



FINANCIAL SECTION

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Report of Independent Auditor

To the Board of County Commissioners
Randolph County, North Carolina

Report on 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 Randolph County, North Carolina (the "County"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County'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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Randolph County Tourism Development Authority 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 County'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 County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As discussed in Note X to the basic financial statements, the County adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. As a result, net position as of June 30, 2014 has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the County. The introductory section, combining and individual financial statements and schedules, other supplemental information and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual financial statements and schedules and other supplemental information 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015 on our consideration of the County'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 County's internal control over financial reporting and compliance.

 LLP

Asheboro, North Carolina
November 23, 2015

Randolph County, North Carolina

Management's Discussion and Analysis

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

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR ENDED JUNE 30, 2015

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year, resulting in net position of \$18,459,408. Under North Carolina law, counties are responsible for providing public school facilities. At June 30, 2015, Randolph County had outstanding debt of \$76,776,533 associated with assets owned by the Randolph County Board of Education, the Asheboro City Board of Education, and Randolph Community College. Although this debt is reported in the financial statements as liabilities of Randolph County, the school facilities are not considered capital assets of the County and are not included in the financial statements. This has the effect of reducing total net position for the County.
- The government's total net position increased by \$18,840,831, primarily due to the principal payments made on outstanding debt for the year, but also stronger than expected property tax and sale tax collections.
- As of the close of the current fiscal year, Randolph County's governmental funds reported combined ending fund balances of \$49,630,354, an increase of \$3,012,836 in comparison with the prior year. Approximately twenty-seven percent of this total amount, or \$13,336,251, is restricted. Another \$7,956,303 is authoritatively committed for specific purposes. The Board of Commissioners has also assigned \$2,200,000 for further purchases of mega-site land.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$26,042,400 or 23 percent of total general fund expenditures for the fiscal year.
- The County's total debt for governmental activities decreased by \$11,460,373 (12%) primarily as a result of required principal payments. Debt for business-type activities decreased \$696,529 as a result of payments on the contract commitment with the Piedmont Triad Regional Water Authority.
- Randolph County is partnering in a regional effort to develop a large industrial site suitable for a major manufacturer. The Randolph County Board of Commissioners authorized the purchase of 425 acres and transferred \$6,400,000 to the Site Development Capital Project Fund as of June 30, 2015. Another \$2.2 million of fund balance was committed for land purchases in 2015-16.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements - The first two statements (Exhibits 1 and 2) in the basic financial statements are the Statement of Net Position and the Statement of Activities. The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances and provide short- and long-term information about the County's financial status as a whole. The government-wide statements are reported under the accrual basis of accounting and are similar in format to a financial statement of a private-sector business.

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the County's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gage the County's financial condition. The Statement of Net Position reports the financial condition at year end.

Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the County is improving or deteriorating. The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation or sick leave).

The government-wide statements are divided into three categories:

- 1) Governmental activities of the primary government (the County) include most of the County's basic services such as public safety, human services, and general administration. Property taxes, sales taxes, and state and federal grant funds finance most of these activities.
- 2) The business-type activities are those that the County charges customers to provide. These consist of the bulk sale of treated water to municipal water systems.
- 3) Component units over which the County exercises some degree of control. Financial information for component units is reported separately from the

financial information presented for the primary government itself. Randolph County Tourism Development Authority (TDA) is a public authority created by the County to promote tourism and is funded primarily by an occupancy tax assessed by the County. The County Commissioners appoint the board of directors for the TDA.

Fund Financial Statements - The next statements (Exhibits 3 through 11) focus on the activities of the individual parts of the County's government. The fund financial statements provide a more detailed look at the County'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. Randolph County, 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 County's budget ordinance.

All of the funds of Randolph County can be classified within the governmental funds, proprietary funds, or fiduciary funds categories.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County'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*. This method also has a current financial resources 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 County's programs.

The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities*. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Randolph County maintains twelve individual governmental funds, including the General Fund, six special revenue funds, and five capital projects. The General Fund and the Landfill Closure Fund meet the definition of a major fund for reporting purposes. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for this major fund.

As required by N.C. General Statutes, the Board of County Commissioners adopts an annual budget for the General Fund, which is the primary operating fund of the County. The budget is a legally adopted document that incorporates recommendations from the management of the County, input from citizens, and the priorities of the Board about which services to provide and how to pay for them. It also authorizes the County to

obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County 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.

Financial information for the other governmental funds is combined into single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds – Randolph County has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Randolph County uses enterprise funds to account for its water activity. This fund is the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. Randolph County has nineteen fiduciary funds, which are agency funds.

Notes to the Financial Statements - The notes explain in detail some of the data contained in those statements and provide additional financial disclosures that are necessary to fully understand the financial status of the County. The notes to the financial statements start on page 31 of this report.

Other Information - Following the notes is the required supplementary information. This section contains funding information about the County's Law Enforcement Separation Allowance plan and Post-employment Health Benefits. It also includes Randolph County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 91 of this report.

Next, additional supplemental information is provided to show details about the County's non-major governmental funds, all of which are added together in one column and carried forward to the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. However, Randolph County's statutory obligation to finance school construction results in significant liabilities without any corresponding assets. As with many counties in North Carolina, the County's deficit in unrestricted net position is due primarily to the portion of the County's outstanding debt incurred for the two Boards of Education within Randolph County and the Community College. Under North Carolina law, the County is responsible for providing capital funding for these school systems. The County meets its legal obligation to provide school system capital funding through both current appropriations and issuance of general obligation and installment purchase debt. Although certain asset purchases and construction projects are funded by the County, all such facilities are owned and utilized by the school systems.

Since the County, as the issuing government, acquires no capital assets, the County has incurred liability without a corresponding increase in assets. As of June 30, 2015, \$76,776,533 of the outstanding debt on the County's financial statements was related to assets included in the school systems' financial statements.

The assets and deferred outflows of resources of Randolph County exceeded liabilities and deferred inflows of resources by \$18,459,408 as of June 30, 2015. The County's net position increased by \$18,840,831 from operations for the fiscal year then ended. The restatement of net position due to implementation of GASB 68 was \$(3,745,653).

One of the largest portions of net position, \$47,130,013, reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Randolph County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Randolph County's 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 Randolph County's net position, \$13,336,251, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(42,006,856) is unrestricted.

Current and other assets increased by 19%, primarily due to the accumulation of resources for Randolph Community College capital purposes and for economic development. Randolph County invested \$4,195,419 in land for economic development and recognized a net pension asset of \$3,130,255. Capital assets declined slightly; long term liabilities decreased 10% primarily due to debt principal payments.

Overall, net position provided from revenues and expenses improved by \$18,840,831 over the prior year due to strong property tax and sales tax collections and the reduction of construction spending. The County's financial operations were positively influenced by continued diligence in the collection of property taxes by maintaining a collection percentage of 99.34%, higher than the 2014 statewide average of 97.97%. Expenditures on public school construction decreased by \$288,394, as the Asheboro City School capital project concluded in 2014. The RCC Capital Project began renovation of the new Cosmetology Center. The County financed the property for \$826,267.

Randolph County's Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 63,853,065	\$ 53,465,210	\$ 37,229	\$ 41,203	\$ 63,890,294	\$ 53,506,413
Capital assets	<u>51,928,315</u>	<u>51,688,434</u>	<u>12,145,633</u>	<u>12,431,974</u>	<u>64,073,948</u>	<u>64,120,408</u>
Total assets	<u>115,781,380</u>	<u>105,153,644</u>	<u>12,182,862</u>	<u>12,473,177</u>	<u>127,964,242</u>	<u>117,626,821</u>
Deferred outflows of resources	<u>9,055,380</u>	<u>8,349,906</u>	<u>386,164</u>	<u>414,769</u>	<u>9,441,544</u>	<u>8,764,675</u>
Long-term liabilities outstanding	94,712,300	105,287,530	11,526,969	12,223,498	106,239,269	117,511,028
Other liabilities	<u>5,364,626</u>	<u>5,312,315</u>	<u>35,325</u>	<u>34,125</u>	<u>5,399,951</u>	<u>5,346,440</u>
Total liabilities	<u>100,076,926</u>	<u>110,599,845</u>	<u>11,562,294</u>	<u>12,257,623</u>	<u>111,639,220</u>	<u>122,857,468</u>
Deferred inflows of resources	<u>7,307,158</u>	<u>169,798</u>	<u>-</u>	<u>-</u>	<u>7,307,158</u>	<u>169,798</u>
Net position:						
Net investment in capital assets	46,125,185	44,427,664	1,004,828	623,245	47,130,013	45,050,909
Restricted	13,336,251	14,375,513	-	-	13,336,251	14,375,513
Unrestricted	<u>(42,008,760)</u>	<u>(56,069,270)</u>	<u>1,904</u>	<u>7,078</u>	<u>(42,006,856)</u>	<u>(56,062,192)</u>
Total net position	<u>\$ 17,452,676</u>	<u>\$ 2,733,907</u>	<u>\$ 1,006,732</u>	<u>\$ 630,323</u>	<u>\$ 18,459,408</u>	<u>\$ 3,364,230</u>

The following schedule reflects the portion of governmental net position attributable to school facilities, capital assets, and the portion from all other governmental activities:

		Net investment in capital assets	Other governmental activities	Total net position related to school facilities	Total
Net Position of Governmental Activities, restated	6/30/2014	\$ 44,427,664	\$ 33,115,389	\$ (78,554,799)	\$ (1,011,746)
Increase (decrease) in net position		<u>1,697,521</u>	<u>7,885,318</u>	<u>8,881,583</u>	<u>18,464,422</u>
Net Position of Governmental Activities	6/30/2015	<u>\$ 46,125,185</u>	<u>\$ 41,000,707</u>	<u>\$ (69,673,216)</u>	<u>\$ 17,452,676</u>

Randolph County Changes in Net Position

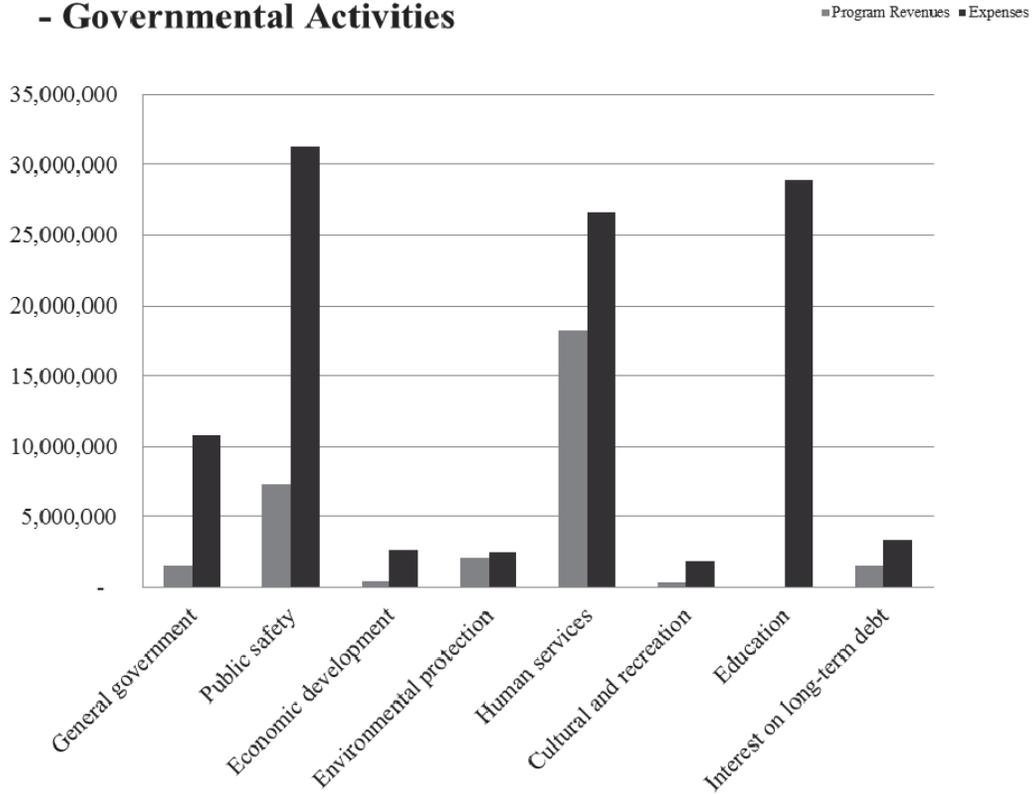
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 10,775,158	\$ 12,427,124	\$ 232,010	\$ 222,665	\$ 11,007,168	\$ 12,649,789
Operating grants and contributions	20,552,800	19,777,439	-	-	20,552,800	19,777,439
Capital grants and contributions	5,068	3,536	-	-	5,068	3,536
General revenues:						
Property taxes	75,174,327	72,065,266	-	-	75,174,327	72,065,266
Sales taxes	19,272,541	17,832,216	-	-	19,272,541	17,832,216
Other taxes	1,269,597	1,177,728	-	-	1,269,597	1,177,728
Investment earnings	73,372	222,395	437	185	73,809	222,580
Other	731,808	1,339,227	-	-	731,808	1,339,227
Total revenues	<u>127,854,671</u>	<u>124,844,931</u>	<u>232,447</u>	<u>222,850</u>	<u>128,087,118</u>	<u>125,067,781</u>
Expenses:						
General government	10,719,797	10,938,321			10,719,797	10,938,321
Public safety	31,251,330	31,203,537			31,251,330	31,203,537
Economic and physical development	2,603,580	2,432,409			2,603,580	2,432,409
Environmental protection	2,502,467	3,018,066			2,502,467	3,018,066
Human services	26,559,230	27,064,585			26,559,230	27,064,585
Culture and recreation	1,864,159	2,046,411			1,864,159	2,046,411
Education	28,960,820	27,880,435			28,960,820	27,880,435
Interest on long-term debt	3,402,566	3,973,067			3,402,566	3,973,067
Water	-	-	1,382,338	1,822,270	1,382,338	1,822,270
Total expenses	<u>107,863,949</u>	<u>108,556,831</u>	<u>1,382,338</u>	<u>1,822,270</u>	<u>109,246,287</u>	<u>110,379,101</u>
Increase (decrease) in net position before transfer	<u>19,990,722</u>	<u>16,288,100</u>	<u>(1,149,891)</u>	<u>(1,599,420)</u>	<u>18,840,831</u>	<u>14,688,680</u>
Transfers	<u>(1,526,300)</u>	<u>(1,521,787)</u>	<u>1,526,300</u>	<u>1,521,787</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position after transfer	18,464,422	14,766,313	376,409	(77,633)	18,840,831	14,688,680
Net position July 1	2,733,907	(12,032,406)	630,323	707,956	3,364,230	(11,324,450)
Restatement	<u>(3,745,653)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,745,653)</u>	<u>-</u>
Net position, June 30	<u>\$ 17,452,676</u>	<u>\$ 2,733,907</u>	<u>\$ 1,006,732</u>	<u>\$ 630,323</u>	<u>\$ 18,459,408</u>	<u>\$ 3,364,230</u>

Governmental activities. Governmental activities increased the County's net position \$18,464,422 for the year. Key elements in several areas affected the County's 2015 results:

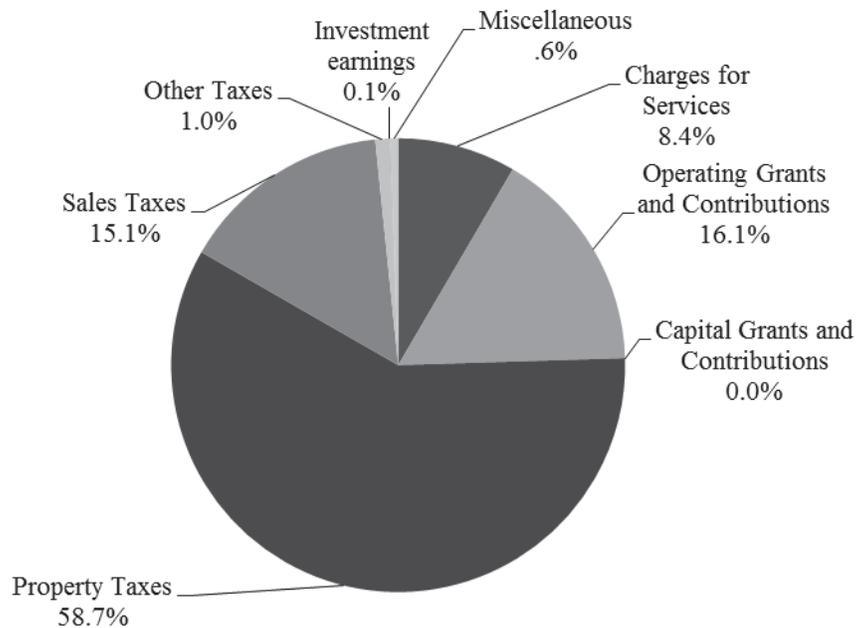
- Total Revenues increased 2.41%. Property taxes rose 4.31% due to several reasons, including higher property valuations and improvements to motor vehicle tax collection. The new Tag and Tax program was implemented in September 2013, resulting in full collection of property taxes when a vehicle registration is renewed. Sales taxes increased 8.08%, in part due to participation by certain on-line retailers.
- Charges for services covered 10.0% and federal and state operating grants funded 19.1% of governmental expenses in 2015 compared to 11.4% and 18.2% in 2014, respectively.
- In 2013, Randolph County received a \$1,666,667 economic development grant from the North Carolina Department of Commerce to acquire land for a potential mega-site for advanced manufacturing. As of June 30, 2015, this grant as well as \$2,630,995 in local funding was disbursed for land acquisition and related expenses.
- Total Expenses decreased by \$692,882 primarily due to implementation of GASB 68, which lowered pension expense for the year. Education increased as a result of the acquisition of the new Cosmetology facility. Environmental Protection dropped by 17% due to less development costs for the regional landfill. Interest expenses were lower as a result of declining debt balances. Other expense categories combined were slightly higher.

Business-type activities. Business-type activities began in October 2010 with the establishment of the Water Fund to account for the transactions related the County's allotment of treated water. The County currently has a contract with the City of Archdale to sell 250,000 gallons per day, with the option of another 500,000 as needed.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental Funds. The focus of Randolph County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Randolph County's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund [Major Fund]

The General Fund is the primary operating fund of Randolph County, and is always reported as a major fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$26,042,400, while total fund balance decreased to \$40,815,040. The Randolph County Board of Commissioners has determined that the County should maintain an unassigned fund balance of 20% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an unassigned fund balance of 23% of general fund expenditures, while total fund balance represents 36.7% of that same amount. Not all fund balance is available for appropriation. Under state statutes, available fund balance represents 24.8 percent of total expenditures (including transfers), with \$55,625 of that amount assigned for use in the 2015-16 budget ordinance and another \$2,200,000 assigned for economic development.

Revenues for the General Fund increased by \$2,355,819 in the fiscal year.

- Despite the revaluation of property, property tax revenues increased strongly, partially due to higher motor vehicle collections. The total tax rate was 65.5 cents per \$100 valuation. The County maintained a high tax collection rate of 99.34%.
- Sales tax collections increased by 8.08%. This included Medicaid hold-harmless payments from the state.
- The voter-approved quarter-cent sales tax for the community college resulted in \$2,328,281 in revenues, which were transferred to the Community College Capital Project for future projects including the Cosmetology Center.
- During the past several years, the financial crisis and related decline in construction resulted in substantially less revenues from deed fees, building inspection permits, and environmental health fees. Conditions continue to improve in 2015. Building inspection fees grew by 20% during the past year. Register of deed fees rose by 15.2 percent.
- Sales and services declined by 12.86%, partially due to the initial payment from Waste Management recognized in 2014. The County's ambulance service fees collected were 6.58 percent higher in 2015.
- In 2014, Randolph County sold its former Randleman ambulance base property for \$535,000, which is reflected in the decrease in 2015 Miscellaneous revenues.

General Fund expenditures increased \$2,443,122 or 2.25% in 2015. Total expenditures were \$6,628,574 under budget. By continuing to enforce budgetary restraint, departments operated far below fiscal limits, yet maintained most existing services.

- General government increased \$682,086 due to the acquisition of an office building, and makes up 9.5% of total expenditures.
- Public safety expenditures are 21.5% of the total budget; total expenditures increased due to Emergency Services Modernization, resulting in more staff and construction of ambulance bases.
- The 16% decrease in environmental protection expenditures reflects the 2014 acquisition of additional land for the proposed regional landfill.
- Human services expenditures remained approximately 24% of total expenditures. These costs are substantially dependent on federal and state funding.
- The annual appropriations to public schools and the community college were slightly higher than the prior year. Education includes the acquisition of a vacant building for the community college.
- Debt service decreased \$221,395; interest expense declines as principal is paid down on outstanding debt. The County maintained its strong bond rating, which allows issuance of debt at a lower interest cost.

Special Revenue Funds

Total revenues declined by \$37,359. Last year, the Landfill Closure Fund recognized \$500,000 as part of the initial payment from Waste Management. This was partially offset in 2015 by the increase in fire district property taxes, and the reimbursement of community development grant costs. Expenditures increased by \$370,198, which included community development expenses, emergency telephone system upgrades, and higher property tax distributions to fire departments. Fund balances at year end were \$1,109,958.

Capital Project Funds

Revenues and spending for capital projects fluctuates from year to year due to the cycle of projects being started and completed. In 2015, Randolph County began the design stage of a new emergency services headquarters, which will be constructed in 2016. In 2013, Randolph County received a \$1,666,667 economic development grant from the North Carolina Department of Commerce to acquire land for a potential mega-site for advanced manufacturing. The County transferred another \$6,400,000 from the General Fund for land acquisition and spent a total of \$4,197,694 during 2015. At June 30, 2015, there was \$7,705,356 of fund balance available for capital projects, especially community college improvements and economic development.

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

amendments to the General Fund which increased revenues and expenditures were \$11,228,745 or 9.6 percent of the original adopted budget. These amendments were primarily to transfer resources from the General Fund to capital projects (\$6,914,000). Other changes were to record increased federal and state financial assistance, purchase of real estate, and encumbrances carried forward from 2013-14.

Randolph County traditionally takes a conservative approach to financial management, budgeting revenues prudently and operating within budgetary limits for expenditures. However, the County had budgeted \$12,168,165 as an appropriation of available fund balance to finance interfund transfers, certain appropriations, encumbrances, and other expenditures. Nevertheless, during the year, departmental expenditures were substantially less than budgetary levels and certain revenue collections exceeded projections. As a result, no use of reserves was required for departmental operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Randolph County’s capital assets for its governmental-type activities as of June 30, 2015, totals \$51,928,315 (net of accumulated depreciation). These assets include buildings, land, land improvements, machinery and equipment, and vehicles. It also includes intangible assets such as water rights and computer software.

Major capital asset transactions during the year include:

- Purchased new ambulance vehicles for Emergency Services and patrol cars for the Sheriff’s Office.
- Began design of the Emergency Services Headquarters.
- Completed the Uwharrie ambulance base and began construction on the Liberty base.
- Acquired an office building, which will be renovated for Child Support Enforcement and the Juvenile Day Reporting Center.

Randolph County’s Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 4,392,139	\$ 4,389,339	\$ -	\$ -	\$ 4,392,139	\$ 4,389,339
Water rights	17,021,952	17,021,952	12,145,633	12,431,974	29,167,585	29,453,926
Land improvements	155,173	186,806	-	-	155,173	186,806
Buildings	22,700,053	23,511,104	-	-	22,700,053	23,511,104
Machinery and equipment	3,165,825	3,073,548	-	-	3,165,825	3,073,548
Software	979,797	1,192,019	-	-	979,797	1,192,019
Vehicles	2,521,183	2,295,491	-	-	2,521,183	2,295,491
Construction in progress	992,193	18,175	-	-	992,193	18,175
Total	\$ 51,928,315	\$ 51,688,434	\$ 12,145,633	\$ 12,431,974	\$ 64,073,948	\$ 64,120,408

Additional information on the County’s capital assets can be found in note II.A.6 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2015, Randolph County had no outstanding bonded debt, which is debt backed by the full faith and credit of the County. However, the County was obligated under several installment purchase agreements and a Clean Drinking Water note payable to the State of North Carolina. In order to encourage economic development in rural areas, Randolph County assists local municipalities with certain water line projects; debt service for those commitments is included with governmental activities.

Randolph County’s Outstanding Debt

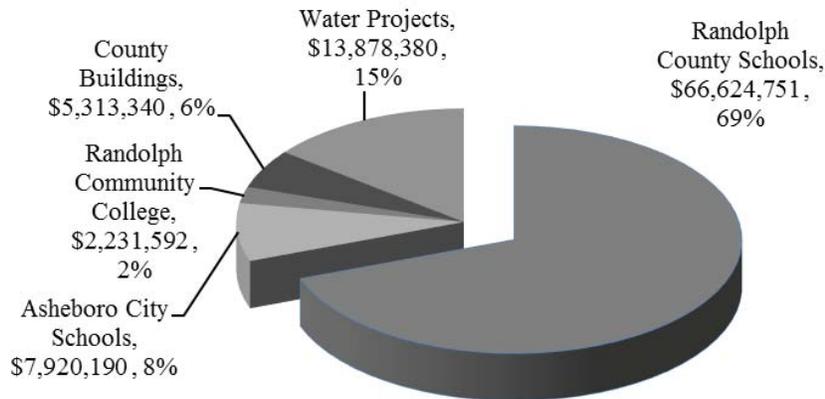
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Installment purchase obligations	\$ 77,283,316	\$ 87,615,458	\$ -	\$ -	\$ 77,283,316	\$ 87,615,458
Unamortized premium on debt	6,899,846	7,985,055	-	-	6,899,846	7,985,055
Notes payable - State of N.C.	258,132	301,154	-	-	258,132	301,154
Contract payable	-	-	11,526,969	12,223,498	11,526,969	12,223,498
	<u>\$ 84,441,294</u>	<u>\$ 95,901,667</u>	<u>\$ 11,526,969</u>	<u>\$ 12,223,498</u>	<u>\$ 95,968,263</u>	<u>\$ 108,125,165</u>

During the past fiscal year, Randolph County’s governmental debt decreased by \$11,460,373:

New debt issued	\$ 826,267
Required principal payments	(11,201,431)
Amortization of premium	(1,085,209)
	<u>\$ (11,460,373)</u>

Business-type debt decreased by \$696,529, the amount of principal payments.

Outstanding County Debt By Purpose



Randolph County maintained its Aa2 bond rating from Moody’s Investor Service (which was upgraded in 2013) and its AA- rating from Standard and Poor’s Corporation (14th consecutive year). These bond ratings are a clear indication of the sound financial condition of Randolph County. This achievement is a primary factor in keeping interest costs low on the County’s outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Randolph County is \$735,842,679. The County has no bonds authorized but unissued at June 30, 2015.

For any outstanding debt that is general obligation debt, the full faith, credit and taxing power of the County is responsible for ensuring repayment. Accordingly, the County is authorized and required by state law to levy ad valorem taxes, without limit as to rate or amount, as may be necessary to pay the debt service on its general obligation bonds. All of the County's debt, however, is installment purchase obligations, which uses the asset itself as collateral for the outstanding debt balances. Regardless of the type of financing, the County is responsible for all repayment of issued debt.

Additional information regarding Randolph County's long-term debt can be found in note II.B.9, beginning on page 76 of this audited financial report.

ECONOMIC FACTORS

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

- The County maintains a moderate property tax rate.
- Randolph County is awaiting the state permitting process for Waste Management to construct and operate a regional landfill, which will lower local solid waste disposal costs and also provide a stable new revenue source. Once the facility is permitted, a trucking hub is expected to locate adjacent to the landfill facility.
- Recognizing Randolph's central location in the state, the N.C. Department of Commerce awarded the County an economic development grant to acquire and control at least 1,000 acres of property to serve a large advanced manufacturing operation. Efforts over the past two years have resulted in control of nearly 1,400 acres. The site certification process is underway. If this manufacturing development were to occur, the citizens of the County would have the opportunity for stable jobs that will lead to a higher standard of living.
- In addition, the Randolph County Economic Development Corporation has identified sixteen sites for possible development. They were evaluated on land characteristics, transportation, utilities, community, and workforce.
- Reflecting the improvement in the economy, hotel occupancy has reflected more strength than other areas. During the fiscal year, occupancy tax collections increased 9% over the prior year.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2016

Governmental Activities:

The Final 2015-16 General Fund Budget totals \$118,262,917 a 0.73% increase over last year. The 2015-16 Budget levies a 65.5¢ property tax rate with a countywide valuation of \$10,324,000,000. The Proposed General Fund Budget is presented without an increase to the property tax rate (remaining at 65.5 cents per \$100). This means the budget will absorb the additional debt service for the new Emergency Services Headquarters, rather than increasing the property tax rate as planned. This will save our taxpayers one-half cent on the property tax rate in 2015-16.

The County's 2015-16 General County Revenues have some major changes, although the total is almost the same as the prior year's budget. Property valuations are higher than expected, along with better collection of motor vehicle taxes. Sales tax collections are growing as a result of economic recovery, and the additional tax base brought on by legislative changes and participation by on-line merchants. For 2015-16, these higher revenues were used to offset the amount of general appropriated fund balance which we had been budgeting.

The Emergency Services Modernization initiative is fully funded for year two. Year Two (2015-16) will see additional personnel costs due to a full year of operations for the Uwharrie Base, plus the additional crew for the new Southeast Base beginning January 1. Capital costs will drop substantially; only one new base will be constructed. The former capital budget funding will now be used for the recurring personnel costs. Estimated debt service on the new Emergency Services Headquarters will be \$500,000 (half a year).

County departments continue to manage resources, but the increased operating costs have overtaken the amount that can be saved by frugal operations. By maintaining discipline over the past few years, several "bubbles" have built up that are getting very difficult to manage. One is capital replacement of essential equipment and vehicles; another is maintenance and upkeep of our facilities. In many departments, the increase in daily workload stretched our employees thin, and additional personnel were needed. The 2015-16 Budget addresses many of these issues.

There were additional appropriations to public schools and the community college, a total increase of three percent. Both public school systems have spent the past two years developing plans to address overdue maintenance of current school buildings. There are delayed roof repairs, ventilation system replacements, flooring maintenance, and other necessary upgrades. Their 2015-16 funding includes additional allocations for these needs.

Business-type Activities:

Bulk water sales are budgeted at \$226,005 for 2015-16, as the County continues to work on contracts to sell our allotment of treated water.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the County'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 Officer, Randolph County, 725 McDowell Road, Asheboro, NC 27205. This report and additional information is available on the County's website **www.co.randolph.nc.us**.