

CITY OF RANDLEMAN, NORTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

# CITY OF RANDLEMAN, NORTH CAROLINA

## **Board of Aldermen**

Clarence Jernigan, Mayor  
Gary Betts, Mayor Pro-Tempore  
Nancy Henderson, Alderman  
Gary Betts, Alderman  
Keith Fogleman, Alderman  
Renee Bryant, Alderman

## **City Officials**

Nick Holcomb, City Manager  
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, Parks and Recreation Director  
Greg Patton, Planning Director  
Donna Toomes, Library Director  
Michael Glass, Wastewater Director

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**June 30, 2016**

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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, 2016, 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, 2016, 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 States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

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

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

generally accepted in the United States of America. In our opinion, based on our audit and the procedures as described above, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 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  
December 20, 2016



**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

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, 2016. 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.

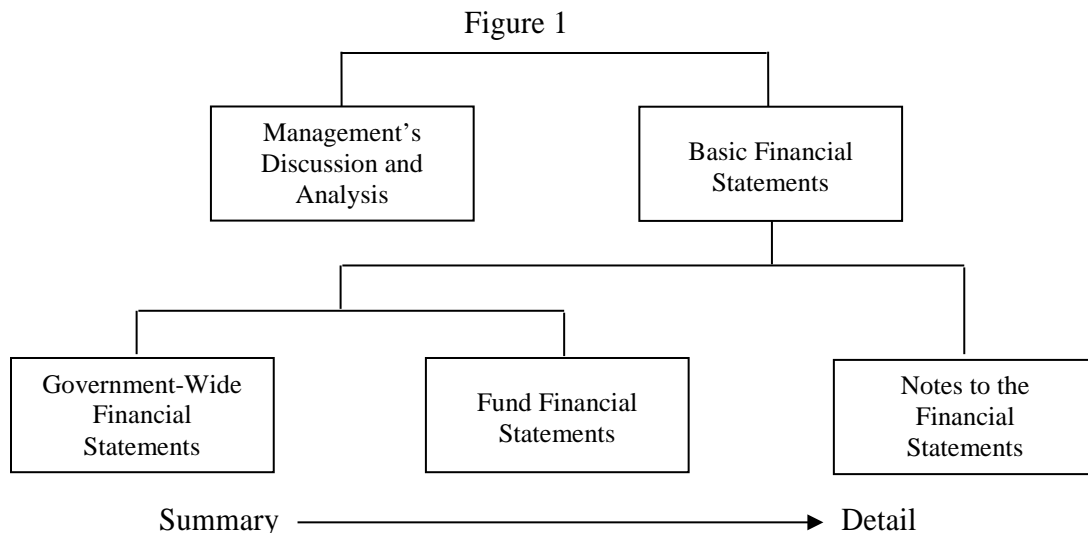
**Financial Highlights**

- 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 \$18,630,007 (net position).
- The government's total net position increased by \$249,250 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 \$3,767,068, a increase of \$436,375 in comparison with the prior year. Approximately 31% of this total amount, or \$1,166,944, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,225,787, or 48.9%, 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, 2016

### **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, 2016

*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, 2016**

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

	Business-Type					
	Governmental Activities		Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 3,914,162	\$ 3,819,193	\$ 1,479,010	\$ 1,593,877	\$ 5,393,172	\$ 5,413,070
Capital assets	11,019,136	11,365,735	6,929,257	7,195,479	17,948,393	18,561,214
Deferred outflows of resources	162,130	133,743	40,533	33,436	202,663	167,179
Total assets and deferred outflows	<u>15,095,428</u>	<u>15,318,671</u>	<u>8,448,800</u>	<u>8,822,792</u>	<u>23,544,228</u>	<u>24,141,463</u>
Long-term liabilities	2,265,007	2,263,740	2,286,263	2,534,086	4,551,270	4,797,826
Other liabilities	84,497	204,109	158,801	158,231	243,298	362,340
Deferred inflows of resources	95,725	480,435	23,928	120,105	119,653	600,540
Total liabilities and deferred inflows	<u>2,445,229</u>	<u>2,948,284</u>	<u>2,468,992</u>	<u>2,812,422</u>	<u>4,914,221</u>	<u>5,760,706</u>
Net investment in capital assets	9,541,495	9,749,782	4,732,441	4,705,131	14,273,936	14,454,913
Restricted	1,166,944	1,244,557	-	-	1,166,944	1,244,557
Unrestricted	<u>1,941,760</u>	<u>1,376,048</u>	<u>1,247,367</u>	<u>1,305,239</u>	<u>3,189,127</u>	<u>2,681,287</u>
Total net position	<u>\$ 12,650,199</u>	<u>\$ 12,370,387</u>	<u>\$ 5,979,808</u>	<u>\$ 6,010,370</u>	<u>\$ 18,630,007</u>	<u>\$ 18,380,757</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 \$18,630,007 as of June 30, 2016. One of the largest portions, \$14,273,936 or 77%, 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, \$1,166,944, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,189,127 is unrestricted.

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

- A collection rate of 99.72% for property taxes including Motor Vehicle taxes.
- Continual examination of departmental spending to conserve resources and boost fund balance.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

**City of Randleman's Changes in Net Position**

**Figure 3**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 473,149	\$ 365,677	\$ 2,309,179	\$ 2,163,132	\$ 2,782,328	\$ 2,528,809
Operating grants and contributions	137,928	137,313	-	-	137,928	137,313
Capital grants and contributions	-	2,031,317	-	-	-	2,031,317
General revenues:						
Property taxes	2,464,906	2,473,919	-	-	2,464,906	2,473,919
Other taxes	283	321	-	-	283	321
Grants and contributions not restricted to specific programs	1,699,509	1,938,233	-	-	1,699,509	1,938,233
Unrestricted investment earnings	10,341	4,082	-	-	10,341	4,082
Other	373,561	605,847	-	-	373,561	605,847
Total revenues	<u>5,159,677</u>	<u>7,556,709</u>	<u>2,309,179</u>	<u>2,163,132</u>	<u>7,468,856</u>	<u>9,719,841</u>
<b>Expenses:</b>						
General government	686,924	1,084,587	-	-	686,924	1,084,587
Public safety	2,668,268	2,276,630	-	-	2,668,268	2,276,630
Public works	484,374	486,055	-	-	484,374	486,055
Cultural and recreation	825,347	855,519	-	-	825,347	855,519
Economic development	214,952	156,100	-	-	214,952	156,100
Water and sewer	-	-	2,339,741	2,229,523	2,339,741	2,229,523
Total expenses	<u>4,879,865</u>	<u>4,858,891</u>	<u>2,339,741</u>	<u>2,229,523</u>	<u>7,219,606</u>	<u>7,088,414</u>
Increase (decrease) in net position	279,812	2,697,818	(30,562)	(66,391)	249,250	2,631,427
Net position, beginning, restated	<u>12,370,387</u>	<u>9,157,380</u>	<u>6,010,370</u>	<u>5,782,661</u>	<u>18,380,757</u>	<u>14,940,041</u>
Net position, June 30,	<u>\$ 12,650,199</u>	<u>\$ 11,855,198</u>	<u>\$ 5,979,808</u>	<u>\$ 5,716,270</u>	<u>\$ 18,630,007</u>	<u>\$ 17,571,468</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

*Governmental Activities* - Governmental activities increased the City's net position by \$279,812.

*Business-Type Activities* - Business-type activities decreased the City of Randleman's net position by \$30,562.

**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 \$2,225,787, while the total fund balance increased to \$3,559,731. 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 49% of General Fund expenditures, while total fund balance represents 78% of the same amount.

At June 30, 2016, the governmental funds of the City of Randleman reported a combined fund balance of \$3,767,068 with a net increase in fund balance of \$436,375. Included in this change in fund balance are increases in fund balance of the General Fund and the Capital Projects Funds.

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

*Proprietary Fund* - The City of Randleman's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,247,367. The total decrease in net position for the Water and Sewer Fund amounted to \$30,562.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

**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, 2016, totaled \$17,948,393 (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:

- Construction in progress on Stout Street Park renovations of \$182,277
- Purchase of a backhoe loader for \$83,190
- Purchase of two police cars for a total of \$82,977

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

	Governmental Activities		Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 355,292	\$ 355,292	\$ 7,275	\$ 7,275	\$ 362,567	\$ 362,567
Construction in progress	823,591	641,314	806,840	880,772	1,630,431	1,522,086
Land improvements	950,216	999,995	-	-	950,216	999,995
System improvements	-	-	748,960	748,820	748,960	748,820
Water rights	-	-	1,294,839	1,324,101	1,294,839	1,324,101
Buildings and improvements	5,183,249	5,167,104	837,350	832,910	6,020,599	6,000,014
Water distribution system	-	-	1,897,316	1,897,315	1,897,316	1,897,315
Infrastructure	747,111	673,760	-	-	747,111	673,760
Machinery and equipment	2,935,064	2,986,177	1,336,677	1,210,186	4,271,741	4,196,363
Other	24,613	26,904	-	-	24,613	26,904
Total	\$ 11,019,136	\$ 10,850,546	\$ 6,929,257	\$ 6,901,379	\$ 17,948,393	\$ 17,751,925

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, 2016, the City of Randleman had total debt outstanding of \$3,392,387. 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, 2016**

**General Obligation Bonds, Installment Purchases and Notes**

**Figure 5**

	Governmental Activities		Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Installment purchases	1,195,571	1,504,437	298,397	431,017	1,493,968	1,935,454
Notes payable	-	-	767,722	853,768	767,722	853,768
PTRWA obligation	-	-	1,130,697	1,205,563	1,130,697	1,205,563
Total	\$ 1,195,571	\$ 1,504,437	\$ 2,196,816	\$ 2,490,348	\$ 3,392,387	\$ 3,994,785

**City of Randleman's Outstanding Debt**

The City of Randleman's total debt decreased by \$602,398 (15%) 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, 2016 was \$31,289,923. The City had no general obligation bonds outstanding at June 30, 2016.

**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, 2016 stands at 5.3% which mirrors the surrounding area as well as the State.

*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, 2016

*Investment* - During 2016, 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, the overhaul of Stout Street Park, and the renovation and relocation of the library to the space vacated by the Richard Petty Museum.
- The City approved a \$4,942,000 general fund budget for fiscal year 2016-2017. This budget represents a 2% increase from the fiscal year 2015-2016 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**

## Statement of Net Position

June 30, 2016

	Primary Government			City of Randleman ABC Board
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 2,794,445	\$ 862,202	\$ 3,656,647	\$ 381,776
Receivables:				
Taxes receivable, net	26,380	-	26,380	-
Accounts receivable	38,093	497,383	535,476	-
Inventory and prepaid expenses	-	107,228	107,228	112,918
Due from other governments	316,795	12,197	328,992	-
Due from component unit	16,615	-	16,615	-
Restricted cash and cash equivalents	721,834	-	721,834	-
Total current assets	<u>3,914,162</u>	<u>1,479,010</u>	<u>5,393,172</u>	<u>494,694</u>
Non-current assets:				
Capital assets:				
Land and construction in progress	1,178,883	814,115	1,992,998	80,170
Other capital assets, net of depreciation	9,840,253	6,115,142	15,955,395	322,989
Total non-current assets	<u>11,019,136</u>	<u>6,929,257</u>	<u>17,948,393</u>	<u>403,159</u>
Total assets	<u>14,933,298</u>	<u>8,408,267</u>	<u>23,341,565</u>	<u>897,853</u>
<b>Deferred Outflows of Resources</b>				
Contributions to pension plan in current fiscal year	<u>162,130</u>	<u>40,533</u>	<u>202,663</u>	<u>4,249</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities	84,497	70,714	155,211	51,327
Customer deposits	-	66,356	66,356	-
Other current payables	-	21,731	21,731	16,615
Current portion of long-term liabilities	<u>366,070</u>	<u>313,837</u>	<u>679,907</u>	<u>-</u>
Total current liabilities	<u>450,567</u>	<u>472,638</u>	<u>923,205</u>	<u>67,942</u>
Long-term liabilities:				
Net pension liability	184,150	46,037	230,187	-
Due in more than one year	<u>1,714,787</u>	<u>1,926,389</u>	<u>3,641,176</u>	<u>30,497</u>
Total liabilities	<u>2,349,504</u>	<u>2,445,064</u>	<u>4,794,568</u>	<u>98,439</u>
<b>Deferred Inflows of Resources</b>				
Prepaid taxes	13	-	13	-
Pension deferrals	<u>95,712</u>	<u>23,928</u>	<u>119,640</u>	<u>3,663</u>
<b>Net Position</b>				
Net investment in capital assets	9,541,495	4,732,441	14,273,936	403,159
Restricted for:				
Library trust fund	50,000	-	50,000	-
Stabilization by State Statute	395,110	-	395,110	-
Streets	721,834	-	721,834	-
Working capital	-	-	-	45,394
Unrestricted	<u>1,941,760</u>	<u>1,247,367</u>	<u>3,189,127</u>	<u>351,447</u>
Total net position	<u>\$ 12,650,199</u>	<u>\$ 5,979,808</u>	<u>\$ 18,630,007</u>	<u>\$ 800,000</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, 2016**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 686,924	\$ -	\$ -	\$ -
Public safety	2,668,268	-	-	-
Public works	484,374	198,838	125,928	-
Cultural and recreational	825,347	274,311	12,000	-
Economic and physical development	214,952	-	-	-
Total governmental activities	<u>4,879,865</u>	<u>473,149</u>	<u>137,928</u>	<u>-</u>
Business-type activities:				
Water and sewer	<u>2,339,741</u>	<u>2,309,179</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>2,339,741</u>	<u>2,309,179</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 7,219,606</u>	<u>\$ 2,782,328</u>	<u>\$ 137,928</u>	<u>\$ -</u>
<b>Component Unit:</b>				
ABC Board	<u>\$ 1,132,982</u>	<u>\$ 1,183,704</u>	<u>\$ -</u>	<u>\$ -</u>
Total component unit	<u>\$ 1,132,982</u>	<u>\$ 1,183,704</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Statement of Activities (Continued)**  
**For the Year Ended June 30, 2016**

Exhibit 2

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			City of Randleman ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ (686,924)	\$ -	\$ (686,924)	\$ -
Public safety	(2,668,268)	-	(2,668,268)	-
Public works	(159,608)	-	(159,608)	-
Cultural and recreational	(539,036)	-	(539,036)	-
Economic and physical development	(214,952)	-	(214,952)	-
Total governmental activities	<u>(4,268,788)</u>	<u>-</u>	<u>(4,268,788)</u>	<u>-</u>
Business-type activities:				
Water and sewer	-	(30,562)	(30,562)	-
Total business-type activities	<u>-</u>	<u>(30,562)</u>	<u>(30,562)</u>	<u>-</u>
Total primary government	<u>(4,268,788)</u>	<u>(30,562)</u>	<u>(4,299,350)</u>	<u>-</u>
<b>Component Unit:</b>				
ABC Board	\$ -	\$ -	\$ -	\$ 50,722
Total component unit	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,722</u>
<b>General Revenues:</b>				
Taxes:				
Property taxes, levied for general purpose	2,464,906	-	2,464,906	-
Other taxes and licenses	283	-	283	-
Grants and contributions not restricted to a specific purpose	1,699,509	-	1,699,509	-
Unrestricted investment earnings	10,341	-	10,341	299
Miscellaneous revenues	373,561	-	373,561	-
Total general revenues and transfers	<u>4,548,600</u>	<u>-</u>	<u>4,548,600</u>	<u>299</u>
Change in net position	<u>279,812</u>	<u>(30,562)</u>	<u>249,250</u>	<u>51,021</u>
Net position, beginning, previously reported	11,855,198	5,716,270	17,571,468	748,979
Restatement	515,189	294,100	809,289	-
Net position, beginning, restated	<u>12,370,387</u>	<u>6,010,370</u>	<u>18,380,757</u>	<u>748,979</u>
Net position, ending	<u>\$ 12,650,199</u>	<u>\$ 5,979,808</u>	<u>\$ 18,630,007</u>	<u>\$ 800,000</u>

## Balance Sheet

## Governmental Funds

June 30, 2016

	Major Fund	Total	Total
	General Fund	Non-Major Fund	Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 2,584,786	\$ 209,659	\$ 2,794,445
Restricted cash	721,834	-	721,834
Receivables:			
Taxes receivable, net	26,380	-	26,380
Accounts receivable	38,093	-	38,093
Due from other governments	314,022	2,773	316,795
Due from component unit	16,615	-	16,615
Total assets	<u>\$ 3,701,730</u>	<u>\$ 212,432</u>	<u>\$ 3,914,162</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	<u>\$ 79,402</u>	<u>\$ 5,095</u>	<u>\$ 84,497</u>
<b>Deferred inflows of resources</b>			
Property taxes receivable	62,584	-	62,584
Prepaid taxes	13	-	13
Total deferred inflows of resources	<u>62,597</u>	<u>-</u>	<u>62,597</u>
<b>Fund Balances:</b>			
Non spendable:			
Library trust fund	-	50,000	50,000
Restricted for:			
Stabilization by state statute	395,110	-	395,110
Streets	721,834	-	721,834
Assigned:			
Capital projects	-	157,337	157,337
Subsequent year's expenditures	217,000	-	217,000
Unassigned	<u>2,225,787</u>	<u>-</u>	<u>2,225,787</u>
Total fund balances	<u>3,559,731</u>	<u>207,337</u>	<u>3,767,068</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,701,730</u>	<u>\$ 212,432</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, 2016**

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Exhibit 4

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

Total Fund Balance, Governmental Funds		\$ 3,767,068
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Gross capital assets at historical cost	\$ 16,621,431	
Accumulated depreciation	<u>(5,602,295)</u>	11,019,136
Liabilities for earned revenues considered deferred inflows of resources in fund statements		62,584
Deferred outflows of resources related to pensions are not reported in the funds		162,130
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:		
Gross long-term debt beginning	(2,263,740)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year)	182,883	
Net pension liability	<u>(184,150)</u>	(2,265,007)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(95,712)</u>
Net position of governmental activities		<u><u>\$ 12,650,199</u></u>

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

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>
<b>Revenues</b>			
Ad valorem taxes	\$ 2,489,582	\$ -	\$ 2,489,582
Other taxes and licenses	283	-	283
Intergovernmental revenues:			
Unrestricted	1,699,509	-	1,699,509
Restricted	137,928	-	137,928
Sales and services	473,149	-	473,149
Investment earnings	10,341	-	10,341
Miscellaneous revenue	280,695	100,237	380,932
Total revenues	<u>5,091,487</u>	<u>100,237</u>	<u>5,191,724</u>
<b>Expenditures</b>			
Current:			
General government	608,812	-	608,812
Public safety	2,224,590	-	2,224,590
Public works	420,363	-	420,363
Cultural and recreational	627,676	-	627,676
Economic and physical development	121,060	-	121,060
Capital outlay	202,951	200,944	403,895
Debt service:			
Principal retirement	308,635	-	308,635
Interest	40,318	-	40,318
Total expenditures	<u>4,554,405</u>	<u>200,944</u>	<u>4,755,349</u>
Excess (deficiency) of revenues over expenditures	<u>537,082</u>	<u>(100,707)</u>	<u>436,375</u>
<b>Other Financing Sources (Uses)</b>			
Transfers to other funds	(327,167)	(31,664)	(358,831)
Transfers from other funds	31,664	327,167	358,831
Total other financing sources (uses)	<u>(295,503)</u>	<u>295,503</u>	<u>-</u>
Net change in fund balances	241,579	194,796	436,375
Fund balances, beginning	<u>3,318,152</u>	<u>12,541</u>	<u>3,330,693</u>
Fund balances, ending	<u>\$ 3,559,731</u>	<u>\$ 207,337</u>	<u>\$ 3,767,068</u>

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



**Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of the Governmental Funds to the Statement of Activities  
Governmental Funds  
For the Year Ended June 30, 2016**

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

Net change in fund balances - total governmental funds	\$	436,375
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$	403,895	
Depreciation expense for governmental assets		<u>(742,891)</u>	(338,996)

Proceeds from the sale of governmental assets			(19,000)
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Gain on disposal of governmental assets			11,397
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities			149,561
--	--	--	---------

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			(24,676)
--	--	--	----------

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		<u>308,866</u>	308,866

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	\$	(29,867)	
Pension expense		(117,732)	
Net pension obligation		(14,284)	
Other postemployment benefits		<u>(81,832)</u>	<u>(243,715)</u>

Total changes in net position of governmental activities			<u>\$</u>	<u>279,812</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, 2016**

Exhibit 7

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 2,345,000	\$ 2,360,000	\$ 2,489,582	\$ 129,582
Other taxes and licenses	1,000	1,200	283	(917)
Intergovernmental revenues:				
Unrestricted	1,574,000	1,574,300	1,699,509	125,209
Restricted	139,000	139,000	137,928	(1,072)
Sales and services	381,500	471,000	473,149	2,149
Investment earnings	5,000	8,000	10,341	2,341
Miscellaneous revenue	253,500	277,500	280,695	3,195
Total revenues	<u>4,699,000</u>	<u>4,831,000</u>	<u>5,091,487</u>	<u>260,487</u>
<b>Expenditures</b>				
Current:				
General government	676,800	709,900	608,812	101,088
Public safety	2,379,000	2,401,000	2,287,942	113,058
Public works	557,000	565,000	494,595	70,405
Cultural and recreational	632,000	782,200	693,043	89,157
Economic and physical development	143,000	131,000	121,060	9,940
Debt payments	446,200	361,400	348,953	12,447
Total expenditures	<u>4,834,000</u>	<u>4,950,500</u>	<u>4,554,405</u>	<u>396,095</u>
Revenues over (under) expenditures	<u>(135,000)</u>	<u>(119,500)</u>	<u>537,082</u>	<u>656,582</u>
<b>Other Financing Sources (Uses)</b>				
Transfer to other funds	-	(295,265)	(327,167)	(31,902)
Transfer from other funds	-	-	31,664	31,664
Total other financing sources (uses)	<u>-</u>	<u>(295,265)</u>	<u>(295,503)</u>	<u>(238)</u>
Fund balance appropriated	135,000	414,765	-	(414,765)
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	241,579	<u>\$ 241,579</u>
Fund balances, beginning			3,318,152	
Fund balances, ending			<u>\$ 3,559,731</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, 2016**

Exhibit 8

	<u>Water and Sewer Fund</u>
<b>Assets</b>	
Current assets:	
Cash and equivalents	\$ 862,202
Account receivables, net	497,383
Due from other governments	12,197
Inventories	107,228
Total current assets	<u>1,479,010</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	814,115
Other capital assets, net of depreciation	6,115,142
Total non-current assets	<u>6,929,257</u>
Total assets	<u>8,408,267</u>
<b>Deferred Outflows of Resources</b>	
Contributions to pension plan	<u>40,533</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	70,714
Customer deposits	66,356
Accrued interest payable	21,731
Compensated absences - current	33,000
General obligation bonds payable - current	71,278
Installment purchase agreements payable - current	209,559
Total current liabilities	<u>472,638</u>
Noncurrent liabilities:	
Net pension liability	46,037
Compensated absences - noncurrent	10,410
General obligation bonds payable - noncurrent	696,444
Installment purchase agreements payable - noncurrent	1,219,535
Total noncurrent liabilities	<u>1,972,426</u>
Total Liabilities	<u>2,445,064</u>
<b>Deferred Inflows of Resources</b>	
Pension deferrals	<u>23,928</u>
<b>Net Position</b>	
Net investment in capital assets	4,732,441
Unrestricted	1,247,367
Total net position	<u>\$ 5,979,808</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, 2016**

Exhibit 9

	<u>Water and Sewer Fund</u>
<b>Operating revenues:</b>	
Water sales	\$ 1,272,883
Sewer charges	1,000,783
Water and sewer taps	5,500
Other operating revenues	30,013
Total operating revenues	<u>2,309,179</u>
<b>Operating expenses:</b>	
Water and treatment and distribution	895,745
Water and sewer maintenance	400,973
Wastewater treatment	616,555
Depreciation	326,283
Total operating expenses	<u>2,239,556</u>
Operating income	<u>69,623</u>
<b>Non-operating expenses:</b>	
PTRWA administration operating costs	(34,590)
Interest and other charges	(65,595)
Total non-operating expenses	<u>(100,185)</u>
Change in net position	<u>(30,562)</u>
Total net position, previously reported	5,716,270
Restatement	294,100
Total net position, restated	<u>6,010,370</u>
Total net position, ending	<u>\$ 5,979,808</u>

## Statement of Cash Flows

## Proprietary Fund

For the Year Ended June 30, 2016

	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 2,224,004
Cash paid for goods and services	(1,451,045)
Cash paid to employees for services	(514,025)
Other operating revenues	30,013
Net cash provided by operating activities	<u>288,947</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(60,061)
Payments for PTRWA administration operating costs	(34,590)
Issuance of bonds and installment purchase agreements	-
Principal paid on bonds and installment purchase agreements	(293,532)
Interest paid on bonds and installment purchase agreements	(65,595)
Net cash used in capital and related financing activities	<u>(453,778)</u>
Net decrease in cash and cash equivalents	(164,831)
Balances, beginning	<u>1,027,033</u>
Balances, ending	<u>\$ 862,202</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 69,623</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	326,283
Pension expense	(7,958)
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(55,162)
Due from other governments	(4,228)
Inventory	(39,853)
Deferred outflows of resources for pensions	(7,097)
Net pension asset	49,279
Increase (decrease) in:	
Accounts payable and accrued liabilities	(6,159)
Customer deposits	6,729
Accrued compensated absences	(328)
Deferred inflows of resources for pensions	(88,219)
Net pension liability	46,037
Total adjustments	<u>219,324</u>
Net cash provided by operating activities	<u>\$ 288,947</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, 2016**

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Exhibit 11

	<u>Fireman's Relief Fund</u>
Assets:	
Cash and cash equivalents	\$ 150,363
Total assets	<u>\$ 150,363</u>
Liabilities:	
Intergovernmental payable	\$ 150,363
Total liabilities	<u>\$ 150,363</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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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**

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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.

*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**

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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**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Measurement Focus and Basis of Accounting (Continued)**

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

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

**Budgetary Data**

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

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

**Deposits and Investments**

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

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

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Deposits and Investments (Continued)**

participating interest earning contracts are accounted for at cost. The NCCMT - Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT - Term Portfolio's securities are valued at fair value.

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

**Cash and Cash Equivalents**

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

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

**Restricted Assets**

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes 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, 2015. 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.

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Inventory and Prepaid Items (Continued)**

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

**Capital Assets**

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

Minimum capitalization costs are as follows: software, equipment and supplies unit cost, \$5,000; vehicles (except for vehicles having a useful life of three years or less), \$10,000; all inexhaustible assets, \$1,000; buildings and improvements, \$20,000; and infrastructure, \$100,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meet this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has 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.

**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.

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

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)].

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.

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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.

NOTE 2 - 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**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

**Deposits (Continued)**

At June 30, 2016, the City's deposits, which include the Firemen's Relief Fund, had a carrying amount of \$1,485,034 and a bank balance of \$1,587,368. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$1,087,368 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, 2016, the ABC Board's deposits had a carrying amount of \$379,726 and a bank balance of \$409,247. All of the bank balance was covered by federal depository insurance and collateral securities. Also included in the ABC Board's cash balance is \$2,050 in petty cash on hand.

**Investments**

At June 30, 2016, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2016</u>	<u>Maturity</u>
NC Capital Management Trust - Cash Portfolio	Amortized Cost	\$ 1,026,683	N/A
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	2,016,777	0.14 years
Total		<u>\$ 3,043,460</u>	

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

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

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

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

**Receivables – Allowances for Doubtful Accounts**

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

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

**Capital Assets**

Capital asset activity for the primary government for the year ended June 30, 2016, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 355,292	\$ -	\$ -	\$ 355,292
Construction in progress	641,314	182,277	-	823,591
Total capital assets not being depreciated	<u>996,606</u>	<u>182,277</u>	<u>-</u>	<u>1,178,883</u>
Capital assets being depreciated:				
Land improvements	1,172,534	-	-	1,172,534
Buildings and improvements	6,914,043	66,437	-	6,980,480
Infrastructure	854,409	74,232	-	928,641
Equipment and heavy equipment	6,331,823	80,949	164,055	6,248,717
Other	112,176	-	-	112,176
Total capital assets being depreciated	<u>15,384,985</u>	<u>221,618</u>	<u>164,055</u>	<u>15,442,548</u>
Less accumulated depreciation for:				
Land improvements	127,463	94,855	-	222,318
Buildings and improvements	1,615,808	181,423	-	1,797,231
Infrastructure	160,300	21,230	-	181,530
Equipment and heavy equipment	3,027,679	442,426	156,452	3,313,653
Other	84,606	2,957	-	87,563
Total accumulated depreciation	<u>5,015,856</u>	<u>742,891</u>	<u>156,452</u>	<u>5,602,295</u>
Total capital assets being depreciated, net	<u>10,369,129</u>			<u>9,840,253</u>
Government activity capital assets, net	<u>\$ 11,365,735</u>			<u>\$ 11,019,136</u>

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - 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	880,772	21,000	94,932	806,840
Total capital assets not being depreciated	<u>888,047</u>	<u>21,000</u>	<u>94,932</u>	<u>814,115</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	4,440	-	2,366,783
Water distribution system	6,675,284	-	-	6,675,284
Equipment and heavy vehicle	1,892,576	129,553	11,779	2,010,350
Total capital assets being depreciated	<u>13,856,998</u>	<u>133,993</u>	<u>11,779</u>	<u>13,979,212</u>
Less accumulated depreciation for:				
System improvements	674,190	40,550	-	714,740
Water rights	138,994	29,262	-	168,256
Buildings and improvements	1,458,841	70,592	-	1,529,433
Water distribution system	4,647,164	130,804	-	4,777,968
Equipment and heavy vehicle	630,377	55,075	11,779	673,673
Total accumulated depreciation	<u>7,549,566</u>	<u>326,283</u>	<u>11,779</u>	<u>7,864,070</u>
Total capital assets being depreciated, net	<u>6,307,432</u>			<u>6,115,142</u>
Business-type activities capital assets, net	<u>\$ 7,195,479</u>			<u>\$ 6,929,257</u>

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

**Capital Assets (Continued)**

Discretely Presented Component Unit

Activity for the ABC Board for the year end June 30, 2016, 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	65,957	7,000	-	72,957
Total capital assets being depreciated	<u>585,289</u>	<u>7,000</u>	<u>-</u>	<u>592,289</u>
Less accumulated depreciation:				
Buildings	201,241	12,983	-	214,224
Store and administrative equipment	50,593	4,483	-	55,076
Total accumulated depreciation	<u>251,834</u>	<u>17,466</u>	<u>-</u>	<u>269,300</u>
ABC capital assets, net	<u>\$ 413,625</u>			<u>\$ 403,159</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 Representatives and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The City of Randleman, North Carolina employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Randleman, North Carolina's contractually required contribution rate for the year ended June 30, 2016, 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 earned by employees during the year. Contributions to the pension plan from the City of Randleman, North Carolina were \$169,377 for the year ended June 30, 2016.

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

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

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

At June 30, 2016, the City reported a liability of \$230,187 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015 the City's proportion was 0.051%, which was an increase of 0.010% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$113,819. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 54,107
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	65,533
Changes in proportion and differences between City contributions and proportionate share of contributions	33,286	-
City contributions subsequent to the measurement date	169,377	-
	<u>\$ 202,663</u>	<u>\$ 119,640</u>

\$169,377 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. 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>	
2017	\$ (67,633)
2018	(67,633)
2019	(67,551)
2020	116,462
	<u>\$ (86,355)</u>

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 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, 2014 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation protection	6.0%	3.7%
	<u>100.0%</u>	

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

The information above is based on 30 year expectations developed with the consulting actuary for the 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 3.00%. All rates of return and inflation are annualized.

*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.

*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%)
City's proportionate share of the net pension liability (asset)	\$ 1,605,119	\$ 230,186	\$ (928,165)

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

b. Law Enforcement Officers Special Separation Allowance

Plan Description

The City of Randleman administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. 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.



**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan member entitled to but not yet receiving benefits	-
Active plan members	<u>14</u>
	<u>14</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.

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, 2015 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 3.57% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.50% to 7.35% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases.

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

*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	\$ 19,454
Interest on net pension obligation	6,825
Adjustment to annual required contribution	(11,995)
Annual pension cost	<u>14,284</u>
Contributions made	<u>-</u>
Increase (decrease) in net pension obligation	14,284
Net pension obligation, beginning of year	<u>136,497</u>
Net pension obligation, end of year	<u><u>\$ 150,781</u></u>

3 Year Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2014	\$ 12,658	0.0%	\$ 121,738
2015	14,759	0.0%	136,497
2016	14,284	0.0%	150,781

Funded Status and Funding Progress

As of December 31, 2015, 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 \$176,821. The covered payroll (annual payroll of active employees covered by the plan) was \$617,771, and the ratio of the UAAL to the covered payroll was 28.62%.

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.

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

Funded Status and Funding Progress

*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, 2016 were \$30,242, which consisted of \$30,242 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.

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	<u>26</u>	<u>16</u>	<u>15</u>
Total	<u><u>27</u></u>	<u><u>16</u></u>	<u><u>15</u></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 \$744, 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.

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Healthcare Benefits (Continued)

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	\$ 89,660
Interest on net OPEB obligation	17,095
Adjustment to annual required contribution	<u>(16,331)</u>
Annual OPEB cost	90,424
Contributions made	<u>(8,592)</u>
Increase (decrease) in net OPEB obligation	81,832
Net OPEB pension, beginning of year	<u>427,379</u>
Net OPEB pension, end of year	<u><u>\$ 509,211</u></u>

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, 2016 were as follows:

Fiscal Year Ended June 30	Annual OPEB Cost (AOC)	Percentage of Annual AOC Cost Contributed	Net OPEB Obligation
2016	\$ 90,424	9.5%	\$ 509,211
2015	87,666	6.2%	427,379
2014	87,518	5.6%	345,131

*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

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Healthcare Benefits (Continued)

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.

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	\$ 26,379	\$ -
Tipping fees, net	25,245	-
Storm water fees, net	6,412	-
Privilege license fees, net	4,548	-
Property taxes received but not yet earned	-	13
Total	<u>\$ 62,584</u>	<u>\$ 13</u>

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

**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.

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, 2016, 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%.

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Installment Purchases (Continued)

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, 2016, including \$112,114 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>
2017	\$ 282,070	\$ 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	97,500	8,771	-	-
2022-2024	292,500	11,454	-	-
Totals	<u>\$ 1,195,571</u>	<u>\$ 97,876</u>	<u>\$ 298,397</u>	<u>\$ 14,238</u>

Notes Payable

Notes payable - Water and Sewer Fund consists of the following at June 30, 2016:

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. \$ 27,750

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.

739,972  
\$ 767,722

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Notes Payable (Continued)

Annual debt service requirements to maturity for the note payable - Water and Sewer Fund at June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 71,278	\$ 15,751
2018	43,528	13,929
2019	43,528	13,058
2020	43,528	12,188
2021	43,528	11,317
2022-2026	217,640	43,528
2027-2031	217,640	21,764
2032-2034	87,052	2,611
Totals	<u>\$ 767,722</u>	<u>\$ 134,146</u>

PTRWA Obligation

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

Annual debt service requirements of the PTRWA Obligation as of June 30, 2016, 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>
2017	\$ 76,939	\$ 30,569
2018	79,069	28,439
2019	81,259	26,250
2020	83,509	24,000
2021	85,821	21,687
2022-2026	466,092	71,449
2027-2030	258,008	10,740
Totals	<u>\$ 1,130,697</u>	<u>\$ 213,134</u>

At June 30, 2016, the City of Randleman had a legal debt margin of \$31,289,923.



**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Changes in Long-Term Liabilities

Compensated absences typically have been liquidated in the General Fund.

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion of Balance
<b>Governmental Activities:</b>					
Installment purchases	\$ 1,504,437	\$ -	\$ 308,866	\$ 1,195,571	\$ 282,070
Compensated absences	195,427	113,901	84,034	225,294	84,000
Other post employment benefits	427,379	81,832	-	509,211	-
Net pension liability (LGERS)	-	184,150	-	184,150	-
Unfunded pension obligation	136,497	14,284	-	150,781	-
Governmental Activity Long-term Liabilities	<u>\$ 2,263,740</u>	<u>\$ 394,167</u>	<u>\$ 392,900</u>	<u>\$ 2,265,007</u>	<u>\$ 366,070</u>
<b>Business-Type Activities:</b>					
Installment purchases	\$ 431,017	\$ -	\$ 132,620	\$ 298,397	\$ 132,620
Notes payable	853,768	-	86,046	767,722	71,278
PTRWA Obligation	1,205,563	-	74,866	1,130,697	76,939
Net pension liability (LGERS)	-	46,037	-	46,037	-
Compensated absences	43,738	32,473	32,801	43,410	33,000
Business-Type Activity Long-term Liabilities	<u>\$ 2,534,086</u>	<u>\$ 78,510</u>	<u>\$ 326,333</u>	<u>\$ 2,286,263</u>	<u>\$ 313,837</u>

NOTE 3 - INTER-FUND ACTIVITY

Transfers to/from other funds at June 30, 2016, consist of the following:

From the General Fund to Nonmajor Governmental Funds	\$ 327,167
From the Nonmajor Governmental Funds to General Fund	31,664
Total	<u>\$ 358,831</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 4 - 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.

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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NOTE 5 - 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>\$ 3,559,731</u>
Less:	
Stabilization by State Statute	395,110
Street - Powell Bill	721,834
Appropriated Fund balance in 2014 budget	217,000
Working Capital / Fund Balance Policy	<u>494,200</u>
Remaining Fund Balance	<u>\$ 1,731,587</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 6 - 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, 2016, the City reported no payments through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2016. 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.

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Notes to Financial Statements**

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**NOTE 7 - 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, 2016.

**NOTE 8 - 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 9 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

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

**NOTE 10 - SUBSEQUENT EVENTS**

The City has evaluated all subsequent events through December 20, 2016, the date the financial statements were available to be issued.

**NOTE 11 - RESTATEMENT**

The City discovered that it had recorded excess depreciation on its capital assets due to a change in depreciation systems. As a result, net position for the governmental and business-type activities increased by \$515,189 and \$294,100, respectively, and beginning accumulated depreciation reported for governmental and business-type activities decreased by the same amounts.

**REQUIRED SUPPLEMENTARY FINANCIAL DATA**

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

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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, 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%
Dec. 31, 2015	-	176,821	176,821	0.0%	617,771	28.62%

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

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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**

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Year Ended June 30	Annual Required Contributions	Percentage Contributed
2013	\$ 78,178	6.50%
2014	87,518	5.60%
2015	87,666	6.20%
2016	90,424	9.50%

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

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

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	<u>2016</u>	<u>2015</u>	<u>2014</u>
Randleman's proportion of the net pension liability (asset) (%)	0.05129%	0.04090%	0.04178%
Randleman's proportion of the net pension liability (asset) (\$)	\$ 230,187	\$ (246,397)	\$ 493,002
Randleman's covered-employee payroll	\$ 2,445,608	\$ 2,234,536	\$ 1,847,292
Randleman's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.41%	-11.03%	26.69%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	102.64%	94.35%

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

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

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	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 167,007	\$ 166,973	\$ 154,577
Contributions related to the contractual required contribution	<u>167,007</u>	<u>166,973</u>	<u>154,577</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Randleman's covered-employee payroll	\$ 2,493,647	\$ 2,445,608	\$ 2,234,536
Contributions as a percentage of cover-employee payroll	6.70%	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, 2016**

**Schedule 1**  
**(Page 1 of 5)**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Current year	\$ 2,315,000	\$ 2,477,668	\$ 162,668
Prior years	40,000	7,493	(32,507)
Penalties and interest	5,000	4,421	(579)
Total	<u>2,360,000</u>	<u>2,489,582</u>	<u>129,582</u>
Other taxes and licenses:			
Vehicle tag fee	200	28	(172)
Privilege licenses	1,000	255	(745)
Total	<u>1,200</u>	<u>283</u>	<u>(917)</u>
Intergovernmental revenues:			
Unrestricted:			
Local option sales tax	690,000	737,348	47,348
Utilities franchise tax	370,000	385,900	15,900
Randolph County fire district	435,000	452,754	17,754
ABC distribution	64,000	105,115	41,115
Beer and wine tax	15,000	18,352	3,352
Fire inspection revenue	300	40	(260)
Total	<u>1,574,300</u>	<u>1,699,509</u>	<u>125,209</u>
Restricted:			
Randolph County - Library	12,000	12,000	-
Solid waste disposal tax	2,000	3,321	1,321
Powell bill street allocation	125,000	122,607	(2,393)
Total	<u>139,000</u>	<u>137,928</u>	<u>(1,072)</u>
Sales and services:			
Rents and concessions	8,000	6,700	(1,300)
Recreation service revenues	262,000	256,068	(5,932)
Library fees	11,000	11,543	543
Storm water fees	35,000	43,980	8,980
Tipping fees	155,000	154,858	(142)
Total	<u>471,000</u>	<u>473,149</u>	<u>2,149</u>
Investment earnings	<u>8,000</u>	<u>10,341</u>	<u>2,341</u>
Miscellaneous:			
Fundraising	19,500	17,064	(2,436)
Other	258,000	263,631	5,631
Total	<u>277,500</u>	<u>280,695</u>	<u>3,195</u>
Total Revenues	<u>4,831,000</u>	<u>5,091,487</u>	<u>260,487</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, 2016**

**Schedule 1**  
**(Page 2 of 5)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries and employee benefits	\$ 31,700	\$ 31,063	\$ 637
Administration:			
Salaries and employee benefits		127,084	
Professional services		33,032	
Telephone and postage		20,697	
Travel and school		7,845	
Insurance		137,669	
Other services and charges		107,359	
Dues and subscriptions		20,350	
Supplies		4,865	
Contracted services		20,828	
Utilities		16,829	
Total	<u>591,200</u>	<u>496,558</u>	<u>94,642</u>
Central Garage:			
Salaries and employee benefits		58,394	
Automotive supplies		5,809	
Other services and charges		16,988	
Total	<u>87,000</u>	<u>81,191</u>	<u>5,809</u>
Total general government	<u>709,900</u>	<u>608,812</u>	<u>101,088</u>
Public safety:			
Police:			
Salaries and employee benefits		783,224	
Departmental supplies		54,769	
Telephone		22,152	
Uniforms		8,535	
Fundraising		5,187	
Other services and charges		68,433	
Capital outlay		91,652	
Total	<u>1,089,000</u>	<u>1,033,952</u>	<u>55,048</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, 2016**

**Schedule 1**  
**(Page 3 of 5)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (Continued):</b>			
Public safety (Continued):			
Fire:			
Salaries and employee benefits		\$ 772,818	
Fire calls		57,972	
Departmental supplies		67,667	
Medical supplies		10,399	
Utilities		18,225	
Telephone and postage		11,731	
Uniforms		1,844	
Fundraising		211	
Other services and charges		26,546	
Total	<u>1,022,300</u>	<u>967,413</u>	<u>54,887</u>
SAFER:			
Salaries and employee benefits		277,424	
Maintenance and repair		1,817	
Other expenditures		7,336	
Total	<u>289,700</u>	<u>286,577</u>	<u>3,123</u>
Total public safety	<u>2,401,000</u>	<u>2,287,942</u>	<u>113,058</u>
Public works:			
Streets:			
Salaries and employee benefits		93,019	
Utilities		108,332	
Maintenance and repairs		3,087	
Supplies and materials		8,236	
Fundraising		866	
Capital outlay		85,045	
Other services and charges		5,077	
Total	<u>359,000</u>	<u>303,662</u>	<u>55,338</u>
Sanitation:			
Salaries and employee benefits		56,833	
Supplies		7,307	
Gas and automotive supplies		34,477	
Recycling and landfill		92,105	
Other services and charges		211	
Total	<u>206,000</u>	<u>190,933</u>	<u>15,067</u>
Total public works	<u>565,000</u>	<u>494,595</u>	<u>70,405</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, 2016**

**Schedule 1**  
**(Page 4 of 5)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (Continued):</b>			
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		\$ 184,174	
Utilities		33,971	
Gas and supplies		17,872	
Uniforms		22,144	
Special events		8,737	
Fundraising		6,605	
Capital outlay		38,504	
Other services and charges		103,448	
Total	<u>\$ 479,200</u>	<u>\$ 415,455</u>	<u>\$ 63,745</u>
Library:			
Salaries and employee benefits		172,624	
Utilities		11,705	
Books		12,000	
Maintenance and repairs		61,451	
Fundraising		1,464	
Other services and charges		18,344	
Total	<u>303,000</u>	<u>277,588</u>	<u>25,412</u>
Total cultural and recreational	<u>782,200</u>	<u>693,043</u>	<u>89,157</u>
Economic and physical development:			
Industrial development		6,000	
Senior citizens		21,000	
Other expenditures		16,222	
Total	<u>46,000</u>	<u>43,222</u>	<u>2,778</u>
Planning and zoning:			
Salaries and employee benefits		68,050	
Other services and charges		9,788	
Total	<u>85,000</u>	<u>77,838</u>	<u>7,162</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, 2016**

**Schedule 1**  
**(Page 5 of 5)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (Continued):</b>			
Supplemental Budget Appropriations:			
Debt principal and interest payments	\$ 361,400	\$ 348,953	\$ 12,447
Total supplemental budget appropriations	<u>361,400</u>	<u>348,953</u>	<u>12,447</u>
Total expenditures	<u>4,950,500</u>	<u>4,554,405</u>	<u>396,095</u>
<b>Revenues over (under) expenditures</b>	<u>(119,500)</u>	<u>537,082</u>	<u>656,582</u>
<b>Other Financing Sources:</b>			
Transfers to/from other funds:			
Nonmajor capital project funds	<u>(295,265)</u>	<u>(295,503)</u>	<u>(238)</u>
Total	<u>(295,265)</u>	<u>(295,503)</u>	<u>(238)</u>
Fund balance appropriated	414,765	-	(414,765)
Net change in fund balance	<u>\$ -</u>	241,579	<u>\$ 241,579</u>
Fund balance, beginning		<u>3,318,152</u>	
Fund balance, ending		<u>\$ 3,559,731</u>	

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

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

**Schedule 2**

Stout Street Park Improvements Fund	Animal Shelter Fund	Deep River Greenway Fund	Total Nonmajor Governmental Funds
\$ 88,839	\$ -	\$ 56,516	\$ 209,659
2,731	-	42	2,773
<u>\$ 91,570</u>	<u>\$ -</u>	<u>\$ 56,558</u>	<u>\$ 212,432</u>
\$ 5,095	\$ -	\$ -	\$ 5,095
<u>5,095</u>	<u>-</u>	<u>-</u>	<u>5,095</u>
-	-	-	50,000
-	-	-	-
86,475	-	56,558	157,337
<u>86,475</u>	<u>-</u>	<u>56,558</u>	<u>207,337</u>
<u>\$ 91,570</u>	<u>\$ -</u>	<u>\$ 56,558</u>	<u>\$ 212,432</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, 2016**

	Randleman Library Endowment Fund	Public Works Building Fund	Library Renovation Fund	Phase II Fund
<b>Expenditures</b>				
Current:				
Public works	\$ -	\$ -	\$ -	\$ -
Cultural and recreational	-	-	-	-
Economic and physical development	-	-	-	-
Capital outlay	-	-	4,998	-
Total expenditures	<u>-</u>	<u>-</u>	<u>4,998</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(4,998)</u>	<u>-</u>
<b>Other Financing Sources</b>				
Transfers (to) from other funds	-	(67)	(2,797)	(28,800)
Other income	-	-	-	237
Total other financing sources	<u>-</u>	<u>(67)</u>	<u>(2,797)</u>	<u>(28,563)</u>
Net change in fund balances	<u>-</u>	<u>(67)</u>	<u>(7,795)</u>	<u>(28,563)</u>
Fund balances, beginning	<u>64,304</u>	<u>67</u>	<u>7,795</u>	<u>28,563</u>
Fund balances, ending	<u>\$ 64,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**Schedule 3**

Stout Street Park Improvements Fund	Animal Shelter Fund	Deep River Greenway Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
182,277	2,167	11,502	200,944
<u>182,277</u>	<u>2,167</u>	<u>11,502</u>	<u>200,944</u>
(182,277)	(2,167)	(11,502)	(200,944)
325,000	2,167	-	295,503
-	-	100,000	100,237
<u>325,000</u>	<u>2,167</u>	<u>100,000</u>	<u>395,740</u>
142,723	-	88,498	194,796
<u>(56,248)</u>	<u>-</u>	<u>(31,940)</u>	<u>12,541</u>
<u>\$ 86,475</u>	<u>\$ -</u>	<u>\$ 56,558</u>	<u>\$ 207,337</u>

## 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, 2016

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

## 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, 2016

	Project Authorization	Actual Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Expenditures</b>					
Library Renovation Project:					
Engineering and architecture	\$ 10,000	\$ 13,582	\$ -	\$ 13,582	\$ (3,582)
Construction	155,000	199,457	1,955	201,412	(46,412)
Furnishings and equipment	265,000	209,166	3,043	212,209	52,791
Total expenditures	<u>430,000</u>	<u>422,205</u>	<u>4,998</u>	<u>427,203</u>	<u>2,797</u>
<b>Other Financing Sources</b>					
Library Renovation Project:					
Transfers from other funds:					
General Fund	30,000	30,000	-	30,000	-
Transfers to other funds:					
General Fund	-	-	(2,797)	(2,797)	(2,797)
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>430,000</u>	<u>(2,797)</u>	<u>427,203</u>	<u>(2,797)</u>
<b>Net Change in Fund Balance</b>					
	<u>\$ -</u>	<u>\$ 7,795</u>	<u>(7,795)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balance, beginning</b>					
			<u>7,795</u>		
<b>Fund balance, ending</b>					
			<u>\$ -</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, 2016

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<b>Expenditures</b>					
Phase II Project:					
Repairs and maintenance	\$ 22,000	\$ 11,883	\$ -	\$ 11,883	\$ 10,117
Capital outlay	580,000	589,379	-	589,379	(9,379)
Other expenditure	42,000	41,314	-	41,314	686
Total expenditures	<u>644,000</u>	<u>642,576</u>	<u>-</u>	<u>642,576</u>	<u>1,424</u>
<b>Other Financing Sources</b>					
Phase II Project:					
Transfers from other funds:					
General Fund	244,000	194,000	-	194,000	(50,000)
Transfers to other funds:					
General Fund	-	-	(28,800)	(28,800)	(28,800)
Loan proceeds	400,000	475,000	-	475,000	75,000
Other income	-	2,139	237	2,376	2,376
Total other financing sources	<u>644,000</u>	<u>671,139</u>	<u>(28,563)</u>	<u>642,576</u>	<u>(1,424)</u>
<b>Net Change in Fund</b>					
<b>Balance</b>	<u>\$ -</u>	<u>\$ 28,563</u>	<u>(28,563)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balance, beginning</b>			<u>28,563</u>		
<b>Fund balance, ending</b>			<u>\$ -</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, 2016

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Expenditures</b>					
Stout Street Park Improvements:					
Repairs and maintenance	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Capital outlay	1,600,000	-	182,277	182,277	1,417,723
Other expenditure	80,000	56,248	-	56,248	23,752
Total expenditures	<u>1,780,000</u>	<u>56,248</u>	<u>182,277</u>	<u>238,525</u>	<u>1,541,475</u>
<b>Other Financing Sources</b>					
Stout Street Park Improvements:					
Transfers from other funds:					
General Fund	-	-	325,000	325,000	325,000
Loan proceeds	1,280,000	-	-	-	(1,280,000)
Grants and donations	500,000	-	-	-	(500,000)
Total other financing sources	<u>1,780,000</u>	<u>-</u>	<u>325,000</u>	<u>325,000</u>	<u>(1,455,000)</u>
<b>Net Change in Fund</b>					
<b>Balance</b>	<u>\$ -</u>	<u>\$ (56,248)</u>	142,723	<u>\$ 86,475</u>	<u>\$ 86,475</u>
<b>Fund balance (deficit), beginning</b>			<u>(56,248)</u>		
<b>Fund balance, ending</b>			<u>\$ 86,475</u>		

## 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, 2016

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Expenditures</b>					
Animal Shelter:					
Capital outlay	\$ 200,000	\$ 200,000	\$ 2,167	\$ 202,167	\$ (2,167)
Other expenditure	50,000	-	-	-	50,000
Total expenditures	<u>250,000</u>	<u>200,000</u>	<u>2,167</u>	<u>202,167</u>	<u>47,833</u>
<b>Other Financing Sources</b>					
Animal Shelter:					
Transfers from other funds:					
General Fund	200,000	200,000	3,000	203,000	3,000
Transfers to other funds:					
General Fund	-	-	(833)	(833)	(833)
Grants and donations	50,000	-	-	-	(50,000)
Total other financing sources	<u>250,000</u>	<u>200,000</u>	<u>2,167</u>	<u>202,167</u>	<u>(47,833)</u>
<b>Net Change in Fund</b>					
<b>Balance</b>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balance, beginning</b>			-		
<b>Fund balance, ending</b>			<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, 2016

	Project	Actual		Total	Variance
	Authorization	Prior	Current	to Date	Positive
		Year	Year		(Negative)
<b>Expenditures</b>					
Deep River Greenway Project:					
Construction	\$ 249,000	\$ 81,940	\$ 11,502	\$ 93,442	\$ 155,558
Total expenditures	249,000	81,940	11,502	93,442	155,558
<b>Other Financing Sources</b>					
Deep River Greenway Project:					
Grant proceeds	199,000	-	100,000	100,000	(99,000)
Loan proceeds	50,000	50,000	-	50,000	-
Total other financing sources	249,000	50,000	100,000	150,000	(99,000)
<b>Net Change in Fund Balance</b>					
	\$ -	\$ (31,940)	88,498	\$ 56,558	\$ 56,558
Fund balance (deficit), beginning			(31,940)		
Fund balance, ending			\$ 56,558		

**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, 2016**

**Schedule 10**  
**(Page 1 of 2)**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Operating revenues:			
Water sales		\$ 1,272,883	\$ 1,272,883
Sewer charges		1,000,783	1,000,783
Water and sewer taps		5,500	5,500
Other operating revenues		30,013	30,013
Total	<u>\$ 2,246,000</u>	<u>2,309,179</u>	<u>63,179</u>
Nonoperating revenues:			
Interest earned on investments	1,000	-	(1,000)
Total revenues	<u>2,247,000</u>	<u>2,309,179</u>	<u>62,179</u>
<b>Expenditures:</b>			
Operating expenditures:			
Water treatment and distribution:			
Salaries and employee benefits		163,896	
Repairs and maintenance		5,161	
Utilities		3,954	
Utility services		45,798	
Purchase of water		520,507	
Other operating expenditures		96,671	
Total	<u>922,000</u>	<u>835,987</u>	<u>86,013</u>
Water and sewer maintenance:			
Salaries and employee benefits		181,488	
Repairs and maintenance		90,464	
Capital outlay		83,190	
Other operating expenditures		39,720	
Total	<u>526,100</u>	<u>394,862</u>	<u>131,238</u>
Wastewater treatment:			
Salaries and employee benefits		160,355	
Supplies and chemicals		5,374	
Repairs and maintenance		68,332	
Utilities		155,867	
Pretreatment/lab		32,000	
Sludge removal		33,704	
Capital outlay		36,290	
Other operating expenditures		66,167	
Total	<u>684,300</u>	<u>558,089</u>	<u>126,211</u>
Total operating expenditures	<u>2,132,400</u>	<u>1,788,938</u>	<u>343,462</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, 2016**

**Schedule 10**  
**(Page 2 of 2)**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Expenditures (Continued):</b>			
Nonoperating expenditures:			
Interest and fiscal charges on long-term debt		\$ 65,595	
PTRWA principal payments		176,148	
Bond principal payments		117,384	
PTRWA admin operating costs		34,590	
Total nonoperating expenditures	<u>\$ 403,600</u>	<u>393,717</u>	<u>\$ 9,883</u>
Total expenditures	<u>2,536,000</u>	<u>2,182,655</u>	<u>353,345</u>
<b>Revenues over (under) expenditures</b>	<u>(289,000)</u>	<u>126,524</u>	<u>415,524</u>
<b>Other financing sources (uses):</b>			
Transfer to other funds:			
Water and sewer capital project funds		(816,019)	(816,019)
Total other financing sources (uses)	<u>(817,000)</u>	<u>(816,019)</u>	<u>981</u>
Fund balance appropriated	<u>1,106,000</u>	<u>-</u>	<u>(1,106,000)</u>
<b>Revenues and appropriated fund balance over (under) expenditures and other uses</b>	<u>\$ -</u>	<u>(689,495)</u>	<u>\$ (689,495)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis:</b>			
Reconciling items:			
Depreciation		(326,283)	
Capital outlay		60,061	
Transfers to close water and sewer capital project funds		816,019	
Decrease in net pension asset		(49,279)	
Increase in deferred outflow of resources - pensions		7,097	
Increase in net pension liability		(46,037)	
Decrease in deferred inflow of resources - pensions		(96,177)	
Principal retirement		293,532	
Total		<u>658,933</u>	
Change in net position		<u>\$ (30,562)</u>	

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Schedule of Changes in Assets and Liabilities**  
**Fireman's Relief Fund**  
**For the Fiscal Year Ended June 30, 2016**

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**Schedule 11**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>Assets</b>				
Cash and cash equivalents	<u>\$ 146,721</u>	<u>\$ 7,963</u>	<u>\$ 4,321</u>	<u>\$ 150,363</u>
<b>Liabilities</b>				
Intergovernmental payable	<u>\$ 146,721</u>	<u>\$ 7,963</u>	<u>\$ 4,321</u>	<u>\$ 150,363</u>

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Schedule of Ad Valorem Taxes Receivable**  
**Fiscal Years ended June 30, 2016**

**Schedule 12**

Fiscal Year	Uncollected Balance June 30, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2015 - 2016	\$ -	\$ 2,466,238	\$ 2,459,337	\$ 6,901
2014 - 2015	21,423	-	18,288	3,135
2013 - 2014	5,311	-	1,263	4,048
2012 - 2013	3,742	-	374	3,368
2011 - 2012	1,827	-	324	1,503
2010 - 2011	2,247	-	35	2,212
2009 - 2010	1,739	-	95	1,644
2008 - 2009	1,380	-	84	1,296
2007 - 2008	1,337	-	-	1,337
2006 - 2007	1,018	-	82	936
2005 - 2006	1,032	-	1,032	-
	\$ 41,056	\$ 2,466,238	\$ 2,480,914	26,380
Less: allowance for uncollectible accounts				-
Ad valorem taxes receivable, net				\$ 26,380
Reconciliation with revenues:				
Ad valorem taxes collected - General Fund				\$ 2,489,582
Reconciling items:				
Interest collected				(4,421)
Miscellaneous adjustments				(4,247)
Total collections and credits				\$ 2,480,914

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Analysis of Current Tax Levy City-Wide Levy**  
**Fiscal Year Ended June 30, 2016**

**Schedule 13**

	City-Wide		Total Levy		
			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles	
	Property Valuation	Rate	Total Levy		
Original Levy:					
Property taxed at current year's rate	\$ 396,752,238	0.63%	\$ 2,499,539	\$ 2,313,512	\$ 186,027
Penalties	-		2,157	2,157	-
Total	<u>396,752,238</u>		<u>2,501,696</u>	<u>2,315,669</u>	<u>186,027</u>
Abatements	(5,628,195)		(35,458)	(35,458)	-
Total property valuation	<u>\$ 391,124,043</u>				
Net levy			2,466,238	2,280,211	186,027
Uncollected taxes at June 30, 2015			(6,901)	(6,901)	-
Current year's taxes collected			<u>\$ 2,459,337</u>	<u>\$ 2,273,310</u>	<u>\$ 186,027</u>
Current levy collection percentage			<u>99.72%</u>	<u>99.70%</u>	<u>100.00%</u>

## **COMPLIANCE SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 20, 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  
December 20, 2016