

CITY OF RANDLEMAN, NORTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019



# CITY OF RANDLEMAN, NORTH CAROLINA

## **Board of Aldermen**

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

## **City Officials**

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

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## **FINANCIAL SECTION**



## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Randleman, North Carolina (the "City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Randleman, North Carolina as of June 30, 2019, and the respective changes in financial position, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12; the Local Government Employees' Retirement System - Schedule of Proportionate Share of the Net Pension Liability, and Schedule of Contributions on page 57; the Law Enforcement Officers' Special Separation Allowance - Schedule of Changes in Total Pension Liability, and Schedule of Total Pension Liability as a Percentage of Covered Payroll on page 58, and the Schedule of Changes in Total OPEB Liability and Related Ratios on page 59; be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2020, on our consideration of the City of Randleman, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Randleman, North Carolina's internal control over financial reporting and compliance.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
February 4, 2020

**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**June 30, 2018**

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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, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

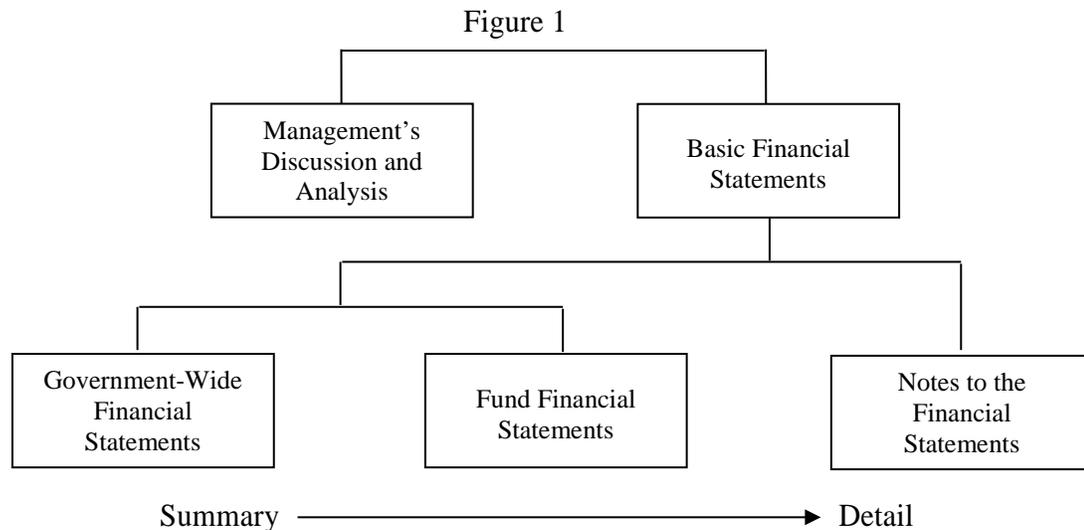
**Financial Highlights**

- The assets and deferred outflows of resources of the City of Randleman exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$19,296,920 (net position).
- The government's total net position increased by \$891,912 primarily due to property tax collections in the General Fund and utility charges in the Water and Sewer Fund.
- As of the close of the current fiscal year, the City of Randleman's governmental funds reported combined ending fund balances of \$5,476,704, an increase of \$567,794 in comparison with the prior year. Approximately 22% of this total amount, or \$1,188,909, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,973,114, or 79%, of total General Fund expenditures for the fiscal year.
- City of Randleman maintained its BBB+ bond rating from Standard & Poor’s Corporation.

**Overview of the Financial Statements**

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

**Required Components of Annual Financial Report**



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **June 30, 2018**

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#### **Basic Financial Statements**

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

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

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

#### **Government-Wide Financial Statements**

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

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

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

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

#### **Fund Financial Statements**

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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

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

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

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

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

*Interdependence with Other Entities* - The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2018**

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

|  | Business-Type           |                      |                     |                     |                      |                      |
|--|-------------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
|  | Governmental Activities |                      | Activities          |                     | Totals               |                      |
|  | 2019                    | 2018                 | 2019                | 2018                | 2019                 | 2018                 |
| Current and other assets               | \$ 5,669,841            | \$ 5,071,061         | \$ 3,190,741        | \$ 2,336,052        | \$ 8,860,582         | \$ 7,407,113         |
| Capital assets                         | 9,595,887               | 9,864,694            | 6,263,940           | 6,275,509           | 15,859,827           | 16,140,203           |
| Deferred outflows of resources         | 708,811                 | 425,821              | 116,616             | 103,071             | 825,427              | 528,892              |
| Total assets and deferred outflows     | <u>15,974,539</u>       | <u>15,361,576</u>    | <u>9,571,297</u>    | <u>8,714,632</u>    | <u>25,545,836</u>    | <u>24,076,208</u>    |
| Long-term liabilities                  | 2,849,243               | 2,785,964            | 2,616,926           | 2,495,568           | 5,466,169            | 5,281,532            |
| Other liabilities                      | 113,707                 | 82,084               | 179,467             | 130,109             | 293,174              | 212,193              |
| Deferred inflows of resources          | 409,048                 | 141,984              | 80,525              | 35,491              | 489,573              | 177,475              |
| Total liabilities and deferred inflows | <u>3,371,998</u>        | <u>3,010,032</u>     | <u>2,876,918</u>    | <u>2,661,168</u>    | <u>6,248,916</u>     | <u>5,671,200</u>     |
| Net investment in capital assets       | 9,010,887               | 9,090,260            | 5,110,510           | 4,247,496           | 14,121,397           | 13,337,756           |
| Restricted                             | 1,188,909               | 1,271,421            | -                   | -                   | 1,188,909            | 1,271,421            |
| Unrestricted                           | <u>2,402,745</u>        | <u>1,989,863</u>     | <u>1,583,869</u>    | <u>1,805,968</u>    | <u>3,986,614</u>     | <u>3,795,831</u>     |
| Total net position                     | <u>\$ 12,602,541</u>    | <u>\$ 12,351,544</u> | <u>\$ 6,694,379</u> | <u>\$ 6,053,464</u> | <u>\$ 19,296,920</u> | <u>\$ 18,405,008</u> |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Randleman exceeded liabilities and deferred inflows of resources by \$19,296,920 as of June 30, 2019. One of the largest portions, \$14,121,397 or 73%, 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, \$1,188,909, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,986,614 is unrestricted.

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

- A collection rate of 99.76% 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, 2018**

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

**Figure 3**

|  | Governmental Activities |                      | Business-Type<br>Activities |                     | Totals               |                      |
|--|-------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
|  | 2019                    | 2018                 | 2019                        | 2018                | 2019                 | 2018                 |
|  |                         |                      |                             |                     |                      |                      |
| <b>Revenues:</b>   |                         |                      |                             |                     |                      |                      |
| Program revenues:  |                         |                      |                             |                     |                      |                      |
| Charges for services   | \$ 558,703              | \$ 523,615           | \$ 2,669,577                | \$ 2,643,734        | \$ 3,228,280         | \$ 3,167,349         |
| Operating grants and contributions                           | 133,062                 | 135,106              | -                           | -                   | 133,062              | 135,106              |
| Capital grants and contributions                             | -                       | -                    | -                           | -                   | -                    | -                    |
| General revenues:  |                         |                      |                             |                     |                      |                      |
| Property taxes   | 2,553,399               | 2,499,952            | -                           | -                   | 2,553,399            | 2,499,952            |
| Other taxes  | 218                     | 245                  | -                           | -                   | 218                  | 245                  |
| Grants and contributions not restricted to specific programs | 2,210,725               | 2,078,343            | -                           | -                   | 2,210,725            | 2,078,343            |
| Unrestricted investment earnings                             | 152,634                 | 73,309               | -                           | -                   | 152,634              | 73,309               |
| Other  | 118,345                 | 578,463              | -                           | -                   | 118,345              | 578,463              |
| Total revenues   | <u>5,727,086</u>        | <u>5,889,033</u>     | <u>2,669,577</u>            | <u>2,643,734</u>    | <u>8,396,663</u>     | <u>8,532,767</u>     |
| <b>Expenses:</b>   |                         |                      |                             |                     |                      |                      |
| General government   | 741,759                 | 703,074              | -                           | -                   | 741,759              | 703,074              |
| Public safety  | 2,975,597               | 2,839,266            | -                           | -                   | 2,975,597            | 2,839,266            |
| Public works   | 610,424                 | 644,816              | -                           | -                   | 610,424              | 644,816              |
| Cultural and recreation                                      | 842,520                 | 811,886              | -                           | -                   | 842,520              | 811,886              |
| Economic development   | 305,789                 | 290,775              | -                           | -                   | 305,789              | 290,775              |
| Water and sewer  | -                       | -                    | 2,028,662                   | 2,070,340           | 2,028,662            | 2,070,340            |
| Total expenses   | <u>5,476,089</u>        | <u>5,289,817</u>     | <u>2,028,662</u>            | <u>2,070,340</u>    | <u>7,504,751</u>     | <u>7,360,157</u>     |
| Increase in net position before transfers                    | 250,997                 | 599,216              | 640,915                     | 573,394             | 891,912              | 1,172,610            |
| Transfers  | -                       | -                    | -                           | -                   | -                    | -                    |
| Increase (decrease) in net position                          | <u>250,997</u>          | <u>599,216</u>       | <u>640,915</u>              | <u>573,394</u>      | <u>891,912</u>       | <u>1,172,610</u>     |
| Net position previously reported, Jul 1, 2017                | 12,351,544              | 12,426,682           | 6,053,464                   | 5,648,659           | 18,405,008           | 18,075,341           |
| Restatement  | -                       | (674,354)            | -                           | (168,589)           | -                    | (842,943)            |
| Net position beginning, as restated                          | <u>12,351,544</u>       | <u>11,752,328</u>    | <u>6,053,464</u>            | <u>5,480,070</u>    | <u>18,405,008</u>    | <u>17,232,398</u>    |
| Net position, June 30,                                       | <u>\$ 12,602,541</u>    | <u>\$ 12,351,544</u> | <u>\$ 6,694,379</u>         | <u>\$ 6,053,464</u> | <u>\$ 19,296,920</u> | <u>\$ 18,405,008</u> |

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2018**

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*Governmental Activities* - Governmental activities increased the City's net position by \$250,997.

*Business-Type Activities* - Business-type activities increased the City's net position by \$640,915.

**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 \$3,973,114, while the total fund balance increased to \$5,232,023. 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 78% of General Fund expenditures, while total fund balance represents 102% of the same amount.

At June 30, 2019, the governmental funds of the City of Randleman reported a combined fund balance of \$5,476,704 with a net increase in fund balance of \$567,794. 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 \$1,583,869. The total increase in net position for the Water and Sewer Fund amounted to \$640,915.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2018**

**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, 2019, totaled \$15,859,827 (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:

- Resurfacing of several streets for a total of \$135,611

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

|                            | Governmental Activities |                     | Business-Type<br>Activities |                     | Totals               |                      |
|----------------------------|-------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
|                            | 2019                    | 2018                | 2019                        | 2018                | 2019                 | 2018                 |
| Land                       | \$ 790,598              | \$ 768,651          | \$ 7,275                    | \$ 7,275            | \$ 797,873           | \$ 775,926           |
| Construction in progress   | 22,304                  | -                   | 136,220                     | 410,565             | 158,524              | 410,565              |
| Land improvements          | 1,124,222               | 1,273,451           | -                           | -                   | 1,124,222            | 1,273,451            |
| System improvements        | -                       | -                   | 2,169,341                   | 2,225,448           | 2,169,341            | 2,225,448            |
| Water rights               | -                       | -                   | 1,207,053                   | 1,236,315           | 1,207,053            | 1,236,315            |
| Buildings and improvements | 4,304,244               | 4,390,515           | 530,970                     | 599,416             | 4,835,214            | 4,989,931            |
| Water distribution system  | -                       | -                   | 1,858,995                   | 1,516,791           | 1,858,995            | 1,516,791            |
| Infrastructure             | 1,369,212               | 1,285,433           | -                           | -                   | 1,369,212            | 1,285,433            |
| Machinery and equipment    | 1,795,515               | 1,991,269           | 354,086                     | 279,699             | 2,149,601            | 2,270,968            |
| Other                      | 189,792                 | 155,375             | -                           | -                   | 189,792              | 155,375              |
| <b>Total</b>               | <b>\$ 9,595,887</b>     | <b>\$ 9,864,694</b> | <b>\$ 6,263,940</b>         | <b>\$ 6,275,509</b> | <b>\$ 15,859,827</b> | <b>\$ 16,140,203</b> |

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, 2019, the City of Randleman had total bonded debt outstanding of \$2,671,140. 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, 2018**

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

**Figure 5**

|                         | Governmental Activities |                     | Business-Type<br>Activities |                     | Totals              |                     |
|-------------------------|-------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
|                         | 2019                    | 2018                | 2019                        | 2018                | 2019                | 2018                |
|                         | Direct placement        |                     |                             |                     |                     |                     |
| installment purchases   | \$ 487,500              | \$ 630,967          | \$ 260,000                  | \$ 33,157           | \$ 747,500          | \$ 664,124          |
| Notes payable           | -                       | -                   | 1,030,210                   | 1,020,167           | 1,030,210           | 1,020,167           |
| PTRWA obligation        | -                       | -                   | 893,430                     | 974,689             | 893,430             | 974,689             |
| Total OPEB liability    | 1,033,754               | 1,161,845           | 196,906                     | 290,461             | 1,230,660           | 1,452,306           |
| Net pension liability   |                         |                     |                             |                     |                     |                     |
| (LGERS)                 | 862,163                 | 552,181             | 197,089                     | 138,044             | 1,059,252           | 690,225             |
| Total pension liability |                         |                     |                             |                     |                     |                     |
| (LEO)                   | 260,625                 | 237,277             | -                           | -                   | 260,625             | 237,277             |
| Compensated absences    | 205,201                 | 203,694             | 39,291                      | 39,050              | 244,492             | 242,744             |
| Total                   | <u>\$ 2,849,243</u>     | <u>\$ 2,785,964</u> | <u>\$ 2,616,926</u>         | <u>\$ 2,495,568</u> | <u>\$ 5,466,169</u> | <u>\$ 5,281,532</u> |

**City of Randleman's Outstanding Debt**

The City of Randleman's total debt increased by \$184,636 (3.5%) during the past fiscal year. Key factors in this increase were the issuance of a new note payable for waterline improvements; and increase of \$369,026 in the net pension liability for the Local Government Employees' Retirement System (LGERS). Increases were offset by planned debt service principal payments of \$324,790 and a reduction of the total OPEB liability of \$221,646.

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, 2019 was \$32,128,731. The City had no general obligation bonds outstanding at June 30, 2019.

**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.

The City of Randleman is home to one of the fastest growing companies in the Piedmont Triad Region as determined by the Triad Business Journal.

*Unemployment* - The City of Randleman's unemployment rate as of June 30, 2019 stands at 4.4%.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2018**

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

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

**Next Year's Budgets and Rates**

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

- Tourism to the City has continued to increase. With the continuation of the City's Annual Food Truck State Championship and the Market and Music Summer Concert Series this upward trend is expected to continue.
- The City approved a \$5,811,600 general fund budget for fiscal year 2019-2020. This budget represents a 1.7% increase from the fiscal year 2018-2019 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, 2019

|   | Primary Government         |                             |                      | City of<br>Randleman<br>ABC Board |
|---|----------------------------|-----------------------------|----------------------|-----------------------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |                                   |
| <b>Assets</b>                             |                            |                             |                      |                                   |
| Current assets:                           |                            |                             |                      |                                   |
| Cash and cash equivalents                 | \$ 4,399,397               | \$ 2,469,098                | \$ 6,868,495         | \$ 386,668                        |
| Receivables:                              |                            |                             |                      |                                   |
| Taxes receivable, net                     | 17,982                     | -                           | 17,982               | -                                 |
| Accounts receivable                       | 62,123                     | 615,706                     | 677,829              | -                                 |
| Inventory and prepaid expenses            | -                          | 96,780                      | 96,780               | 150,461                           |
| Due from other governments                | 461,233                    | 9,157                       | 470,390              | -                                 |
| Due from component unit                   | 36,938                     | -                           | 36,938               | -                                 |
| Restricted cash and cash equivalents      | 692,168                    | -                           | 692,168              | -                                 |
| Total current assets                      | <u>5,669,841</u>           | <u>3,190,741</u>            | <u>8,860,582</u>     | <u>537,129</u>                    |
| Non-current assets:                       |                            |                             |                      |                                   |
| Capital assets:                           |                            |                             |                      |                                   |
| Land and construction in progress         | 812,902                    | 143,495                     | 956,397              | 80,170                            |
| Other capital assets, net of depreciation | 8,782,985                  | 6,120,445                   | 14,903,430           | 277,978                           |
| Total non-current assets                  | <u>9,595,887</u>           | <u>6,263,940</u>            | <u>15,859,827</u>    | <u>358,148</u>                    |
| Total assets                              | <u>15,265,728</u>          | <u>9,454,681</u>            | <u>24,720,409</u>    | <u>895,277</u>                    |
| <b>Deferred Outflows of Resources</b>     |                            |                             |                      |                                   |
| Pension deferrals                         | 698,434                    | 116,000                     | 814,434              | 19,281                            |
| OPEB deferrals                            | 10,377                     | 616                         | 10,993               | 18,295                            |
| Total deferred outflows of resources      | <u>708,811</u>             | <u>116,616</u>              | <u>825,427</u>       | <u>37,576</u>                     |
| <b>Liabilities</b>                        |                            |                             |                      |                                   |
| Current liabilities:                      |                            |                             |                      |                                   |
| Accounts payable and accrued liabilities  | 113,707                    | 91,767                      | 205,474              | 68,279                            |
| Customer deposits                         | -                          | 65,969                      | 65,969               | -                                 |
| Other current payables                    | -                          | 21,731                      | 21,731               | 38,324                            |
| Current portion of long-term liabilities  | 191,500                    | 195,749                     | 387,249              | -                                 |
| Total current liabilities                 | <u>305,207</u>             | <u>375,216</u>              | <u>680,423</u>       | <u>106,603</u>                    |
| Long-term liabilities:                    |                            |                             |                      |                                   |
| Due in more than one year                 | 2,657,743                  | 2,421,177                   | 5,078,920            | 226,999                           |
| Total liabilities                         | <u>2,962,950</u>           | <u>2,796,393</u>            | <u>5,759,343</u>     | <u>333,602</u>                    |
| <b>Deferred Inflows of Resources</b>      |                            |                             |                      |                                   |
| Prepaid taxes                             | 13                         | -                           | 13                   | -                                 |
| Pension deferrals                         | 67,788                     | 16,886                      | 84,674               | 572                               |
| OPEB deferrals                            | 341,247                    | 63,639                      | 404,886              | 7,523                             |
| Total deferred inflows of resources       | <u>409,048</u>             | <u>80,525</u>               | <u>489,573</u>       | <u>8,095</u>                      |
| <b>Net Position</b>                       |                            |                             |                      |                                   |
| Net investment in capital assets          | 9,010,887                  | 5,110,510                   | 14,121,397           | 358,148                           |
| Restricted for:                           |                            |                             |                      |                                   |
| Stabilization by State Statute            | 496,741                    | -                           | 496,741              | -                                 |
| Streets                                   | 692,168                    | -                           | 692,168              | -                                 |
| Working capital                           | -                          | -                           | -                    | 54,349                            |
| Unrestricted                              | 2,402,745                  | 1,583,869                   | 3,986,614            | 178,659                           |
| Total net position                        | <u>\$ 12,602,541</u>       | <u>\$ 6,694,379</u>         | <u>\$ 19,296,920</u> | <u>\$ 591,156</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, 2019**

|                                      | Program Revenues    |                         |  |  |
|--------------------------------------|---------------------|-------------------------|--|--|
|                                      | Expenses            | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| <b>Functions/Programs</b>            |                     |                         |  |  |
| Primary government:                  |                     |                         |  |  |
| Governmental activities:             |                     |                         |  |  |
| General government                   | \$ 741,759          | \$ -                    | \$ -                                     | \$ -                                   |
| Public safety                        | 2,975,597           | -                       | -  | -                                      |
| Public works                         | 610,424             | 316,571                 | 121,062                                  | -                                      |
| Cultural and recreational            | 842,520             | 242,132                 | 12,000                                   | -                                      |
| Economic and physical<br>development | 305,789             | -                       | -  | -                                      |
| Total governmental activities        | <u>5,476,089</u>    | <u>558,703</u>          | <u>133,062</u>                           | <u>-</u>                               |
| Business-type activities:            |                     |                         |  |  |
| Water and sewer                      | 2,028,662           | 2,669,577               | -  | -                                      |
| Total business-type activities       | <u>2,028,662</u>    | <u>2,669,577</u>        | <u>-</u>                                 | <u>-</u>                               |
| Total primary government             | <u>\$ 7,504,751</u> | <u>\$ 3,228,280</u>     | <u>\$ 133,062</u>                        | <u>\$ -</u>                            |
| <b>Component Unit:</b>               |                     |                         |  |  |
| ABC Board                            | \$ 1,402,819        | \$ 1,416,217            | \$ -                                     | \$ -                                   |
| Total component unit                 | <u>\$ 1,402,819</u> | <u>\$ 1,416,217</u>     | <u>\$ -</u>                              | <u>\$ -</u>                            |

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

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Statement of Activities (Continued)**  
**For the Year Ended June 30, 2019**

Exhibit 2

|  | Net (Expense) Revenue and Changes in Net Position |                             |                      |                                   |
|--|---|-----------------------------|----------------------|-----------------------------------|
|  | Primary Government                                |                             |                      | City of<br>Randleman<br>ABC Board |
|  | Governmental<br>Activities                        | Business-type<br>Activities | Total                |                                   |
| <b>Functions/Programs</b>  |   |                             |                      |                                   |
| Primary government:  |   |                             |                      |                                   |
| Governmental activities:   |   |                             |                      |                                   |
| General government   | \$ (741,759)                                      | \$ -                        | \$ (741,759)         | \$ -                              |
| Public safety  | (2,975,597)                                       | -                           | (2,975,597)          | -                                 |
| Public works   | (172,791)   | -                           | (172,791)            | -                                 |
| Cultural and recreational  | (588,388)   | -                           | (588,388)            | -                                 |
| Economic and physical<br>development                             | (305,789)   | -                           | (305,789)            | -                                 |
| Total governmental activities                                    | <u>(4,784,324)</u>                                | <u>-</u>                    | <u>(4,784,324)</u>   | <u>-</u>                          |
| Business-type activities:  |   |                             |                      |                                   |
| Water and sewer  | -   | 640,915                     | 640,915              | -                                 |
| Total business-type activities                                   | -   | <u>640,915</u>              | <u>640,915</u>       | -                                 |
| Total primary government   | <u>(4,784,324)</u>                                | <u>640,915</u>              | <u>(4,143,409)</u>   | <u>-</u>                          |
| <b>Component Unit:</b>   |   |                             |                      |                                   |
| ABC Board  | \$ -  | \$ -                        | \$ -                 | \$ 13,398                         |
| Total component unit   | <u>-</u>  | <u>-</u>                    | <u>-</u>             | <u>13,398</u>                     |
| <b>General Revenues:</b>   |   |                             |                      |                                   |
| Taxes:   |   |                             |                      |                                   |
| Property taxes, levied for general purpose                       | 2,553,399   | -                           | 2,553,399            | -                                 |
| Other taxes and licenses   | 218   | -                           | 218                  | -                                 |
| Grants and contributions not restricted to<br>a specific purpose | 2,210,725   | -                           | 2,210,725            | -                                 |
| Unrestricted investment earnings                                 | 152,634   | -                           | 152,634              | 597                               |
| Miscellaneous revenues   | 118,345   | -                           | 118,345              | -                                 |
| Total general revenues not including transfers                   | <u>5,035,321</u>                                  | <u>-</u>                    | <u>5,035,321</u>     | <u>597</u>                        |
| Transfers  | -   | -                           | -                    | -                                 |
| Total general revenues and transfers                             | <u>5,035,321</u>                                  | <u>-</u>                    | <u>5,035,321</u>     | <u>597</u>                        |
| Change in net position   | 250,997   | 640,915                     | 891,912              | 13,995                            |
| Net position- beginning  | <u>12,351,544</u>                                 | <u>6,053,464</u>            | <u>18,405,008</u>    | <u>577,161</u>                    |
| Net position, ending   | <u>\$ 12,602,541</u>                              | <u>\$ 6,694,379</u>         | <u>\$ 19,296,920</u> | <u>\$ 591,156</u>                 |

## Balance Sheet

## Governmental Funds

June 30, 2019

|  | Major Fund          | Total             | Total                 |
|--|---------------------|-------------------|-----------------------|
|  | General Fund        | Non-Major<br>Fund | Governmental<br>Funds |
| <b>Assets</b>  |                     |                   |                       |
| Cash and cash equivalents  | \$ 4,146,434        | \$ 252,963        | \$ 4,399,397          |
| Restricted cash  | 692,168             | -                 | 692,168               |
| Receivables:   |                     |                   |                       |
| Taxes receivable, net  | 17,982              | -                 | 17,982                |
| Accounts receivable  | 62,123              | -                 | 62,123                |
| Due from other governments   | 459,115             | 2,118             | 461,233               |
| Due from component unit  | 36,938              | -                 | 36,938                |
| Total assets   | <u>\$ 5,414,760</u> | <u>\$ 255,081</u> | <u>\$ 5,669,841</u>   |
| <b>Liabilities</b>   |                     |                   |                       |
| Accounts payable and accrued liabilities                               | <u>\$ 103,307</u>   | <u>\$ 10,400</u>  | <u>\$ 113,707</u>     |
| <b>Deferred inflows of resources</b>                                   |                     |                   |                       |
| Taxes and fees receivable  | 79,417              | -                 | 79,417                |
| Prepaid taxes  | 13                  | -                 | 13                    |
| Total deferred inflows of resources                                    | <u>79,430</u>       | <u>-</u>          | <u>79,430</u>         |
| <b>Fund Balances:</b>  |                     |                   |                       |
| Restricted for:  |                     |                   |                       |
| Stabilization by state statute   | 496,741             | -                 | 496,741               |
| Streets  | 692,168             | -                 | 692,168               |
| Assigned:  |                     |                   |                       |
| Capital projects   | -                   | 244,681           | 244,681               |
| Subsequent year's expenditures   | 70,000              | -                 | 70,000                |
| Unassigned   | 3,973,114           | -                 | 3,973,114             |
| Total fund balances  | <u>5,232,023</u>    | <u>244,681</u>    | <u>5,476,704</u>      |
| Total liabilities, deferred inflows of<br>resources, and fund balances | <u>\$ 5,414,760</u> | <u>\$ 255,081</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, 2019**

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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  |                    | \$ 5,476,704                |
| Capital assets used in governmental activities are not financial resources<br>and therefore are not reported in the funds:        |                    |                             |
| Gross capital assets at historical cost   | \$ 18,411,722      |                             |
| Accumulated depreciation  | <u>(8,815,835)</u> | 9,595,887                   |
| Deferred outflows of resources related to pensions are not<br>reported in the funds   |                    | 698,434                     |
| Deferred outflows of resources related to OPEB are not<br>reported in the funds   |                    | 10,377                      |
| Earned revenues considered deferred inflows of<br>resources in fund statements  |                    | 79,417                      |
| Long-term liabilities used in governmental activities are not<br>financial uses and therefore are not reported in the funds:      |                    |                             |
| Gross long-term debt  | (834,661)          |                             |
| Long-term debt included as net position below (includes the<br>addition of long-term debt and principal payments during the year) | 141,960            |                             |
| Net pension liability   | (862,163)          |                             |
| Total pension liability   | (260,625)          |                             |
| OPEB liability  | <u>(1,033,754)</u> | (2,849,243)                 |
| Deferred inflows of resources related to pensions are not<br>reported in the funds  |                    | (67,788)                    |
| Deferred inflows of resources related to OPEB are not<br>reported in the funds  |                    | <u>(341,247)</u>            |
| Net position of governmental activities   |                    | <u><u>\$ 12,602,541</u></u> |

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

Exhibit 5

|   | <u>Major Fund</u><br><u>General Fund</u> | <u>Total</u><br><u>Non-Major</u><br><u>Fund</u> | <u>Total</u><br><u>Governmental</u><br><u>Funds</u> |
|---|--|---|---|
| <b>Revenues</b>                                   |  |   |   |
| Ad valorem taxes                                  | \$ 2,554,036                             | \$ -  | \$ 2,554,036  |
| Other taxes and licenses                          | 218                                      | -   | 218   |
| Intergovernmental revenues:                       |  |   |   |
| Unrestricted                                      | 2,210,725                                | -   | 2,210,725   |
| Restricted  | 133,062                                  | -   | 133,062   |
| Sales and services                                | 558,703                                  | -   | 558,703   |
| Investment earnings                               | 152,634                                  | -   | 152,634   |
| Miscellaneous revenue                             | 118,345                                  | -   | 118,345   |
| Total revenues                                    | <u>5,727,723</u>                         | <u>-</u>  | <u>5,727,723</u>                                    |
| <b>Expenditures</b>                               |  |   |   |
| Current:  |  |   |   |
| General government                                | 659,556                                  | -   | 659,556   |
| Public safety                                     | 2,489,290                                | -   | 2,489,290   |
| Public works                                      | 487,401                                  | -   | 487,401   |
| Cultural and recreational                         | 697,372                                  | -   | 697,372   |
| Economic and physical development                 | 141,907                                  | -   | 141,907   |
| Capital outlay                                    | 480,436                                  | 46,259  | 526,695   |
| Debt service:                                     |  |   |   |
| Principal retirement                              | 143,467                                  | -   | 143,467   |
| Interest  | 14,241                                   | -   | 14,241  |
| Total expenditures                                | <u>5,113,670</u>                         | <u>46,259</u>                                   | <u>5,159,929</u>                                    |
| Excess (deficiency) of revenues over expenditures | <u>614,053</u>                           | <u>(46,259)</u>                                 | <u>567,794</u>                                      |
| <b>Other Financing Sources (Uses)</b>             |  |   |   |
| Transfers to other funds                          | (215,000)                                | -   | (215,000)   |
| Transfers from other funds                        | <u>-</u>                                 | <u>215,000</u>                                  | <u>215,000</u>                                      |
| Total other financing sources (uses)              | <u>(215,000)</u>                         | <u>215,000</u>                                  | <u>-</u>  |
| Net change in fund balances                       | 399,053                                  | 168,741   | 567,794   |
| Fund balances- beginning                          | <u>4,832,970</u>                         | <u>75,940</u>                                   | <u>4,908,910</u>                                    |
| Fund balances, ending                             | <u>\$ 5,232,023</u>                      | <u>\$ 244,681</u>                               | <u>\$ 5,476,704</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, 2019**

---

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

Net change in fund balances - total governmental funds \$ 567,794

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 | \$ 526,695 |           |
| Depreciation expense for governmental assets       | (795,502)  | (268,807) |

|  |  |         |
|--|--|---------|
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities |  | 166,190 |
|--|--|---------|

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 |  | (637) |
|--|--|-------|

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 | 143,467 | 143,467 |

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 | \$ (1,507) |           |
| Pension expense      | (261,829)  |           |
| OPEB plan expense    | (93,674)   | (357,010) |

|  |  |            |
|--|--|------------|
| Total changes in net position of governmental activities |  | \$ 250,997 |
|--|--|------------|

**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, 2019**

Exhibit 7

|                                       | Original<br>Budget | Final<br>Budget  | Actual<br>Amounts   | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---------------------------------------|--------------------|------------------|---------------------|---|
| <b>Revenues</b>                       |                    |                  |                     |   |
| Ad valorem taxes                      | \$ 2,477,300       | \$ 2,481,000     | \$ 2,554,036        | \$ 73,036   |
| Other taxes and licenses              | 200                | 200              | 218                 | 18  |
| Intergovernmental revenues:           |                    |                  |                     |   |
| Unrestricted                          | 2,025,100          | 2,175,100        | 2,210,725           | 35,625  |
| Restricted                            | 136,000            | 136,000          | 133,062             | (2,938)   |
| Sales and services                    | 536,000            | 604,000          | 558,703             | (45,297)  |
| Investment earnings                   | 40,000             | 140,000          | 152,634             | 12,634  |
| Miscellaneous revenue                 | 85,500             | 142,300          | 118,345             | (23,955)  |
| Total revenues                        | <u>5,300,100</u>   | <u>5,678,600</u> | <u>5,727,723</u>    | <u>49,123</u>   |
| <b>Expenditures</b>                   |                    |                  |                     |   |
| Current:                              |                    |                  |                     |   |
| General government                    | 788,000            | 917,200          | 744,053             | 173,147   |
| Public safety                         | 2,716,700          | 2,800,900        | 2,560,946           | 239,954   |
| Public works                          | 796,000            | 737,100          | 649,833             | 87,267  |
| Cultural and recreational             | 688,100            | 928,100          | 843,750             | 84,350  |
| Economic and physical development     | 165,400            | 173,900          | 157,380             | 16,520  |
| Debt payments                         | 157,900            | 157,900          | 157,708             | 192   |
| Total expenditures                    | <u>5,312,100</u>   | <u>5,715,100</u> | <u>5,113,670</u>    | <u>601,430</u>  |
| Revenues over (under) expenditures    | <u>(12,000)</u>    | <u>(36,500)</u>  | <u>614,053</u>      | <u>650,553</u>  |
| <b>Other Financing Sources (Uses)</b> |                    |                  |                     |   |
| Transfer to other funds               | (125,000)          | (215,000)        | (215,000)           | -   |
| Transfer from other funds             | -                  | -                | -                   | -   |
| Total other financing sources (uses)  | <u>(125,000)</u>   | <u>(215,000)</u> | <u>(215,000)</u>    | <u>-</u>  |
| Fund balance appropriated             | <u>137,000</u>     | <u>251,500</u>   | <u>-</u>            | <u>(251,500)</u>  |
| Net changes in fund balances          | <u>\$ -</u>        | <u>\$ -</u>      | <u>399,053</u>      | <u>\$ 399,053</u>   |
| Fund balances, beginning              |                    |                  | <u>4,832,970</u>    |   |
| Fund balances, ending                 |                    |                  | <u>\$ 5,232,023</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, 2019**

Exhibit 8

|  | <u>Water and<br/>Sewer Fund</u> |
|--|---------------------------------|
| <b>Assets</b>  |                                 |
| Current assets:                                      |                                 |
| Cash and equivalents                                 | \$ 2,469,098                    |
| Account receivables, net                             | 615,706                         |
| Due from other governments                           | 9,157                           |
| Inventories  | 96,780                          |
| Total current assets                                 | <u>3,190,741</u>                |
| Noncurrent assets:                                   |                                 |
| Capital assets:                                      |                                 |
| Land and other non-depreciable assets                | 143,495                         |
| Other capital assets, net of depreciation            | 6,120,445                       |
| Total non-current assets                             | <u>6,263,940</u>                |
| Total assets   | <u>9,454,681</u>                |
| <b>Deferred Outflows of Resources</b>                |                                 |
| Pension deferrals                                    | 116,000                         |
| OPEB deferrals                                       | 616                             |
| Total deferred outflows of resources                 | <u>116,616</u>                  |
| <b>Liabilities</b>                                   |                                 |
| Current liabilities:                                 |                                 |
| Accounts payable and accrued liabilities             | 91,767                          |
| Customer deposits                                    | 65,969                          |
| Accrued interest payable                             | 21,731                          |
| Compensated absences - current                       | 28,000                          |
| Notes payable- current                               | 66,907                          |
| Installment purchase agreements payable - current    | 100,842                         |
| Total current liabilities                            | <u>375,216</u>                  |
| Noncurrent liabilities:                              |                                 |
| Total OPEB liability                                 | 196,906                         |
| Net pension liability                                | 197,089                         |
| Compensated absences - noncurrent                    | 11,291                          |
| Notes payable- noncurrent                            | 963,303                         |
| Installment purchase agreements payable - noncurrent | 1,052,588                       |
| Total noncurrent liabilities                         | <u>2,421,177</u>                |
| Total Liabilities                                    | <u>2,796,393</u>                |
| <b>Deferred Inflows of Resources</b>                 |                                 |
| Pension deferrals                                    | 16,886                          |
| OPEB deferrals                                       | 63,639                          |
| Total deferred inflows of resources                  | <u>80,525</u>                   |
| <b>Net Position</b>                                  |                                 |
| Net investment in capital assets                     | 5,110,510                       |
| Unrestricted   | 1,583,869                       |
| Total net position                                   | <u>\$ 6,694,379</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, 2019**

Exhibit 9

|   | <u>Water and<br/>Sewer Fund</u> |
|---|---------------------------------|
| <b>Operating revenues:</b>              |                                 |
| Water sales                             | \$ 1,350,065                    |
| Sewer charges                           | 1,265,049                       |
| Water and sewer taps                    | 4,200                           |
| Other operating revenues                | 50,263                          |
| Total operating revenues                | <u>2,669,577</u>                |
| <b>Operating expenses:</b>              |                                 |
| Water and treatment and distribution    | 860,992                         |
| Water and sewer maintenance             | 188,703                         |
| Wastewater treatment                    | 493,707                         |
| Depreciation                            | 409,439                         |
| Total operating expenses                | <u>1,952,841</u>                |
| Operating income                        | <u>716,736</u>                  |
| <b>Non-operating expenses:</b>          |                                 |
| PTRWA administration operating costs    | (36,287)                        |
| Interest and other charges              | (39,534)                        |
| Total non-operating expenses            | <u>(75,821)</u>                 |
| Change in net position                  | <u>640,915</u>                  |
| Total net position, previously reported | <u>6,053,464</u>                |
| Total net position, ending              | <u><u>\$ 6,694,379</u></u>      |

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2019**

Exhibit 10

|   | <u>Water and<br/>Sewer Fund</u> |
|---|---------------------------------|
| Cash flows from operating activities:   |                                 |
| Cash received from customers  | \$ 2,612,646                    |
| Cash paid for goods and services  | (840,793)                       |
| Cash paid to employees for services   | (664,604)                       |
| Other operating revenues  | <u>50,263</u>                   |
| Net cash provided by operating activities   | <u>1,157,512</u>                |
| Cash flows from capital and related financing activities:                               |                                 |
| Acquisition of capital assets   | (397,870)                       |
| Payments for PTRWA administration operating costs                                       | (36,287)                        |
| Issuance of bonds and installment purchase agreements                                   | 336,950                         |
| Principal paid on bonds and installment purchase agreements                             | (181,323)                       |
| Interest paid on bonds and installment purchase agreements                              | <u>(39,534)</u>                 |
| Net cash used in capital and related financing activities                               | <u>(318,064)</u>                |
| Net increase in cash and cash equivalents   | 839,448                         |
| Balances, beginning   | <u>1,629,650</u>                |
| Balances, ending  | <u>\$ 2,469,098</u>             |
| Reconciliation of operating income to net cash provided by operating activities:        |                                 |
| Operating income  | <u>\$ 716,736</u>               |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                                 |
| Depreciation  | 409,439                         |
| Changes in assets and liabilities:  |                                 |
| (Increase) decrease in:   |                                 |
| Accounts receivable   | (6,668)                         |
| Due from other governments  | (720)                           |
| Inventory   | (7,853)                         |
| Deferred outflows of resources for pension  | (13,621)                        |
| Deferred outflows of resources for OPEB   | 76                              |
| Increase (decrease) in:   |                                 |
| Accounts payable and accrued liabilities  | 54,248                          |
| Customer deposits   | (4,890)                         |
| Accrued compensated absences  | 241                             |
| Deferred inflows of resources for pension   | (1,024)                         |
| Deferred inflows of resources for OPEB  | 46,058                          |
| Net pension liability   | 59,045                          |
| OPEB liability  | <u>(93,555)</u>                 |
| Total adjustments   | <u>440,776</u>                  |
| Net cash provided by operating activities   | <u>\$ 1,157,512</u>             |

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

Statement of Fiduciary Net Position

Fiduciary Fund

For the Year Ended June 30, 2019

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|                           | <u>Fireman's<br/>Relief Fund</u> |
|---------------------------|----------------------------------|
| Assets:                   |                                  |
| Cash and cash equivalents | \$ 125,642                       |
| Total assets              | <u>\$ 125,642</u>                |
| Liabilities:              |                                  |
| Intergovernmental payable | \$ 125,642                       |
| Total liabilities         | <u>\$ 125,642</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 accounting principles generally accepted in the United States of America, these financial statements present the City and its component unit, the City of Randleman ABC Board, a legally separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

##### **City of Randleman ABC Board**

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

##### **Basis of Presentation**

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

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

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

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

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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:

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

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

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 Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT - Term Portfolio is a bond fund, has no rating, and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than six months.

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

**Cash and Cash Equivalents**

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

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

**Restricted Assets**

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

**Ad Valorem Taxes Receivable**

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the City has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

**Allowance for Doubtful Accounts**

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

**Inventory and Prepaid Items**

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

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

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

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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<br>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                       |

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Deferred Outflows/Inflows of Resources**

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

**Long-Term Obligations**

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

**Compensated Absences**

The vacation policy of the City provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide statements.

Both the City's and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**Net Position/Fund Balances**

Net Position

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

Fund Balances

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

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Revenues, Expenditures and Expenses**

Other Resources

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

**Defined Benefit Cost-Sharing Plans**

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**A. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2019, the expenditures made in the City's water and treatment distribution section of the Water and Sewer Fund exceeded the authorized appropriations made by the governing board by \$24,764. This over-expenditure occurred because of unplanned expenditures. Management and the Board will more closely review the budget reports to ensure compliance in future years.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

**A. Assets**

**Deposits**

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

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

**Deposits (Continued)**

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

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

At June 30, 2019, the City's deposits, which include the Firemen's Relief Fund, had a carrying amount of \$795,024 and a bank balance of \$638,552. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$138,552 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, 2019, the ABC Board's deposits had a carrying amount of \$384,518 and a bank balance of \$367,721. All of the bank balance was covered by federal depository insurance and collateral securities. Also included in the ABC Board's cash balance is \$2,150 in petty cash on hand.

**Investments**

At June 30, 2019, the City's investment balances were as follows:

| Investment Type                                       | Valuation<br>Measurement<br>Method | Book Value at<br>6/30/2019 | Maturity   | Rating  |
|---|------------------------------------|----------------------------|------------|---------|
| NC Capital Management<br>Trust - Government Portfolio | Fair Value,<br>Level 1             | \$ 3,968,205               | N/A        | AAAm    |
| NC Capital Management<br>Trust - Term Portfolio       | Fair Value,<br>Level 1             | 2,922,726                  | 0.09 years | Unrated |
| Total   |                                    | \$ 6,890,931               |            |         |

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

**Investments (Continued)**

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

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

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

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

**Receivables – Allowances for Doubtful Accounts**

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

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

**Capital Assets**

Capital asset activity for the primary government for the year ended June 30, 2019, was as follows:

|  | <u>Beginning<br/>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| Governmental Activities:                       |                               |                  |                  |                            |
| Capital assets not being depreciated:          |                               |                  |                  |                            |
| Land   | \$ 768,651                    | \$ 21,947        | \$ -             | \$ 790,598                 |
| Construction in progress                       | -                             | 22,304           | -                | 22,304                     |
| Total capital assets not<br>being depreciated  | <u>768,651</u>                | <u>44,251</u>    | <u>-</u>         | <u>812,902</u>             |
| Capital assets being depreciated:              |                               |                  |                  |                            |
| Land improvements                              | 1,940,700                     | 16,675           | -                | 1,957,375                  |
| Buildings and improvements                     | 6,533,309                     | 82,940           | -                | 6,616,249                  |
| Infrastructure                                 | 1,677,944                     | 146,111          | -                | 1,824,055                  |
| Equipment and heavy equipment                  | 6,563,081                     | 176,959          | -                | 6,740,040                  |
| Other  | 401,342                       | 59,759           | -                | 461,101                    |
| Total capital assets<br>being depreciated      | <u>17,116,376</u>             | <u>482,444</u>   | <u>-</u>         | <u>17,598,820</u>          |
| Less accumulated depreciation for:             |                               |                  |                  |                            |
| Land improvements                              | 667,249                       | 165,904          | -                | 833,153                    |
| Buildings and improvements                     | 2,142,794                     | 169,211          | -                | 2,312,005                  |
| Infrastructure                                 | 392,511                       | 62,332           | -                | 454,843                    |
| Equipment and heavy equipment                  | 4,571,812                     | 372,713          | -                | 4,944,525                  |
| Other  | 245,967                       | 25,342           | -                | 271,309                    |
| Total accumulated<br>depreciation              | <u>8,020,333</u>              | <u>795,502</u>   | <u>-</u>         | <u>8,815,835</u>           |
| Total capital assets being<br>depreciated, net | <u>9,096,043</u>              |                  |                  | <u>8,782,985</u>           |
| Government activity capital<br>assets, net     | <u>\$ 9,864,694</u>           |                  |                  | <u>\$ 9,595,887</u>        |

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

**Capital Assets (Continued)**

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

|                            |                   |
|----------------------------|-------------------|
| General Government         | \$ 67,220         |
| Public Safety              | 355,112           |
| Public Works               | 108,109           |
| Economic and Physical      | 105,563           |
| Cultural and Recreation    | 159,498           |
| Total depreciation expense | <u>\$ 795,502</u> |

| Business-Type Activities -<br>Water and Sewer Fund: | Beginning<br>Balances | Increases      | Decreases      | Ending<br>Balances  |
|---|-----------------------|----------------|----------------|---------------------|
| Capital assets not being depreciated:               |                       |                |                |                     |
| Land  | \$ 7,275              | \$ -           | \$ -           | \$ 7,275            |
| Construction in progress                            | 410,565               | 204,362        | 478,707        | 136,220             |
| Total capital assets not<br>being depreciated       | <u>417,840</u>        | <u>204,362</u> | <u>478,707</u> | <u>143,495</u>      |
| Capital assets being depreciated:                   |                       |                |                |                     |
| System improvements                                 | 3,309,457             | 67,382         | -              | 3,376,839           |
| Water rights  | 1,463,095             | -              | -              | 1,463,095           |
| Buildings and improvements                          | 2,289,306             | -              | -              | 2,289,306           |
| Water distribution system                           | 6,693,579             | 478,707        | -              | 7,172,286           |
| Equipment and heavy vehicle                         | 1,132,888             | 126,126        | -              | 1,259,014           |
| Total capital assets<br>being depreciated           | <u>14,888,325</u>     | <u>672,215</u> | <u>-</u>       | <u>15,560,540</u>   |
| Less accumulated depreciation for:                  |                       |                |                |                     |
| System improvements                                 | 1,084,009             | 123,489        | -              | 1,207,498           |
| Water rights  | 226,780               | 29,262         | -              | 256,042             |
| Buildings and improvements                          | 1,689,890             | 68,446         | -              | 1,758,336           |
| Water distribution system                           | 5,176,788             | 136,503        | -              | 5,313,291           |
| Equipment and heavy vehicle                         | 853,189               | 51,739         | -              | 904,928             |
| Total accumulated<br>depreciation                   | <u>9,030,656</u>      | <u>409,439</u> | <u>-</u>       | <u>9,440,095</u>    |
| Total capital assets being<br>depreciated, net      | <u>5,857,669</u>      |                |                | <u>6,120,445</u>    |
| Business-type activities<br>capital assets, net     | <u>\$ 6,275,509</u>   |                |                | <u>\$ 6,263,940</u> |

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

**Capital Assets (Continued)**

Discretely Presented Component Unit

Activity for the ABC Board for the year end June 30, 2019, was as follows:

|   | Beginning<br>Balances | Increases     | Decreases | Ending<br>Balances |
|---|-----------------------|---------------|-----------|--------------------|
| Capital assets not being depreciated:         |                       |               |           |                    |
| Land  | \$ 80,170             | \$ -          | \$ -      | \$ 80,170          |
| Total capital assets not<br>being depreciated | <u>80,170</u>         | <u>-</u>      | <u>-</u>  | <u>80,170</u>      |
| Capital assets being depreciated:             |                       |               |           |                    |
| Buildings                                     | 519,332               | -             | -         | 519,332            |
| Store and administrative equipment            | <u>54,743</u>         | <u>3,658</u>  | <u>-</u>  | <u>58,401</u>      |
| Total capital assets<br>being depreciated     | <u>574,075</u>        | <u>3,658</u>  | <u>-</u>  | <u>577,733</u>     |
| Less accumulated depreciation:                |                       |               |           |                    |
| Buildings                                     | 240,190               | 12,960        | -         | 253,150            |
| Store and administrative equipment            | <u>43,727</u>         | <u>2,878</u>  | <u>-</u>  | <u>46,605</u>      |
| Total accumulated<br>depreciation             | <u>283,917</u>        | <u>15,838</u> | <u>-</u>  | <u>299,755</u>     |
| ABC capital assets, net                       | <u>\$ 370,328</u>     |               |           | <u>\$ 358,148</u>  |

**Liabilities**

Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The City of Randleman, North Carolina employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Randleman, North Carolina's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.82% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Randleman, North Carolina were \$207,738 for the year ended June 30, 2019.

*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 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

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

At June 30, 2019, the City reported a liability of \$1,059,251 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing updated procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participants, LGERS employers, actuarially determined. At June 30, 2018 the City's proportion was 0.045%, which was consistent with its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$277,503. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience   | \$ 163,417                           | \$ 5,483                            |
| Changes of assumptions   | 281,084                              | -                                   |
| Net difference between projected and actual earnings<br>on pension plan investments                          | 145,404                              | -                                   |
| Changes in proportion and differences between City<br>contributions and proportionate share of contributions | 7,112                                | 77,672                              |
| City contributions subsequent to the measurement date  | 207,738                              | -                                   |
|  | <u>\$ 804,755</u>                    | <u>\$ 83,155</u>                    |

\$207,738 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources, net, or deferred outflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30:</u> |                   |
|----------------------------|-------------------|
| 2020                       | \$ 261,603        |
| 2021                       | 157,878           |
| 2022                       | 17,049            |
| 2023                       | 77,332            |
|                            | <u>\$ 513,862</u> |

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

*Actuarial Assumptions.* The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

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

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate.* The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20%) or one percentage point higher (8.00%) than the current rate:

|   | 1%<br>Decrease<br>(6.00%) | Discount<br>Rate<br>(7.00%) | 1%<br>Increase<br>(8.00%) |
|---|---------------------------|-----------------------------|---------------------------|
| City's proportionate share of the net pension liability (asset) | \$ 2,544,412              | \$ 1,059,251                | \$ (181,773)              |

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

b. Law Enforcement Officers Special Separation Allowance

Plan Description

The City of Randleman administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .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 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

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

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                  |   |
|------------------|---|
| Inflation        | 2.50%   |
| Salary increases | 3.50 to 7.35% including inflation and productivity factor |
| Discount rate    | 3.64%   |

The discount rate is based on the yield of the S&P Municipal Bond 20-year High Grade Rate Index determined as of December 31, 2017.

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

Contributions

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

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

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

At June 30, 2019, the City reported a total pension liability of \$260,625. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$28,726.

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Differences between expected and actual experience   | \$ 9,679                                      | \$ -   |
| Changes of assumptions and other inputs  | -   | 1,519  |
| City benefit payments and plan administrative expense<br>made subsequent to the measurement date | -   | -  |
|  | <u>\$ 9,679</u>                               | <u>\$ 1,519</u>                              |

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

| <u>Year Ended June 30:</u> |                 |
|----------------------------|-----------------|
| 2020                       | \$ 1,655        |
| 2021                       | 1,655           |
| 2022                       | 1,655           |
| 2023                       | 1,655           |
| 2024                       | 1,957           |
| Thereafter                 | (417)           |
|                            | <u>\$ 8,160</u> |

*Sensitivity of the City's total pension liability to changes in the discount rate.* The following presents the City's total pension liability calculated using the discount rate of 3.64 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (4.64%) than the current rate:

|  | <u>1%<br/>Decrease<br/>(2.64%)</u> | <u>Discount<br/>Rate<br/>(3.64%)</u> | <u>1%<br/>Increase<br/>(4.64%)</u> |
|--|------------------------------------|--------------------------------------|------------------------------------|
| City's proportionate share of the<br>net pension liability | \$ 290,408                         | \$ 260,625                           | \$ 233,937                         |

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

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

|  |                   |
|--|-------------------|
| Beginning balance  | \$ 237,277        |
| Service cost   | 19,573            |
| Interest on the total pension liability  | 7,498             |
| Change in benefit terms  | -                 |
| Difference between expected and actual experience<br>in the measurement of the total pension liability | 10,173            |
| Changes of assumptions or other inputs   | (13,896)          |
| Benefit payments   | -                 |
| Other changes  | -                 |
| Ending balance of the total pension liability  | <u>\$ 260,625</u> |

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

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

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

|  | <u>LGERS</u> | <u>LEOSSA</u> | <u>Total</u> |
|--|--------------|---------------|--------------|
| Pension Expense  | \$ 277,503   | \$ 28,726     | \$ 306,229   |
| Pension Liability  | 1,059,251    | 260,625       | 1,319,876    |
| Proportionate share of the net pension liability   | 0.045%       | n/a           |              |
| <br>Deferred Outflow of Resources  |              |               |              |
| Differences between expected and actual experience   | 163,417      | 9,679         | 173,096      |
| Changes of assumptions   | 281,084      | -             | 281,084      |
| Net difference between projected and actual earnings on plan investments                             | 145,404      | -             | 145,404      |
| Changes in proportion and differences between contributions and proportionate share of contributions | 7,112        | -             | 7,112        |
| Benefit payments and administrative costs paid subsequent to the measurement date                    | 207,738      | -             | 207,738      |
| <br>Deferred Inflows of Resources  |              |               |              |
| Differences between expected and actual experience   | 5,483        | -             | 5,483        |
| Changes of assumptions   | -            | 1,519         | 1,519        |
| Net difference between projected and actual earnings on plan investments                             | -            | -             | -            |
| Changes in proportion and differences between contributions and proportionate share of contributions | 77,672       | -             | 77,672       |

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension Plan Obligations (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The City made contributions of \$34,927 for the reporting year. No amounts were forfeited.

**Other Post-Employment Benefits**

Healthcare Benefits

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

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

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Healthcare Benefits (Continued)

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

|   | General<br>Employees | Law<br>Enforcement<br>Officers | Firefighters |
|---|----------------------|--------------------------------|--------------|
| Retirees receiving benefits   | 3                    | -                              | -            |
| Terminated plan members entitled<br>to but not yet receiving benefits | -                    | -                              | -            |
| Active plan members   | 24                   | 14                             | 19           |
| Total   | <u>27</u>            | <u>14</u>                      | <u>19</u>    |

**Total OPEB Liability**

The City's total OPEB liability of \$1,230,660 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and Other Inputs*

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

|  |   |
|--|---|
| Inflation                                  | 2.50%   |
| Salary increases, including wage inflation |   |
| General Employees                          | 3.50% to 7.75%  |
| Firefighters                               | 3.50% to 7.75%  |
| Law Enforcement Officers                   | 3.50% to 7.35%  |
| Discount rate                              | 3.89%   |
| Healthcare cost trend rates                |   |
| Pre-Medicare                               | 7.25% for 2018 decreasing to<br>an ultimate rate of 4.75% by 2028 |
| Dental                                     | 4.00%   |

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

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Healthcare Benefits (Continued)

Changes in the Total OPEB liability

|  |                            |
|--|----------------------------|
| Beginning balance                                  | \$ 1,452,306               |
| Service cost                                       | 108,622                    |
| Interest   | 51,195                     |
| Differences between expected and actual experience | (361,464)                  |
| Changes in assumptions or other inputs             | 8,758                      |
| Benefit payments                                   | <u>(28,757)</u>            |
| OPEB balance, end of year                          | <u><u>\$ 1,230,660</u></u> |

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.89%) or 1 percentage point higher (4.89%) than the current discount rate:

|                      | 1%<br>Decrease | Discount<br>Rate<br>(3.89) | 1%<br>Increase |
|----------------------|----------------|----------------------------|----------------|
| Total OPEB liability | \$ 1,385,595   | \$ 1,230,660               | \$ 1,094,618   |

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

|                      | 1%<br>Decrease | Discount Rate | 1%<br>Increase |
|----------------------|----------------|---------------|----------------|
| Total OPEB liability | \$ 1,057,173   | \$ 1,230,660  | \$ 1,443,415   |

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Healthcare Benefits (Continued)

For the year ended June 30, 2019, the City recognized OPEB expense of \$123,133. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 3,080                             | \$ 326,607                          |
| Changes of assumptions or other inputs             | 7,913                                | 78,279                              |
| Total  | <u>\$ 10,993</u>                     | <u>\$ 404,886</u>                   |

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

| <u>Year Ended June 30:</u> |                     |
|----------------------------|---------------------|
| 2020                       | \$ (43,261)         |
| 2021                       | (43,261)            |
| 2022                       | (43,261)            |
| 2023                       | (43,261)            |
| 2024                       | (43,261)            |
| Thereafter                 | <u>(177,588)</u>    |
|                            | <u>\$ (393,893)</u> |

Other Employment Benefits

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

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

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

**Deferred Outflows and Inflows of Resources**

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

| <u>Source</u>   | <u>Amount</u>     |
|---|-------------------|
| Contributions to pension plan in current fiscal year  | \$ 207,738        |
| Differences between expected and actual experience  | 176,176           |
| Changes in assumptions  | 288,997           |
| Net difference between projected and actual   | 145,404           |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 7,112             |
|   | <u>\$ 825,427</u> |

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

|   | <u>Statement of<br/>Net Position</u> | <u>General Fund<br/>Balance Sheet</u> |
|---|--------------------------------------|---------------------------------------|
| Prepaid taxes (General Fund)  | \$ 13                                | \$ 13                                 |
| Taxes receivable, net (General Fund)  | -                                    | 17,982                                |
| Tipping fees, net (General Fund)  | -                                    | 49,452                                |
| Storm water fees, net (General Fund)  | -                                    | 7,165                                 |
| Privilege license fees, net (General Fund)  | -                                    | 4,818                                 |
| Change in assumptions   | 79,798                               | -                                     |
| Difference between expected and actual experience   | 332,090                              | -                                     |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 77,672                               | -                                     |
|   | <u>\$ 489,573</u>                    | <u>\$ 79,430</u>                      |

**Risk Management**

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

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

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

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

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

**Claims, Judgments and Contingent Liabilities**

At June 30, 2019, 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 a direct placement 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 property is pledged as collateral for the debt while the debt is outstanding. 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 a direct placement installment financing agreement of \$1,989,306 to finance water treatment plant improvements. The property is pledged as collateral for the debt while the debt is outstanding. The financing agreement requires monthly principal payments of \$11,052 plus interest at a rate of 4.09%.

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

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Installment Purchases (Continued)

Annual debt service requirements of the installment purchases as of June 30, 2019, including \$103,809 of interest, are as follows:

| Year Ending June 30, | Governmental Activities |                  | Business-type Activities |                  |
|----------------------|-------------------------|------------------|--------------------------|------------------|
|                      | Principal               | Interest         | Principal                | Interest         |
| 2020                 | \$ 97,500               | \$ 11,247        | \$ 17,333                | \$ 9,178         |
| 2021                 | 97,500                  | 8,771            | 17,333                   | 8,556            |
| 2022                 | 97,500                  | 6,294            | 17,333                   | 7,934            |
| 2023                 | 97,500                  | 3,818            | 17,333                   | 7,312            |
| 2024                 | 97,500                  | 1,341            | 17,333                   | 6,689            |
| 2025-2029            | -                       | -                | 86,667                   | 24,113           |
| 2030-2034            | -                       | -                | 86,668                   | 8,556            |
| Totals               | <u>\$ 487,500</u>       | <u>\$ 31,471</u> | <u>\$ 260,000</u>        | <u>\$ 72,338</u> |

Notes Payable

Notes payable - Water and Sewer Fund consists of the following at June 30, 2019:

North Carolina Clean Water Revolving Loan:

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

\$ 420,822

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.

609,388  
\$ 1,030,210

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

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NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Notes Payable (Continued)

Annual debt service requirements to maturity for the note payable - Water and Sewer Fund at June 30, 2019 are as follows:

| <u>Year Ending June 30,</u> | <u>Business-type Activities</u> |                  |
|-----------------------------|---------------------------------|------------------|
|                             | <u>Principal</u>                | <u>Interest</u>  |
| 2020                        | \$ 66,907                       | \$ 12,188        |
| 2021                        | 66,907                          | 11,317           |
| 2022                        | 66,907                          | 10,447           |
| 2023                        | 66,907                          | 9,576            |
| 2024                        | 66,907                          | 8,706            |
| 2025-2029                   | 334,535                         | 30,469           |
| 2030-2034                   | 291,007                         | 8,705            |
| 2035-2039                   | 70,133                          | -                |
| Totals                      | <u>\$ 1,030,210</u>             | <u>\$ 91,408</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, 2019, including \$154,126 of interest, are as follows:

| <u>Year Ending June 30,</u> | <u>Business-type Activities</u> |                   |
|-----------------------------|---------------------------------|-------------------|
|                             | <u>Principal</u>                | <u>Interest</u>   |
| 2020                        | \$ 83,509                       | \$ 24,000         |
| 2021                        | 85,821                          | 21,687            |
| 2022                        | 88,197                          | 19,311            |
| 2023                        | 90,639                          | 16,869            |
| 2024                        | 93,149                          | 14,359            |
| 2025-2029                   | 452,115                         | 31,650            |
| Totals                      | <u>\$ 893,430</u>               | <u>\$ 127,876</u> |

At June 30, 2019, the City of Randleman had a legal debt margin of \$32,128,731.

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

Changes in Long-Term Liabilities

Compensated absences typically have been liquidated in the General Fund.

|  | Balance<br>July 1, 2018 | Increases         | Decreases         | Balance<br>June 30, 2019 | Current Portion<br>of Balance |
|--|-------------------------|-------------------|-------------------|--------------------------|-------------------------------|
| Governmental Activities:                     |                         |                   |                   |                          |                               |
| Direct placement                             |                         |                   |                   |                          |                               |
| installment purchases                        | \$ 630,967              | \$ -              | \$ 143,467        | \$ 487,500               | \$ 97,500                     |
| Compensated absences                         | 203,694                 | 95,160            | 93,653            | 205,201                  | 94,000                        |
| Other post employment benefits               | 1,161,845               | -                 | 128,091           | 1,033,754                | -                             |
| Net pension liability (LGERS)                | 552,181                 | 309,982           | -                 | 862,163                  | -                             |
| Total pension liability (LEO)                | <u>237,277</u>          | <u>23,348</u>     | <u>-</u>          | <u>260,625</u>           | <u>-</u>                      |
| Governmental Activity Long-term Liabilities  | <u>\$ 2,785,964</u>     | <u>\$ 428,490</u> | <u>\$ 365,211</u> | <u>\$ 2,849,243</u>      | <u>\$ 191,500</u>             |
| Business-Type Activities:                    |                         |                   |                   |                          |                               |
| Direct placement                             |                         |                   |                   |                          |                               |
| installment purchases                        | \$ 33,157               | \$ 260,000        | \$ 33,157         | \$ 260,000               | \$ 17,333                     |
| Notes payable                                | 1,020,167               | 76,950            | 66,907            | 1,030,210                | 66,907                        |
| PTRWA obligation                             | 974,689                 | -                 | 81,259            | 893,430                  | 83,509                        |
| Other post employment benefits               | 290,461                 | -                 | 93,555            | 196,906                  | -                             |
| Net pension liability (LGERS)                | 138,044                 | 59,045            | -                 | 197,089                  | -                             |
| Compensated absences                         | <u>39,050</u>           | <u>28,226</u>     | <u>27,985</u>     | <u>39,291</u>            | <u>28,000</u>                 |
| Business-Type Activity Long-term Liabilities | <u>\$ 2,495,568</u>     | <u>\$ 424,221</u> | <u>\$ 302,863</u> | <u>\$ 2,616,926</u>      | <u>\$ 195,749</u>             |

NOTE 4 - INTER-FUND ACTIVITY

Transfers to/from other funds at June 30, 2019, consist of the following:

|  |                   |
|--|-------------------|
| From the General Fund to Nonmajor Governmental Funds                   | \$ 215,000        |
| From Water and Sewer Capital Project Fund to the Water and Sewer Fund  | 21,783            |
| From the Water and Sewer Fund to Water and Sewer Capital Project Funds | <u>50,000</u>     |
| Total  | <u>\$ 286,783</u> |

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

**CITY OF RANDLEMAN, NORTH CAROLINA**

**Notes to Financial Statements**

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NOTE 5 - COMMITMENTS

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

NOTE 6 - FUND BALANCE

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

|  |                     |
|--|---------------------|
| Total fund balance - General Fund        | \$ 5,232,023        |
| Less:                                    |                     |
| Stabilization by State Statute           | 496,741             |
| Street - Powell Bill                     | 692,168             |
| Appropriated Fund balance in 2019 budget | 70,000              |
| Working Capital / Fund Balance Policy    | 581,160             |
| Remaining Fund Balance                   | <u>\$ 3,391,954</u> |

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

NOTE 7 - JOINT VENTURES

Firemen's Relief Fund

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the Fund on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2019, 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, 2019. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

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

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NOTE 7 - JOINT VENTURES (Continued)

Piedmont Triad Regional Water Authority

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

NOTE 8 - JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with 7 counties and 42 other municipalities established the Piedmont Triad Regional Council of Governments ("Council"). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$6,478 to the Council during the fiscal year ended June 30, 2019.

NOTE 9 - RELATED ORGANIZATION

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

NOTE 10 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 11 - SUBSEQUENT EVENTS

The City has evaluated all subsequent events through February 4, 2020, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY FINANCIAL DATA**

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

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

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

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

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

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

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|  | <u>2019</u>       | <u>2018</u>       | <u>2017</u>       |
|--|-------------------|-------------------|-------------------|
| Beginning balance  | \$ 237,277        | \$ 192,338        | \$ 176,821        |
| Service cost   | 19,573            | 16,223            | 15,659            |
| Interest on the total pension liability  | 7,498             | 7,424             | 6,313             |
| Change in benefit terms  | -                 | -                 | -                 |
| Difference between expected and actual experience<br>in the measurement of the total pension liability | 10,173            | 1,429             | -                 |
| Changes of assumptions or other inputs   | (13,896)          | 19,863            | (6,455)           |
| Benefit payments   | -                 | -                 | -                 |
| Other changes  | -                 | -                 | -                 |
| Ending balance of the total pension liability  | <u>\$ 260,625</u> | <u>\$ 237,277</u> | <u>\$ 192,338</u> |

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

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|  | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|-------------|
| Total pension liability                                    | \$ 260,625  | \$ 237,277  | \$ 192,338  |
| Covered payroll  | 698,859     | 648,446     | 634,477     |
| Total pension liability as a percentage of covered payroll | 37.29%      | 36.59%      | 30.31%      |

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

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

Notes to Schedule:

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

| <u>Fiscal year</u> | <u>Rate</u> |
|--------------------|-------------|
| 2019               | 3.89%       |
| 2018               | 3.56%       |

## **SUPPLEMENTAL STATEMENTS**

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual - General Fund**  
**For the Fiscal Year Ended June 30, 2018**

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

|                               | <u>Budget</u>    | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|-------------------------------|------------------|------------------|---|
| <b>Revenues:</b>              |                  |                  |   |
| Ad valorem taxes:             |                  |                  |   |
| Current year                  | \$ 2,474,000     | \$ 2,542,456     | \$ 68,456                                   |
| Prior years                   | 2,000            | 6,742            | 4,742                                       |
| Penalties and interest        | 5,000            | 4,838            | (162)                                       |
| Total                         | <u>2,481,000</u> | <u>2,554,036</u> | <u>73,036</u>                               |
| Other taxes and licenses:     |                  |                  |   |
| Vehicle tag fee               | -                | 8                | 8   |
| Privilege licenses            | 200              | 210              | 10  |
| Total                         | <u>200</u>       | <u>218</u>       | <u>18</u>                                   |
| Intergovernmental revenues:   |                  |                  |   |
| Unrestricted:                 |                  |                  |   |
| Local option sales tax        | 990,000          | 1,018,926        | 28,926                                      |
| Utilities franchise tax       | 500,000          | 493,028          | (6,972)                                     |
| Randolph County fire district | 480,000          | 484,115          | 4,115                                       |
| ABC distribution              | 185,000          | 196,589          | 11,589                                      |
| Beer and wine tax             | 20,000           | 17,957           | (2,043)                                     |
| Fire inspection revenue       | 100              | 110              | 10  |
| Total                         | <u>2,175,100</u> | <u>2,210,725</u> | <u>35,625</u>                               |
| Restricted:                   |                  |                  |   |
| Randolph County - Library     | 12,000           | 12,000           | -   |
| Solid waste disposal tax      | 3,000            | 3,088            | 88  |
| Powell bill street allocation | 121,000          | 117,974          | (3,026)                                     |
| Total                         | <u>136,000</u>   | <u>133,062</u>   | <u>(2,938)</u>                              |
| Sales and services:           |                  |                  |   |
| Rents and concessions         | 15,000           | 15,000           | -   |
| Recreation service revenues   | 255,000          | 216,461          | (38,539)                                    |
| Library fees                  | 12,000           | 10,671           | (1,329)                                     |
| Storm water fees              | 40,000           | 38,756           | (1,244)                                     |
| Tipping fees                  | 282,000          | 277,815          | (4,185)                                     |
| Total                         | <u>604,000</u>   | <u>558,703</u>   | <u>(45,297)</u>                             |
| Investment earnings           | <u>140,000</u>   | <u>152,634</u>   | <u>12,634</u>                               |
| Miscellaneous:                |                  |                  |   |
| Fundraising                   | 16,000           | 13,949           | (2,051)                                     |
| Other                         | 126,300          | 104,396          | (21,904)                                    |
| Total                         | <u>142,300</u>   | <u>118,345</u>   | <u>(23,955)</u>                             |
| Total Revenues                | <u>5,678,600</u> | <u>5,727,723</u> | <u>49,123</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, 2018**

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

|                                | <u>Budget</u>    | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--------------------------------|------------------|------------------|---|
| <b>Expenditures:</b>           |                  |                  |   |
| General government:            |                  |                  |   |
| Governing body:                |                  |                  |   |
| Salaries and employee benefits | \$ 33,000        | \$ 29,615        | \$ 3,385                                    |
| Administration:                |                  |                  |   |
| Salaries and employee benefits |                  | 142,502          |   |
| Professional services          |                  | 35,356           |   |
| Telephone and postage          |                  | 12,183           |   |
| Travel and school              |                  | 11,316           |   |
| Insurance                      |                  | 156,913          |   |
| Other services and charges     |                  | 83,243           |   |
| Dues and subscriptions         |                  | 19,917           |   |
| Supplies                       |                  | 10,099           |   |
| Contracted services            |                  | 62,070           |   |
| Utilities                      |                  | 8,491            |   |
| Capital outlay                 |                  | 84,497           |   |
| Total                          | <u>784,800</u>   | <u>626,587</u>   | <u>158,213</u>                              |
| Central Garage:                |                  |                  |   |
| Salaries and employee benefits |                  | 64,351           |   |
| Automotive supplies            |                  | 5,042            |   |
| Other services and charges     |                  | 18,458           |   |
| Total                          | <u>99,400</u>    | <u>87,851</u>    | <u>11,549</u>                               |
| Total general government       | <u>917,200</u>   | <u>744,053</u>   | <u>173,147</u>                              |
| Public safety:                 |                  |                  |   |
| Police:                        |                  |                  |   |
| Salaries and employee benefits |                  | 956,624          |   |
| Departmental supplies          |                  | 68,682           |   |
| Telephone                      |                  | 20,349           |   |
| Uniforms                       |                  | 8,212            |   |
| Fundraising                    |                  | 10,734           |   |
| Restrcted fund purchases       |                  | 744              |   |
| Other services and charges     |                  | 67,993           |   |
| Capital outlay                 |                  | 65,352           |   |
| Total                          | <u>1,334,900</u> | <u>1,198,690</u> | <u>136,210</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, 2018**

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

|                                  | <u>Budget</u>    | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|----------------------------------|------------------|------------------|---|
| <b>Expenditures (Continued):</b> |                  |                  |   |
| Public safety (Continued):       |                  |                  |   |
| Fire:                            |                  |                  |   |
| Salaries and employee benefits   |                  | \$ 1,016,199     |   |
| Fire calls                       |                  | 73,663           |   |
| Departmental supplies            |                  | 84,835           |   |
| Medical supplies                 |                  | 26,093           |   |
| Utilities                        |                  | 17,248           |   |
| Telephone and postage            |                  | 11,036           |   |
| Uniforms                         |                  | 9,491            |   |
| Capital outlay                   |                  | 3,152            |   |
| Other services and charges       |                  | 22,699           |   |
| Total                            | <u>1,365,800</u> | <u>1,264,416</u> | <u>101,384</u>                              |
| SAFER:                           |                  |                  |   |
| Salaries and employee benefits   |                  | 97,840           |   |
| Total                            | <u>100,200</u>   | <u>97,840</u>    | <u>2,360</u>                                |
| Total public safety              | <u>2,800,900</u> | <u>2,560,946</u> | <u>239,954</u>                              |
| Public works:                    |                  |                  |   |
| Streets:                         |                  |                  |   |
| Salaries and employee benefits   |                  | 98,881           |   |
| Utilities                        |                  | 77,760           |   |
| Maintenance and repairs          |                  | 13,470           |   |
| Supplies and materials           |                  | 11,662           |   |
| Fundraising                      |                  | 100              |   |
| Capital outlay                   |                  | 155,357          |   |
| Other services and charges       |                  | 1,934            |   |
| Total                            | <u>427,500</u>   | <u>359,164</u>   | <u>68,336</u>                               |
| Sanitation:                      |                  |                  |   |
| Salaries and employee benefits   |                  | 136,506          |   |
| Supplies                         |                  | 9,299            |   |
| Gas and automotive supplies      |                  | 41,858           |   |
| Recycling and landfill           |                  | 94,734           |   |
| Capital outlay                   |                  | 8,000            |   |
| Other services and charges       |                  | 272              |   |
| Total                            | <u>309,600</u>   | <u>290,669</u>   | <u>18,931</u>                               |
| Total public works               | <u>737,100</u>   | <u>649,833</u>   | <u>87,267</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, 2018**

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

|                                    | <u>Budget</u>     | <u>Actual</u>     | Variance<br>Positive<br>(Negative) |
|------------------------------------|-------------------|-------------------|------------------------------------|
| <b>Expenditures (Continued):</b>   |                   |                   |                                    |
| Cultural and recreational:         |                   |                   |                                    |
| Recreation:                        |                   |                   |                                    |
| Salaries and employee benefits     |                   | \$ 200,382        |                                    |
| Utilities                          |                   | 33,786            |                                    |
| Gas and supplies                   |                   | 11,041            |                                    |
| Uniforms                           |                   | 30,049            |                                    |
| Special events                     |                   | 13,643            |                                    |
| Fundraising                        |                   | 729               |                                    |
| Capital outlay                     |                   | 146,378           |                                    |
| Other services and charges         |                   | 143,709           |                                    |
| Total                              | <u>\$ 638,800</u> | <u>\$ 579,717</u> | <u>\$ 59,083</u>                   |
| Library:                           |                   |                   |                                    |
| Salaries and employee benefits     |                   | 199,641           |                                    |
| Utilities                          |                   | 10,211            |                                    |
| Books                              |                   | 11,976            |                                    |
| Maintenance and repairs            |                   | 18,972            |                                    |
| Fundraising                        |                   | 784               |                                    |
| Other services and charges         |                   | 22,449            |                                    |
| Total                              | <u>289,300</u>    | <u>264,033</u>    | <u>25,267</u>                      |
| Total cultural and recreational    | <u>928,100</u>    | <u>843,750</u>    | <u>84,350</u>                      |
| Economic and physical development: |                   |                   |                                    |
| Industrial development             |                   | 7,000             |                                    |
| Senior citizens                    |                   | 21,600            |                                    |
| Other expenditures                 |                   | 32,555            |                                    |
| Capital outlay                     |                   | 15,473            |                                    |
| Total                              | <u>80,900</u>     | <u>76,628</u>     | <u>4,272</u>                       |
| Planning and zoning:               |                   |                   |                                    |
| Salaries and employee benefits     |                   | 69,201            |                                    |
| Other services and charges         |                   | 11,551            |                                    |
| Total                              | <u>93,000</u>     | <u>80,752</u>     | <u>12,248</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, 2018**

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

|   | <u>Budget</u>    | <u>Actual</u>       | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---|------------------|---------------------|---|
| <b>Expenditures (Continued):</b>          |                  |                     |   |
| Supplemental Budget Appropriations:       |                  |                     |   |
| Debt principal and interest payments      | \$ 157,900       | \$ 157,708          | \$ 192                                      |
| Total supplemental budget appropriations  | <u>157,900</u>   | <u>157,708</u>      | <u>192</u>                                  |
| Total expenditures                        | <u>5,715,100</u> | <u>5,113,670</u>    | <u>601,430</u>                              |
| <b>Revenues over (under) expenditures</b> | <u>(36,500)</u>  | <u>614,053</u>      | <u>650,553</u>                              |
| <b>Other Financing Sources:</b>           |                  |                     |   |
| Transfers to other funds:                 |                  |                     |   |
| Nonmajor capital project funds            | (215,000)        | (215,000)           | -   |
| Total                                     | <u>(215,000)</u> | <u>(215,000)</u>    | <u>-</u>                                    |
| Fund balance appropriated                 | 251,500          | -                   | (251,500)                                   |
| Net change in fund balance                | <u>\$ -</u>      | 399,053             | <u>\$ 399,053</u>                           |
| Fund balance, beginning                   |                  | <u>4,832,970</u>    |   |
| Fund balance, ending                      |                  | <u>\$ 5,232,023</u> |   |

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2019**

**Schedule 2**

|  | Downtown<br>Improvements<br>Fund | Sidewalk<br>Improvements<br>Fund | Total Nonmajor<br>Governmental<br>Funds |
|--|----------------------------------|----------------------------------|---|
| <b>Assets</b>  |                                  |                                  |   |
| Cash and cash equivalents  | \$ 52,963                        | \$ 200,000                       | \$ 252,963                              |
| Due from other governments   | 2,118                            | -                                | 2,118                                   |
| Total assets   | <u>\$ 55,081</u>                 | <u>\$ 200,000</u>                | <u>\$ 255,081</u>                       |
| <b>Liabilities and Fund Balances</b>                                   |                                  |                                  |   |
| Liabilities:   |                                  |                                  |   |
| Accounts payable and accrued liabilities                               | \$ 10,400                        | \$ -                             | \$ 10,400                               |
| Total liabilities  | <u>10,400</u>                    | <u>-</u>                         | <u>10,400</u>                           |
| Fund Balances:   |                                  |                                  |   |
| Restricted for:  |                                  |                                  |   |
| Cultural and recreational  | 44,681                           | 200,000                          | 244,681                                 |
| Total fund balances  | <u>44,681</u>                    | <u>200,000</u>                   | <u>244,681</u>                          |
| Total liabilities, deferred inflows of<br>resources, and fund balances | <u>\$ 55,081</u>                 | <u>\$ 200,000</u>                | <u>\$ 255,081</u>                       |

**CITY OF RANDLEMAN, NORTH CAROLINA**

**Schedule 3**

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

**Nonmajor Governmental Funds**

**For the Year Ended June 30, 2019**

|                                       | Downtown<br>Improvements<br>Fund | Sidewalks<br>Improvements<br>Fund | Total Nonmajor<br>Governmental<br>Funds |
|---------------------------------------|----------------------------------|-----------------------------------|---|
| <b>Expenditures</b>                   |                                  |                                   |   |
| Current:                              |                                  |                                   |   |
| Capital outlay                        | \$ 46,259                        | \$ -                              | \$ 46,259                               |
| Total expenditures                    | 46,259                           | -                                 | 46,259                                  |
| Revenues over (under) expenditures    | (46,259)                         | -                                 | (46,259)                                |
| <b>Other Financing Sources (Uses)</b> |                                  |                                   |   |
| Transfers (to) from other funds       | 15,000                           | 200,000                           | 215,000                                 |
| Other income                          | -                                | -                                 | -                                       |
| Total other financing sources         | 15,000                           | 200,000                           | 215,000                                 |
| Net change in fund balances           | (31,259)                         | 200,000                           | 168,741                                 |
| Fund balances, beginning              | 75,940                           | -                                 | 75,940                                  |
| Fund balances, ending                 | \$ 44,681                        | \$ 200,000                        | \$ 244,681                              |

## CITY OF RANDLEMAN, NORTH CAROLINA

## Schedule 4

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

## Capital Projects Fund - Downtown Improvements

## From Inception and For the Fiscal Year Ended June 30, 2019

|                                       | Project<br>Authorization | Prior<br>Year    | Actual<br>Current<br>Year | Total<br>to Date | Variance<br>Positive<br>(Negative) |
|---------------------------------------|--------------------------|------------------|---------------------------|------------------|------------------------------------|
| <b>Expenditures</b>                   |                          |                  |                           |                  |                                    |
| Downtown Improvements:                |                          |                  |                           |                  |                                    |
| Capital outlay                        | \$ 165,000               | \$ 74,060        | \$ 46,259                 | 120,319          | \$ 44,681                          |
| Total expenditures                    | <u>165,000</u>           | <u>74,060</u>    | <u>46,259</u>             | <u>120,319</u>   | <u>44,681</u>                      |
| <b>Other Financing Sources (Uses)</b> |                          |                  |                           |                  |                                    |
| Transfers from other funds:           |                          |                  |                           |                  |                                    |
| General Fund                          | 65,000                   | 50,000           | 15,000                    | 65,000           | -                                  |
| Grants proceeds                       | <u>100,000</u>           | <u>100,000</u>   | <u>-</u>                  | <u>100,000</u>   | <u>-</u>                           |
| Total other financing sources         | <u>165,000</u>           | <u>150,000</u>   | <u>15,000</u>             | <u>165,000</u>   | <u>-</u>                           |
| <b>Net Change in Fund Balance</b>     |                          |                  |                           |                  |                                    |
|                                       | <u>\$ -</u>              | <u>\$ 75,940</u> | (31,259)                  | <u>\$ 44,681</u> | <u>\$ 44,681</u>                   |
| Fund balance (deficit), beginning     |                          |                  | <u>75,940</u>             |                  |                                    |
| Fund balance, ending                  |                          |                  | <u>\$ 44,681</u>          |                  |                                    |

**CITY OF RANDLEMAN, NORTH CAROLINA**

**Schedule 5**

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

**Capital Projects Fund - Sidewalks Improvements**

**From Inception and For the Fiscal Year Ended June 30, 2019**

|  | Project<br>Authorization | Prior<br>Year | Actual<br>Current<br>Year | Total<br>to Date  | Variance<br>Positive<br>(Negative) |
|--|--------------------------|---------------|---------------------------|-------------------|------------------------------------|
| <b>Expenditures</b>                      |                          |               |                           |                   |                                    |
| Downtown Improvements:                   |                          |               |                           |                   |                                    |
| Capital outlay                           | \$ 650,000               | \$ -          | \$ -                      | \$ -              | \$ 650,000                         |
| Total expenditures                       | <u>650,000</u>           | <u>-</u>      | <u>-</u>                  | <u>-</u>          | <u>650,000</u>                     |
| <b>Other Financing Sources (Uses)</b>    |                          |               |                           |                   |                                    |
| Transfers from other funds:              |                          |               |                           |                   |                                    |
| General Fund                             | 200,000                  | -             | 200,000                   | 200,000           | -                                  |
| Grants proceeds                          | 450,000                  | -             | -                         | -                 | (450,000)                          |
| Total other financing<br>sources         | <u>650,000</u>           | <u>-</u>      | <u>200,000</u>            | <u>200,000</u>    | <u>(450,000)</u>                   |
| <b>Net Change in Fund</b>                |                          |               |                           |                   |                                    |
| <b>Balance</b>                           | <u>\$ -</u>              | <u>\$ -</u>   | 200,000                   | <u>\$ 200,000</u> | <u>\$ 200,000</u>                  |
| <b>Fund balance (deficit), beginning</b> |                          |               | <u>-</u>                  |                   |                                    |
| <b>Fund balance, ending</b>              |                          |               | <u>\$ 200,000</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, 2019**

**Schedule 6**  
**(Page 1 of 2)**

|                                   | <u>Budget</u>       | <u>Actual</u>    | Variance<br>Positive<br>(Negative) |
|-----------------------------------|---------------------|------------------|------------------------------------|
| <b>Revenues:</b>                  |                     |                  |                                    |
| Operating revenues:               |                     |                  |                                    |
| Water sales                       |                     | \$ 1,350,065     | \$ 1,350,065                       |
| Sewer charges                     |                     | 1,265,049        | 1,265,049                          |
| Water and sewer taps              |                     | 4,200            | 4,200                              |
| Other operating revenues          |                     | 50,263           | 50,263                             |
| Total                             | <u>\$ 2,589,000</u> | <u>2,669,577</u> | <u>80,577</u>                      |
| Nonoperating revenues:            |                     |                  |                                    |
| Interest earned on investments    | <u>1,000</u>        | <u>3</u>         | <u>(997)</u>                       |
| Total revenues                    | <u>2,590,000</u>    | <u>2,669,580</u> | <u>79,580</u>                      |
| <b>Expenditures:</b>              |                     |                  |                                    |
| Operating expenditures:           |                     |                  |                                    |
| Water treatment and distribution: |                     |                  |                                    |
| Salaries and employee benefits    |                     | 293,729          |                                    |
| Repairs and maintenance           |                     | 601              |                                    |
| Utilities                         |                     | 4,937            |                                    |
| Utility services                  |                     | 50,836           |                                    |
| Purchase of water                 |                     | 509,998          |                                    |
| Other operating expenditures      |                     | 37,863           |                                    |
| Total                             | <u>873,200</u>      | <u>897,964</u>   | <u>(24,764)</u>                    |
| Water and sewer maintenance:      |                     |                  |                                    |
| Salaries and employee benefits    |                     | 124,111          |                                    |
| Repairs and maintenance           |                     | 13,406           |                                    |
| Other operating expenditures      |                     | 66,811           |                                    |
| Total                             | <u>432,900</u>      | <u>204,328</u>   | <u>228,572</u>                     |
| Wastewater treatment:             |                     |                  |                                    |
| Salaries and employee benefits    |                     | 243,984          |                                    |
| Supplies and chemicals            |                     | 25,973           |                                    |
| Repairs and maintenance           |                     | 30,513           |                                    |
| Utilities                         |                     | 104,920          |                                    |
| Pretreatment/lab                  |                     | 31,161           |                                    |
| Sludge removal                    |                     | 31,700           |                                    |
| Capital outlay                    |                     | 193,508          |                                    |
| Other operating expenditures      |                     | 56,167           |                                    |
| Total                             | <u>925,600</u>      | <u>717,926</u>   | <u>207,674</u>                     |
| Total operating expenditures      | <u>2,231,700</u>    | <u>1,820,218</u> | <u>411,482</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, 2019**

**Schedule 6**  
**(Page 2 of 2)**

|  | <u>Budget</u>     | <u>Actual</u>     | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|-------------------|-------------------|---|
| <b>Expenditures (Continued):</b>   |                   |                   |   |
| Nonoperating expenditures:   |                   |                   |   |
| Interest and fiscal charges on long-term debt  |                   | \$ 39,534         |   |
| PTRWA principal payments   |                   | 100,062           |   |
| Bond principal payments  |                   | 81,259            |   |
| PTRWA admin operating costs  |                   | 36,287            |   |
| Total nonoperating expenditures  | <u>\$ 308,300</u> | <u>257,142</u>    | <u>\$ 51,158</u>                            |
| Total expenditures   | <u>2,540,000</u>  | <u>2,077,360</u>  | <u>462,640</u>                              |
| <b>Revenues over (under) expenditures</b>  | <u>50,000</u>     | <u>592,220</u>    | <u>542,220</u>                              |
| <b>Other financing sources (uses):</b>   |                   |                   |   |
| Debt proceeds  |                   | 254,100           |   |
| Transfer from other funds:   |                   |                   |   |
| Water and sewer capital project funds  |                   | 21,783            |   |
| Transfer to other funds:   |                   |                   |   |
| Water and sewer capital project funds  |                   | (50,000)          |   |
| Total other financing sources (uses)   | <u>(50,000)</u>   | <u>225,883</u>    | <u>275,883</u>                              |
| <b>Revenues and appropriated fund balance over<br/>(under) expenditures and other uses</b> | <u>\$ -</u>       | <u>818,103</u>    | <u>\$ 818,103</u>                           |
| <b>Reconciliation from budgetary basis<br/>(modified accrual) to full accrual basis:</b>   |                   |                   |   |
| Reconciling items:   |                   |                   |   |
| Depreciation   |                   | (409,439)         |   |
| Capital outlay   |                   | 193,508           |   |
| Debt proceeds  |                   | (254,100)         |   |
| Transfers from water and sewer capital project funds                                       |                   | (21,783)          |   |
| Transfers to water and sewer capital project funds   |                   | 50,000            |   |
| Decrease in deferred outflow of resources - pensions                                       |                   | 13,621            |   |
| Decrease in net pension liability  |                   | (59,045)          |   |
| Decrease in deferred inflow of resources - pensions  |                   | 81,549            |   |
| Increase in deferred outflow of resources - OPEB   |                   | (76)              |   |
| Increase in OPEB liability   |                   | 93,555            |   |
| Increase in deferred inflow of resources - OPEB  |                   | (46,058)          |   |
| Increase in accrued vacation payable   |                   | (241)             |   |
| Principal retirement   |                   | 181,321           |   |
| Total  |                   | <u>(177,188)</u>  |   |
| Change in net position   |                   | <u>\$ 640,915</u> |   |

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Capital Projects Fund - Waterline Replacement  
 From Inception and For the Fiscal Year Ended June 30, 2019

|                                   | <u>Project<br/>Authorization</u> | <u>Prior<br/>Year</u> | <u>Actual<br/>Current<br/>Year</u> | <u>Total<br/>to Date</u> | <u>Variance<br/>Positive<br/>(Negative)</u> |
|-----------------------------------|----------------------------------|-----------------------|------------------------------------|--------------------------|---|
| <b>Expenditures</b>               |                                  |                       |                                    |                          |   |
| Waterline Replacement             |                                  |                       |                                    |                          |   |
| Project:                          |                                  |                       |                                    |                          |   |
| Waterline replacement             | \$ 296,000                       | \$ -                  | \$ 100,358                         | \$ 100,358               | \$ 195,642                                  |
| Total expenditures                | <u>296,000</u>                   | <u>-</u>              | <u>100,358</u>                     | <u>100,358</u>           | <u>195,642</u>                              |
| <b>Other Financing Sources</b>    |                                  |                       |                                    |                          |   |
| Waterline Replacement             |                                  |                       |                                    |                          |   |
| Project:                          |                                  |                       |                                    |                          |   |
| Transfers from other fund:        |                                  |                       |                                    |                          |   |
| Water and sewer fund              | 296,000                          | 296,000               | -                                  | 296,000                  | -   |
| Total other financing sources     | <u>296,000</u>                   | <u>296,000</u>        | <u>-</u>                           | <u>296,000</u>           | <u>-</u>                                    |
| <b>Net Change in Fund Balance</b> | <u>\$ -</u>                      | <u>\$ 296,000</u>     | <u>(100,358)</u>                   | <u>\$ 195,642</u>        | <u>\$ 195,642</u>                           |
| <b>Fund balance, beginning</b>    |                                  |                       | <u>296,000</u>                     |                          |   |
| <b>Fund balance, ending</b>       |                                  |                       | <u>\$ 195,642</u>                  |                          |   |

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Capital Projects Fund - Waterline Replacement Hwy 311 and New Market  
 From Inception and For the Fiscal Year Ended June 30, 2019

|                                   | Project<br>Authorization | Prior<br>Year | Actual<br>Current<br>Year | Total<br>to Date  | Variance<br>Positive<br>(Negative) |
|-----------------------------------|--------------------------|---------------|---------------------------|-------------------|------------------------------------|
| <b>Expenditures</b>               |                          |               |                           |                   |                                    |
| Waterline Replacement             |                          |               |                           |                   |                                    |
| Project:                          |                          |               |                           |                   |                                    |
| Waterline replacement             | \$ 310,000               | \$ -          | \$ 35,861                 | \$ 35,861         | \$ 274,139                         |
| Total expenditures                | 310,000                  | -             | 35,861                    | 35,861            | 274,139                            |
| <b>Other Financing Sources</b>    |                          |               |                           |                   |                                    |
| Waterline Replacement             |                          |               |                           |                   |                                    |
| Project:                          |                          |               |                           |                   |                                    |
| Transfers from other fund:        |                          |               |                           |                   |                                    |
| Water and sewer fund              | 50,000                   | -             | 50,000                    | 50,000            | -                                  |
| Loan Proceeds                     | 260,000                  | -             | 254,100                   | 254,100           | (5,900)                            |
| Total other financing sources     | 310,000                  | -             | 304,100                   | 304,100           | (5,900)                            |
| <b>Net Change in Fund Balance</b> | <b>\$ -</b>              | <b>\$ -</b>   | 268,239                   | <b>\$ 268,239</b> | <b>\$ 268,239</b>                  |
| <b>Fund balance, beginning</b>    |                          |               | -                         |                   |                                    |
| <b>Fund balance, ending</b>       |                          |               | <b>\$ 268,239</b>         |                   |                                    |

**CITY OF RANDLEMAN, NORTH CAROLINA**

**Schedule 9**

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

**Capital Projects Fund - Air Diffusers Project**

**From Inception and For the Fiscal Year Ended June 30, 2019**

|                                       | Project<br>Authorization | Prior<br>Years   | Actual<br>Current<br>Year | Total<br>to Date | Variance<br>Positive<br>(Negative) |
|---------------------------------------|--------------------------|------------------|---------------------------|------------------|------------------------------------|
| <b>Expenditures</b>                   |                          |                  |                           |                  |                                    |
| Air Diffusers                         |                          |                  |                           |                  |                                    |
| Project:                              |                          |                  |                           |                  |                                    |
| Construction                          | \$ 441,372               | \$ 375,630       | \$ 65,742                 | \$ 441,372       | \$ -                               |
| Repairs and maintenance               | 15,000                   | 15,000           | -                         | 15,000           | -                                  |
| Other expenditure                     | 22,335                   | 19,935           | 2,400                     | 22,335           | -                                  |
| Total expenditures                    | <u>478,707</u>           | <u>410,565</u>   | <u>68,142</u>             | <u>478,707</u>   | <u>-</u>                           |
| <b>Other Financing Sources (Uses)</b> |                          |                  |                           |                  |                                    |
| Air Diffusers                         |                          |                  |                           |                  |                                    |
| Project:                              |                          |                  |                           |                  |                                    |
| Transfers from other funds:           |                          |                  |                           |                  |                                    |
| Water and sewer fund                  | 32,910                   | 32,910           | -                         | 32,910           | -                                  |
| Transfers to other funds:             |                          |                  |                           |                  |                                    |
| Water and sewer fund                  | (21,783)                 | -                | (21,783)                  | (21,783)         | -                                  |
| Revolving loan proceeds               | 467,580                  | 390,630          | 76,950                    | 467,580          | -                                  |
| Total other financing sources         | <u>478,707</u>           | <u>423,540</u>   | <u>55,167</u>             | <u>478,707</u>   | <u>-</u>                           |
| <b>Net Change in Fund Balance</b>     | <u>\$ -</u>              | <u>\$ 12,975</u> | <u>(12,975)</u>           | <u>\$ -</u>      | <u>\$ -</u>                        |
| <b>Fund balance, beginning</b>        |                          |                  | <u>12,975</u>             |                  |                                    |
| <b>Fund balance, ending</b>           |                          |                  | <u>\$ -</u>               |                  |                                    |

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Schedule of Changes in Assets and Liabilities**  
**Fireman's Relief Fund**  
**For the Fiscal Year Ended June 30, 2019**

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**Schedule 10**

|                           | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending<br/>Balance</u> |
|---------------------------|------------------------------|------------------|-------------------|---------------------------|
| <b>Assets</b>             |                              |                  |                   |                           |
| Cash and cash equivalents | <u>\$ 129,877</u>            | <u>\$ 192</u>    | <u>\$ 4,427</u>   | <u>\$ 125,642</u>         |
| <b>Liabilities</b>        |                              |                  |                   |                           |
| Intergovernmental payable | <u>\$ 129,877</u>            | <u>\$ 192</u>    | <u>\$ 4,427</u>   | <u>\$ 125,642</u>         |

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Schedule of Ad Valorem Taxes Receivable**  
**Fiscal Years ended June 30, 2019**

**Schedule 11**

| Fiscal Year                                | Uncollected<br>Balance<br>June 30, 2018 | Additions    | Collections<br>and Credits | Uncollected<br>Balance<br>June 30, 2019 |
|--|---|--------------|----------------------------|---|
| 2018 - 2019                                | \$ -                                    | \$ 2,542,456 | \$ 2,536,229               | \$ 6,227                                |
| 2017 - 2018                                | 6,270                                   | -            | 5,702                      | 568                                     |
| 2016 - 2017                                | 2,928                                   | -            | 2,648                      | 280                                     |
| 2015 - 2016                                | 1,494                                   | -            | 1,044                      | 450                                     |
| 2014 - 2015                                | 709                                     | -            | 376                        | 333                                     |
| 2013 - 2014                                | 2,367                                   | -            | 103                        | 2,264                                   |
| 2012 - 2013                                | 2,859                                   | -            | 50                         | 2,809                                   |
| 2011 - 2012                                | 1,390                                   | -            | 36                         | 1,354                                   |
| 2010 - 2011                                | 2,161                                   | -            | 34                         | 2,127                                   |
| 2009 - 2010                                | 1,575                                   | -            | 5                          | 1,570                                   |
| 2008 - 2009                                | 1,173                                   | -            | 1,173                      | -                                       |
|  | \$ 22,926                               | \$ 2,542,456 | \$ 2,547,400               | 17,982                                  |
| Less: allowance for uncollectible accounts |   |              |                            | -                                       |
| Ad valorem taxes receivable, net           |   |              |                            | \$ 17,982                               |
| Reconciliation with revenues:              |   |              |                            |   |
| Ad valorem taxes collected - General Fund  |   |              |                            | \$ 2,554,036                            |
| Reconciling items:                         |   |              |                            |   |
| Interest collected                         |   |              |                            | (4,838)                                 |
| Miscellaneous adjustments                  |   |              |                            | (1,798)                                 |
| Total collections and credits              |   |              |                            | \$ 2,547,400                            |

**CITY OF RANDLEMAN, NORTH CAROLINA**  
**Analysis of Current Tax Levy City-Wide Levy**  
**Fiscal Year Ended June 30, 2019**

**Schedule 12**

|                                       | 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 | \$ 407,986,257               | 0.63% | \$ 2,581,329                                 | \$ 2,358,322              | \$ 223,007        |
| Penalties                             | -                            |       | 1,475  | 1,475                     | -                 |
| Total                                 | <u>407,986,257</u>           |       | <u>2,582,804</u>                             | <u>2,359,797</u>          | <u>223,007</u>    |
| Abatements                            | <u>(6,377,114)</u>           |       | <u>(40,348)</u>                              | <u>(40,348)</u>           | <u>-</u>          |
| Total property valuation              | <u><u>\$ 401,609,143</u></u> |       |  |                           |                   |
| Net levy                              |                              |       | 2,542,456                                    | 2,319,449                 | 223,007           |
| Uncollected taxes at June 30, 2018    |                              |       | <u>(6,227)</u>                               | <u>(6,227)</u>            | <u>-</u>          |
| Current year's taxes collected        |                              |       | <u>\$ 2,536,229</u>                          | <u>\$ 2,313,222</u>       | <u>\$ 223,007</u> |
| Current levy collection percentage    |                              |       | <u>99.76%</u>                                | <u>99.73%</u>             | <u>100.00%</u>    |

## **COMPLIANCE SECTION**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, and the aggregate remaining fund information of the City of Randleman, North Carolina (the "City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 4, 2020. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, the City of Randleman ABC Board, as described in our report on the City of Randleman's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the City of Randleman ABC Board were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
February 4, 2020