					
Water Tank Improvements					
Project:					
Transfers from other funds:					
General fund	20,000	-	-	-	(20,000)
Water and sewer fund	180,000	-	-	-	(180,000)
Total other financing sources	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (234,908)</u>	<u>-</u>	<u>\$ (234,908)</u>	<u>\$ (234,908)</u>
Fund balance, beginning			<u>(234,908)</u>		
Fund balance, ending			<u>\$ (234,908)</u>		

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Changes in Assets and Liabilities
Fireman's Relief Fund
For the Fiscal Year Ended June 30, 2015

Schedule 14

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets				
Cash and cash equivalents	<u>\$ 118,383</u>	<u>\$ 28,338</u>	<u>\$ -</u>	<u>\$ 146,721</u>
Liabilities				
Intergovernmental payable	<u>\$ 118,383</u>	<u>\$ 28,338</u>	<u>\$ -</u>	<u>\$ 146,721</u>

CITY OF RANDLEMAN, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
Fiscal Years ended June 30, 2014

Schedule 15

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections and Credits	Uncollected Balance June 30, 2015
2014 - 2015	\$ -	\$ 2,462,281	\$ 2,440,858	\$ 21,423
2013 - 2014	17,183	-	11,872	5,311
2012 - 2013	5,266	-	1,524	3,742
2011 - 2012	2,302	-	475	1,827
2010 - 2011	2,471	-	224	2,247
2009 - 2010	2,002	-	263	1,739
2008 - 2009	1,692	-	312	1,380
2007 - 2008	1,699	-	362	1,337
2006 - 2007	1,090	-	72	1,018
2005 - 2006	1,094	-	62	1,032
2004 - 2005	1,105	-	1,105	-
	\$ 35,904	\$ 2,462,281	\$ 2,457,129	41,056
Less: allowance for uncollectible accounts				-
Ad valorem taxes receivable, net				\$ 41,056
Reconciliation with revenues:				
Ad valorem taxes collected - General Fund				\$ 2,467,877
Reconciling items:				
Interest collected				(7,206)
Miscellaneous adjustments				(3,542)
Total collections and credits				\$ 2,457,129

CITY OF RANDLEMAN, NORTH CAROLINA
Analysis of Current Tax Levy City-Wide Levy
Fiscal Year Ended June 30, 2014

Schedule 16

	City-Wide		Total Levy		
	Property		Total	Property	Registered
	Valuation	Rate	Levy	Excluding Registered Motor Vehicles	Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 394,245,556	0.63%	\$ 2,483,747	\$ 2,314,715	\$ 169,032
Penalties	-		424	424	-
Total	<u>394,245,556</u>		<u>2,484,171</u>	<u>2,315,139</u>	<u>169,032</u>
Abatements	<u>(3,474,603)</u>		<u>(21,890)</u>	<u>(21,890)</u>	<u>-</u>
Total property valuation	<u><u>\$ 390,770,953</u></u>				
Net levy			2,462,281	2,293,249	169,032
Uncollected taxes at June 30, 2015			<u>(21,423)</u>	<u>(21,349)</u>	<u>(74)</u>
Current year's taxes collected			<u>\$ 2,440,858</u>	<u>\$ 2,271,900</u>	<u>\$ 168,958</u>
Current levy collection percentage			<u>99.13%</u>	<u>99.07%</u>	<u>99.96%</u>

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregated remaining fund information of the City of Randleman, North Carolina (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 22, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
February 22, 2016