

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1. Summary of Significant Accounting Policies

The accounting policies of the City of Randleman conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

City of Randleman ABC Board

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

B. Basis of Presentation

Government-Wide Statements: The statement of net assets and the statement of activities 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 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 are presented as general revenues. The effects of interfund activity have been eliminated from the government-wide financial statements.

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

Permanent Fund - Permanent Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governments and/or other funds. The City has one Permanent Fund, which is the Randleman Library Endowment Fund.

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. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the City. It is used to account 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, streets and highways, sanitation, parks and recreation, libraries, debt service, and general government services.

The City reports the following major proprietary fund:

Water and Sewer Fund - The water and sewer fund accounts for water and sewer operations within the city.

C. 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 and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and 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. Nonexchange 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.

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. Also, as of January 1, 1993, 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, Randolph County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Randleman. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Randolph County from March 2003 through February 2004 apply to the fiscal year ended June 30, 2004. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year end apply to the 2004-2005 fiscal year and are not shown as receivables at June 30, 2004. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable in these financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year end are also reflected as deferred revenues at June 30, 2004 because they are intended to finance the City's operations during the 2004-2005 fiscal year.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the state at year end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash.

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Grant revenues that 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 are both restricted and unrestricted net assets 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.

The proprietary funds are presented in the financial statements on the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period they are incurred. As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations.

The City has implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related standards. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year end. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The City Manager is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$1,000; however, any revisions that alter the total expenditures of any fund or that change functional appropriations by more than \$1,000 must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material.

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity

1. 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 and loan 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust.

The City's and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued based on a computerized matrix system and/or appraisals by a pricing service. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at cost.

2. 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.

3. Restricted Assets

Unexpended proceeds from installment purchases are classified as restricted assets for the Enterprise Fund because their use is completely restricted to the purpose for which the installment agreement was originally entered into. The unexpended installment purchase proceeds amount to \$108,407 at year end.

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2003. 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.

5. 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 written off in prior years.

6. Inventories

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

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

7. 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: buildings and improvements - \$25,000; infrastructure - \$100,000; and furniture, equipment and vehicles - \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

7. Capital Assets (Continued)

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

Asset Class	Estimated Useful Lives
Infrastructure, buildings and improvements	25 to 50 years
Furniture, equipment, heavy equipment, and plant facilities and distribution system	40 years
Equipment and vehicles	5 to 10 years
Software and computer equipment	3 years

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

8. Long-Term Obligations

In the government-wide financial statements and the 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 statement of net assets.

9. Compensated Absences

The vacation policies of the City and the ABC Board provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the City's governmental and proprietary funds and for the ABC Board, 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 and included in long-term liabilities due within one year on the government-wide financial 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.

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity (Continued)

10. Net Assets/Fund Balances

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

In the governmental fund financial statements, reservations of fund balance represent amounts that are not appropriable and/or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G. S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved by state statute - portion of fund balance, in addition to the reserve for streets, which is not available for appropriation under state law [G. S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables which have not been offset by deferred revenues.

Reserved for streets - Powell Bill - portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Reserved for other purposes - portion of fund balance which is reserved under the terms of an endowment agreement for activities at the City of Randleman Public Library.

Unreserved

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year end.

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1. Summary of Significant Accounting Policies (Continued)

F. Revenues, Expenditures and Expenses

Comparative Data

Comparative total data for the prior year have been presented for the General Fund and the Water and Sewer Fund in the fund financial statements, in order to provide an understanding of the changes in the financial position and operations of these funds.

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.

Note 2. Detail Notes on All Funds

A. Assets

1. 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 that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agent 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 agent in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, 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.

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 2. Detail Notes on All Funds (Continued)

A. Assets (Continued)

1. Deposits (Continued)

At June 30, 2004, the City's deposits had a carrying amount of \$1,724,755 and a bank balance of \$1,720,993. Of the bank balance, \$453,765 was covered by federal depository insurance, and \$1,267,228 in interest-bearing deposits was covered by collateral held under the Pooling Method. Also included in the City's cash balance is \$240 in petty cash on hand.

At June 30, 2004, the ABC Board's deposits had a carrying amount of \$317,399 and a bank balance of \$324,656. 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 cash on hand.

2. Investments

The City's investments are categorized to give an indication of the level of custodial risk assumed by the entity at year end. Column A includes investments that are insured or registered for which the securities are held by the City or its agent in the City's name. Column B includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Column C includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the City's name. The investments in the North Carolina Capital Management Trust are exempt from risk categorization because the City does not own any identifiable securities but is a shareholder of a percentage of the fund.

A	B	C	Reported Value	Fair Value
\$ _____ -	\$ _____ -	\$ _____ -		
North Carolina Capital Management Trust - Cash Portfolio			\$ <u>758,982</u>	\$ <u>758,982</u>

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

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 2. Detail Notes on All Funds (Continued)

A. Assets (Continued)

3. Due from other Governments

Amounts due from other governments consist of the following:

	Governmental Activities	Business-Type Activities	Total
Sales and use tax distribution	\$ 107,469	-	\$ 107,469
Utilities franchise and telecommunications tax	63,319	-	63,319
Sales tax refunds	28,382	11,779	40,161
Grants and other	7,944	-	7,944
	\$ 207,114	\$ 11,779	\$ 218,893

4. Receivables - Allowance for Doubtful Accounts

The receivables shown in the government-wide statement of net assets are presented net of the following allowance for doubtful accounts:

	June 30, 2004
General Fund	
Taxes receivable	\$ 11,000
Enterprise Fund	\$ 55,000

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 2. Detail Notes on All Funds (Continued)

A. Assets (Continued)

5. Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2004 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 65,475	\$ -	\$ -	\$ 65,475
Construction in progress	<u>1,186,533</u>	<u>1,204,124</u>	<u>365,000</u>	<u>2,025,657</u>
Total capital assets not being depreciated	<u>1,252,008</u>	<u>\$ 1,204,124</u>	<u>\$ 365,000</u>	<u>2,091,132</u>
Capital assets being depreciated:				
Buildings and improvements	1,799,853	\$ -	\$ -	1,799,853
Land improvements	129,590	56,990	-	186,580
Infrastructure	142,598	-	-	142,598
Equipment and heavy equipment	2,308,146	370,573	-	2,678,719
Other	<u>61,245</u>	<u>-</u>	<u>-</u>	<u>61,245</u>
Total capital assets being depreciated	<u>4,441,432</u>	<u>\$ 427,563</u>	<u>\$ -</u>	<u>4,868,995</u>
Less accumulated depreciation for:				
Buildings and improvements	657,749	\$ 36,875	\$ -	694,624
Land improvements	45,531	6,872	-	52,403
Infrastructure	63,269	5,894	-	69,163
Equipment and heavy equipment	1,227,399	113,098	-	1,340,497
Other	<u>24,841</u>	<u>12,117</u>	<u>-</u>	<u>36,958</u>
Total accumulated depreciation	<u>2,018,789</u>	<u>\$ 174,856</u>	<u>\$ -</u>	<u>2,193,645</u>
Total capital assets being depreciated, net	<u>2,422,643</u>			<u>2,675,350</u>
Governmental activity capital assets, net	<u>\$ 3,674,651</u>			<u>\$ 4,766,482</u>

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

General government	\$ 21,974
Public safety	100,249
Public works	34,229
Cultural and recreation	15,204
Economic and physical development	<u>3,200</u>
	<u>\$ 174,856</u>

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 2. Detail Notes on All Funds (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

Capital asset activity for the business-type activities for the year ended June 30, 2004 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 7,275	\$ -	\$ -	\$ 7,275
Construction in progress	147,801	180,872	-	328,673
Water rights	<u>1,264,669</u>	<u>451,636</u>	<u>-</u>	<u>1,716,305</u>
Total capital assets not being depreciated	<u>1,419,745</u>	<u>\$ 632,508</u>	<u>\$ -</u>	<u>2,052,253</u>
Capital assets being depreciated:				
Buildings and improvements	1,367,550	\$ -	\$ -	1,367,550
Land improvements	1,372,600	-	-	1,372,600
Water distribution system	7,056,012	-	-	7,056,012
Equipment and heavy equipment	<u>439,350</u>	<u>-</u>	<u>-</u>	<u>439,350</u>
Total capital assets being depreciated	<u>10,235,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>10,235,512</u>
Less accumulated depreciation for:				
Buildings and improvements	595,454	\$ 31,554	\$ -	627,008
Land improvements	327,013	34,097	-	361,110
Water distribution system	3,329,961	169,170	-	3,499,131
Equipment and heavy equipment	<u>375,516</u>	<u>8,674</u>	<u>-</u>	<u>384,190</u>
Total accumulated depreciation	<u>4,627,944</u>	<u>\$ 243,495</u>	<u>\$ -</u>	<u>4,871,439</u>
Total capital assets being depreciated, net	<u>5,607,568</u>			<u>5,364,073</u>
Business-type activity capital assets, net	<u>\$ 7,027,313</u>			<u>\$ 7,416,326</u>

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 2. Detail Notes on All Funds (Continued)

A. Assets (Continued)

6. Construction Commitments

The government has active commitments for a community center construction project as of June 30, 2004. At year end, the government's remaining commitment with the contractor amounted to \$238,526.

B. Liabilities

1. Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The City of Randleman and the ABC Board contribute to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G. S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, NC 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute 6% of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.64%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 4.88% of annual covered payroll. The contribution requirements of members and of the City of Randleman are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2004, 2003 and 2002 were \$79,089, \$76,396 and \$73,458, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2004, 2003 and 2002 were \$6,625, \$6,642 and \$6,494, respectively. The contributions made by the City and the ABC Board equaled the required contributions for each year.

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

State 401(k) Supplemental Retirement Income Plan

Plan Description. The City of Randleman contributes to the State 401(k) 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 permanent full-time employees of the City. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G. S. Chapter 143 requires the City to contribute each month an amount equal to 5% of each participant's salary, and all amounts contributed are vested immediately. Also, the participants may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2004 were \$92,370, which consisted of \$83,842 from the City and \$8,528 from employees.

Law Enforcement Officers' Special Separation Allowance

Plan Description. The City of Randleman administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent 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. A stand-alone financial report is not issued for this plan.

All full-time law enforcement officers for the City of Randleman are covered by the Separation Allowance.

At June 30, 2004, the Separation Allowance's membership consisted of:

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

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

Law Enforcement Officers' Special Separation Allowance (Continued)

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.

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

Contributions:

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

The annual required contribution for the current year was determined as part of the December 31, 2002 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5.9% to 9.8% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

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

Annual required contribution	\$ 5,173
Interest on net pension obligation	1,423
Adjustment to annual required contribution	<u>(1,077)</u>
Annual pension cost	5,519
Contributions made	<u>-</u>
Increase in net pension obligation	5,519
Net pension obligation, beginning of year	<u>19,624</u>
Net pension obligation, end of year	<u>\$ 25,143</u>

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

Law Enforcement Officers' Special Separation Allowance (Continued)

Trend Information:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$ 5,341	0.00%	\$ 14,102
6/30/03	5,522	0.00%	19,624
6/30/04	5,519	0.00%	25,143

2. Post-Employment Benefits

In addition to providing pension benefits, the City of Randleman has elected to provide health care benefits to retirees of the City who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the City. The City pays the full cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the City's group rates. Currently, no retirees are eligible for post-retirement benefits. For the fiscal year ended June 30, 2004, the City made no payments for post-retirement health benefit premiums. The City participates in a self-funded risk-financing pool administered by the North Carolina League of Municipalities.

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

2. Post-Employment Benefits (Continued)

The City has also 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 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 \$20,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2004, the City made contributions to the state for death benefits of \$2,495. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.11% and 0.14%, respectively, of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

3. Deferred Revenues/Unearned Revenues

The balance in deferred revenues/unearned revenues at year end is composed of the following elements:

	General Fund Deferred Revenues	Governmental Activities Unearned Revenues
Taxes receivable, net	\$ 21,388	\$ -
Tipping fees, net	9,179	-
Privilege license receivable	1,775	-
Prepaid privilege licenses received but not yet earned	2,580	2,580
Total deferred revenues	\$ 34,922	\$ 2,580

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

4. 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 \$7 million per occurrence, worker's compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit.

The City carries commercial insurance 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.

5. Long-Term Obligations

a. Installment Purchases

The City has several installment purchase agreements to finance various projects and equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The City has seven installment purchase agreements for the purchase of certain enterprise fund and general capital assets. The following is an analysis of the assets recorded under installment purchases at June 30, 2004:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Construction in progress	\$ 2,354,330	\$ -	\$ 2,354,330
Water rights	1,716,305	-	1,716,305
Buildings and improvements	500,000	17,417	482,583
Vehicles and motorized equipment	109,372	7,571	101,801
Water distribution system	<u>1,374,731</u>	<u>362,023</u>	<u>1,012,708</u>
	<u>\$ 6,054,738</u>	<u>\$ 387,011</u>	<u>\$ 5,667,727</u>

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

5. Long-Term Obligations (Continued)

a. Installment Purchases (Continued)

The future minimum payments and the net present value of these minimum payments as of June 30, 2004 are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>General</u> <u>Long-Term</u> <u>Debt</u>	<u>Water and</u> <u>Sewer Fund</u>	<u>Total</u>
2005	\$ 380,387	\$ 207,559	\$ 587,946
2006	373,595	202,126	575,721
2007	362,234	196,692	558,926
2008	354,144	191,418	545,562
2009	347,155	185,826	532,981
2010-2014	1,261,143	847,729	2,108,872
2015-2019	<u>848,047</u>	<u>613,676</u>	<u>1,461,723</u>
Total minimum payments	3,926,705	2,445,026	6,371,731
Less amount representing interest	<u>(784,164)</u>	<u>(555,185)</u>	<u>(1,339,349)</u>
Present value of minimum payments	<u>\$ 3,142,541</u>	<u>\$ 1,889,841</u>	<u>\$ 5,032,382</u>

b. Note Payable - Water and Sewer Fund

Note payable - Water and Sewer Fund consists of the following at June 30, 2004:

North Carolina Clean Water Revolving Loan

On May 1, 1998, the City executed a note with the State of North Carolina to borrow \$835,593 in accordance with the North Carolina Education, Clean Water and Parks Revolving Bond Act of 1993. Annual principal payments of \$42,518 are required through May 1, 2017. Interest at 5.3% on \$555,000 and 5.85% on \$280,593 is payable on November 1 and May 1 of each year until the loan is repaid.

\$ 537,967

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

5. Long-Term Obligations (Continued)

b. Note Payable - Water and Sewer Fund (Continued)

Annual debt service requirements to maturity for the note payable - Water and Sewer Fund at June 30, 2004 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 42,518	\$ 30,813	\$ 73,331
2006	42,518	28,426	70,944
2007	42,518	26,039	68,557
2008	42,518	23,718	66,236
2009	42,518	21,622	64,140
2010-2014	212,590	44,097	256,687
2015-2017	<u>112,787</u>	<u>4,794</u>	<u>117,581</u>
	<u>\$ 537,967</u>	<u>\$ 179,509</u>	<u>\$ 717,476</u>

c. General Obligation Bonds

Those general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City.

Bonds payable at June 30, 2004 consist of the following individual issues which are serviced by the Water and Sewer Fund:

General obligation bonds

\$1,100,000 1990 Wastewater Treatment serial bonds due in annual installments of \$25,000 - \$75,000 through June 1, 2000, interest at 6.5%; then in annual installments of \$50,000 - \$100,000 through June 1, 2008, interest at 6.6%.

\$ 350,000

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

5. Long-Term Obligations (Continued)

c. General Obligation Bonds (Continued)

At June 30, 2003, the City had a legal debt margin of \$22,262,000.

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Water and Sewer Fund</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2005	\$ 100,000	\$ 21,811	\$ 121,811
June 30, 2006	100,000	15,101	115,101
June 30, 2007	100,000	8,392	108,392
June 30, 2008	<u>50,000</u>	<u>1,682</u>	<u>51,682</u>
Total	<u>\$ 350,000</u>	<u>\$ 46,986</u>	<u>\$ 396,986</u>

d. Changes in General Long-Term Debt

During the year ended June 30, 2004, the following changes in the City's long-term obligations occurred:

	<u>Balance July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>	<u>Current Portion of Long-Term Liabilities</u>
Governmental activities:					
Installment purchases	\$ 1,562,447	\$ 3,230,752	\$ 1,650,658	\$ 3,142,541	\$ 261,536
Compensated absences	122,749	28,023	45,808	104,964	45,808
Unfunded pension contribution	<u>19,624</u>	<u>5,519</u>	<u>-</u>	<u>25,143</u>	<u>-</u>
	<u>\$ 1,704,820</u>	<u>\$ 3,264,294</u>	<u>\$ 1,696,466</u>	<u>\$ 3,272,648</u>	<u>\$ 307,344</u>
Business-type activities:					
Installment purchases	\$ -	\$ 1,989,306	\$ 99,465	\$ 1,889,841	\$ 132,624
Bonds payable	450,000	-	100,000	350,000	100,000
Loan payable	580,485	-	42,518	537,967	42,518
Compensated absences	<u>18,900</u>	<u>13,597</u>	<u>11,063</u>	<u>21,434</u>	<u>11,063</u>
	<u>\$ 1,049,385</u>	<u>\$ 2,002,903</u>	<u>\$ 253,046</u>	<u>\$ 2,799,242</u>	<u>\$ 286,205</u>

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 3. Jointly Governed Organization

The City, in conjunction with 6 counties and 25 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 \$3,779 to the Council during the fiscal year ended June 30, 2004.

Note 4. Joint Ventures

Fireman'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 firefighters in various ways. The City obtains an ongoing financial benefit from the fund for the 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, 2004, the City did not report any revenues and expenditures for 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, 2004. 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 P. O. Box 188, Farmville, NC 27828.

Piedmont Triad Regional Water Authority

The City, in conjunction with five other governments, participates 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. During the year ended June 30, 2004, the City made a \$451,636 contribution to the Authority for construction. During the year, the City acquired a loan for \$1,716,305 to pay the accumulated prior and current dues owed to the Authority. 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. Accordingly, an intangible asset in the amount of \$1,716,305 has been recorded at cost in the government-wide financial statements at June 30, 2004. An adjustment was made to beginning net assets of proprietary/business-type funds for the amounts accrued prior to July 1, 2003 (\$1,264,669). Complete financial statements for the Authority can be obtained from the Authority's administrative offices at 2216 West Meadowview Road, Greensboro, North Carolina.

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 5. 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 6. Summary Disclosure of Significant Contingencies

Federal- and State-Assisted Programs

The City has received proceeds from 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 7. Reconciliation of GAAP and Budgetary Basis Expenditures

The accompanying schedule reconciles certain General Fund transactions which are treated differently on GAAP basis statements and budgetary basis statements. These differences are summarized below:

	<u>GAAP Basis</u> <u>(Exhibit 4)</u>	<u>Increase</u> <u>(Decrease)</u>		<u>Budgetary</u> <u>Basis</u> <u>(Exhibit 5)</u>
Expenditures				
Special appropriations	\$ -	\$ 1,449,975	(1)	
		1,793,549	(2)	\$ 3,243,524
Capital outlay	1,648,701	(1,648,701)	(1)	-
Debt service				
Principal retirement	1,650,658	(1,650,658)	(2)	-
Interest	142,891	(142,891)	(2)	-
Other financing sources				
Proceeds from installment purchases	3,230,752	(198,726)	(3)	3,032,026

- (1) Reclassification of capital outlay
- (2) Reclassification of debt principal and interest payments
- (3) Reclassification of proceeds from installment purchases

CITY OF RANDLEMAN, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 8. Prior Period Adjustment

During the fiscal year ended June 30, 2004, the State of North Carolina changed the distribution method for local option sales taxes that it collects on behalf of local governments. These taxes are now distributed on a monthly rather than quarterly basis. Taxes on sales for the month of June 2004 will be distributed by the state on or around September 15, 2004. In addition, the state collects utility franchise taxes, piped natural gas taxes and telecommunications taxes for municipalities and distributes them on a quarterly basis. The taxes for the quarter ended June 30, 2004 will be distributed on or around September 15, 2004.

In accordance with GASB Statement No. 33, all of these items are considered to be revenues as of June 30, 2004. The City has decided to consider revenues available for payment of current year end liabilities if collected within 90 days after year end, other than property taxes. The City had previously considered only revenues collected within 60 days of year end as available. See Note 1.C.

The September 15, 2004 distributions of these taxes are recognized as revenues for the 2004 fiscal year. If this policy had been in effect for the 2003 fiscal year, ending fund balance of the General Fund would have been \$863,617, which is \$83,654 higher than was previously reported. The beginning fund balance of the General Fund for the 2004 fiscal year has been restated to that amount.

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REQUIRED SUPPLEMENTARY FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles.

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.

CITY OF RANDLEMAN, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Exhibit A-1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) + (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b) - (a)) + (c)
12/31/97	\$ -	\$ 12,984	\$ 12,984	0.00%	\$ 288,309	4.50%
12/31/98	-	12,130	12,130	0.00%	237,400	5.11%
12/31/99	-	10,398	10,398	0.00%	237,756	4.37%
12/31/00	-	22,082	22,082	0.00%	286,555	7.71%
12/31/01	-	20,861	20,861	0.00%	310,959	6.71%
12/31/02	-	22,308	22,308	0.00%	302,232	7.38%
12/31/03	-	21,605	21,605	0.00%	382,501	5.65%

Note:

The first actuarial study was prepared as of December 31, 1997.

CITY OF RANDLEMAN, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Exhibit A-2

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Annual Percentage Contributed</u>
1998	\$ -	0.00%
1999	3,260	0.00%
2000	2,890	0.00%
2001	2,737	0.00%
2002	5,167	0.00%
2003	5,258	0.00%
2004	5,173	0.00%

NOTES TO THE REQUIRED SCHEDULES

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

Valuation date	December 31, 2003
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	27 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return *	7.25%
Projected salary increases *	5.9% - 9.8%
* Includes inflation at	3.75%
Cost of living adjustments	None

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SUPPLEMENTARY INFORMATION

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**CITY OF RANDLEMAN, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2004 with Comparative
Actual Amounts for the Year Ended June 30, 2003**

Schedule 1
Page 1 of 4

	2004			2003, (Restated)
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues				
General revenues				
Ad valorem taxes	\$ 1,330,957	\$ 1,348,875	\$ 17,918	\$ 1,284,164
Other taxes				
Franchise tax	327,972	341,277	13,305	229,568
Unrestricted intergovernmental revenues				
Tax refunds	10,143	-	(10,143)	11,492
Local option sales tax	532,000	557,214	25,214	524,052
Sanitation fees	-	85,216	85,216	79,503
Randolph County fire district	190,473	193,225	2,752	191,365
ABC distribution	187,000	211,937	24,937	208,926
Beer and wine tax	16,513	16,513	-	15,778
Telecommunications tax reimbursement	-	-	-	7,084
Fire inspection revenue	43,900	43,890	(10)	43,890
	<u>980,029</u>	<u>1,107,995</u>	<u>127,966</u>	<u>1,082,090</u>
Restricted intergovernmental revenues				
Randolph County	10,000	10,000	-	10,000
Police department grants	-	9,274	9,274	31,775
FEMA grant	45,000	45,000	-	84,063
Powell Bill street allocation	113,179	113,180	1	120,298
	<u>168,179</u>	<u>177,454</u>	<u>9,275</u>	<u>246,136</u>
Licenses and permits				
Cablevision franchise	24,000	23,081	(919)	23,312
Privilege licenses	5,335	4,068	(1,267)	2,405
	<u>29,335</u>	<u>27,149</u>	<u>(2,186)</u>	<u>25,717</u>
Investment earnings	8,461	15,700	7,239	17,578
Other general revenues				
Recreation fees	42,079	45,922	3,843	41,258
Library	8,546	9,761	1,215	12,860
Proceeds from the sale of capital assets	149,500	149,500	-	-
Miscellaneous	53,828	119,298	65,470	85,064
	<u>253,953</u>	<u>324,481</u>	<u>70,528</u>	<u>139,182</u>
Total revenues	<u>3,098,886</u>	<u>3,342,931</u>	<u>244,045</u>	<u>3,024,435</u>

**CITY OF RANDLEMAN, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2004 with Comparative
Actual Amounts for the Year Ended June 30, 2003**

Schedule 1
Page 2 of 4

	2004			2003, (Restated)
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures				
General government				
Governing body				
Salaries	\$ 19,800	\$ 19,800	\$ -	\$ 15,397
Administration				
Salaries and employee benefits		288,446		291,571
Professional services		42,695		39,541
Telephone and postage		10,092		10,724
Travel and school		8,313		8,929
Insurance		150,331		136,565
Other services and charges		89,413		70,826
Dues and subscriptions		14,785		8,000
Supplies		5,193		7,359
Fundraising		13,732		-
Sales tax expense		-		2,505
	<u>645,990</u>	<u>623,000</u>	<u>22,990</u>	<u>576,020</u>
Central garage				
Salaries and employee benefits		82,823		74,485
Automotive supplies		54,903		24,913
Other services and charges		5,813		11,487
	<u>148,945</u>	<u>143,539</u>	<u>5,406</u>	<u>110,885</u>
Total general government	<u>814,735</u>	<u>786,339</u>	<u>28,396</u>	<u>702,302</u>
Public safety				
Police				
Salaries and employee benefits		478,981		415,153
Travel and school		500		211
Automotive supplies		-		15,000
Departmental supplies		3,454		2,000
Telephone		10,151		12,132
Uniforms		3,780		6,977
Other services and charges		34,909		69,737
	<u>533,181</u>	<u>531,775</u>	<u>1,406</u>	<u>521,210</u>
Fire				
Salaries and employee benefits		580,912		581,384
Travel and school		840		1,000
Automotive supplies		-		11,500
Departmental supplies		1,272		1,450
Medical supplies		-		300
Maintenance and repairs		732		1,485
Utilities		9,936		11,390
Telephone and postage		6,973		8,024
Uniforms		5,378		2,200
Other services and charges		17,408		13,997
Capital outlay		-		11,900
	<u>631,710</u>	<u>623,451</u>	<u>8,259</u>	<u>644,630</u>
Total public safety	<u>1,164,891</u>	<u>1,155,226</u>	<u>9,665</u>	<u>1,165,840</u>

**CITY OF RANDLEMAN, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2004 with Comparative
Actual Amounts for the Year Ended June 30, 2003**

Schedule 1
Page 3 of 4

	2004		Variance Positive (Negative)	2003, (Restated)
	Budget	Actual		Actual
Public works				
Streets				
Salaries and employee benefits	\$	\$ 46,477	\$	\$ 66,373
Utilities		41,577		38,975
Maintenance and repairs		3,937		3,520
Automotive supplies		-		6,057
Supplies and materials		2,299		2,709
Paving		3,659		638
Other services and charges		4,133		45,067
	<u>110,969</u>	<u>102,082</u>	<u>8,887</u>	<u>163,339</u>
Sanitation				
Salaries and employee benefits		38,602		37,279
Supplies		7,185		6,442
Recycling and landfill		70,210		71,286
Other services and charges		1,399		9,415
	<u>111,315</u>	<u>117,396</u>	<u>(6,081)</u>	<u>124,422</u>
Total public works	<u>222,284</u>	<u>219,478</u>	<u>2,806</u>	<u>287,761</u>
Cultural and recreation				
Park				
Salaries and employee benefits		133,077		124,690
Utilities		9,352		4,839
Supplies		1,484		2,220
Uniforms		11,934		14,000
Telephone and postage		3,219		3,723
Repairs		493		500
Other services and charges		90,072		18,812
	<u>257,264</u>	<u>249,631</u>	<u>7,633</u>	<u>168,784</u>
Library				
Salaries and employee benefits		79,587		73,263
Utilities		6,315		5,926
Books		3,024		2,831
Maintenance and repairs		6,895		12,949
Other services and charges		4,027		5,326
Capital outlay		-		10,698
	<u>105,170</u>	<u>99,848</u>	<u>5,322</u>	<u>110,993</u>
Total cultural and recreation	<u>362,434</u>	<u>349,479</u>	<u>12,955</u>	<u>279,777</u>

**CITY OF RANDLEMAN, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2004 with Comparative
Actual Amounts for the Year Ended June 30, 2003**

Schedule 1
Page 4 of 4

	<u>2004</u>		Variance Positive (Negative)	<u>2003, (Restated)</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Economic and physical development				
Salaries and employee benefits	\$	\$ 50,320	\$	\$ 45,918
Planning and zoning		-		300
Industrial development		5,000		5,000
Senior citizens		15,000		15,000
Other services and charges		7,176		5,244
Total economic and physical development	<u>79,300</u>	<u>77,496</u>	<u>1,804</u>	<u>71,462</u>
Supplemental budget appropriations				
Debt principal and interest payments	2,188,723	1,793,549	395,174	120,848
Capital outlay	1,451,536	1,449,975	1,561	388,239
Total supplemental budget appropriations	<u>3,640,259</u>	<u>3,243,524</u>	<u>396,735</u>	<u>509,087</u>
Total expenditures and supplemental budget appropriations	<u>6,283,903</u>	<u>5,831,542</u>	<u>452,361</u>	<u>3,016,229</u>
Excess of revenues over (under) expenditures and supplemental budget appropriations	<u>(3,185,017)</u>	<u>(2,488,611)</u>	<u>696,406</u>	<u>8,206</u>
Other financing sources				
Transfers from other funds	222,971	222,971	-	10,698
Proceeds from installment purchase	3,032,026	3,032,026	-	111,300
Total other financing sources	<u>3,254,997</u>	<u>3,254,997</u>	<u>-</u>	<u>121,998</u>
Excess of revenues and other financing sources over expenditures and supplemental budget appropriations	69,980	766,386	696,406	130,204
Appropriated fund balance	<u>(69,980)</u>	<u>-</u>	<u>69,980</u>	<u>-</u>
Excess of revenues, other financing sources and appropriated fund balance over expenditures and supplemental budget appropriations	<u>\$ -</u>	<u>766,386</u>	<u>\$ 766,386</u>	<u>130,204</u>
Fund balance, beginning of year		<u>863,617</u>		<u>733,413</u>
Fund balance, end of year		<u>\$ 1,630,003</u>		<u>\$ 863,617</u>

**CITY OF RANDLEMAN, NORTH CAROLINA
ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - WATER
AND SEWER FUND - BUDGET AND ACTUAL (NON-GAAP)
Year Ended June 30, 2004 with Comparative
Actual Amounts for the Year Ended June 30, 2003**

Schedule 2
Page 1 of 2

	2004		Variance Positive (Negative)	2003
	Budget	Actual		Actual
Operating revenues				
Charges for services	\$ 1,350,198	\$ 1,501,212	\$ 151,014	\$ 1,426,398
Other operating revenues	-	-	-	122,881
Total operating revenues	<u>1,350,198</u>	<u>1,501,212</u>	<u>151,014</u>	<u>1,549,279</u>
Nonoperating revenues				
PTRWA/WTP loan proceeds	1,989,306	1,989,306	-	-
Interest earned on investments	7,308	8,073	765	5,543
Total nonoperating revenues	<u>1,996,614</u>	<u>1,997,379</u>	<u>765</u>	<u>5,543</u>
Total revenues	<u>3,346,812</u>	<u>3,498,591</u>	<u>151,779</u>	<u>1,554,822</u>
Operating expenditures				
Water treatment and distribution				
Salaries and related expenditures		186,579		185,939
Supplies		4,899		7,094
Repairs and maintenance		6,795		20,000
Utilities		139,614		170,200
Chemicals		68,393		65,000
Miscellaneous		17,391		17,992
Capital outlay		-		35,693
	<u>447,870</u>	<u>423,671</u>	<u>24,199</u>	<u>501,918</u>
Water and sewer maintenance				
Salaries and related expenditures		159,122		133,429
Supplies		8,500		3,000
Repairs and maintenance		48,451		43,816
Miscellaneous		5,133		7,843
	<u>232,408</u>	<u>221,206</u>	<u>11,202</u>	<u>188,088</u>
Wastewater treatment				
Salaries and related expenditures		153,364		149,705
Supplies and chemicals		14,661		11,650
Automobile supplies		-		1,500
Repairs and maintenance		69,113		59,790
Utilities		118,748		119,443
Pretreatment/lab		32,882		30,272
Sludge removal		44,633		34,813
Miscellaneous		16,381		17,316
	<u>454,380</u>	<u>449,782</u>	<u>4,598</u>	<u>424,489</u>
Total operating expenditures	<u>1,134,658</u>	<u>1,094,659</u>	<u>39,999</u>	<u>1,114,495</u>

**CITY OF RANDLEMAN, NORTH CAROLINA
ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - WATER
AND SEWER FUND - BUDGET AND ACTUAL (NON-GAAP)
Year Ended June 30, 2004 with Comparative
Actual Amounts for the Year Ended June 30, 2003**

Schedule 2
Page 2 of 2

	2004		Variance Positive (Negative)	2003
	Budget	Actual		Actual
Nonoperating expenditures				
Interest and fiscal charges on long-term debt	\$	\$ 89,786	\$	\$ 66,455
PTRWA dues		451,636		249,394
PTRWA interest		13,017		-
Bond principal payments		142,518		142,518
Notes payable principal payments		99,465		-
Contingency		-		24,634
Capital outlay		180,872		147,801
Total nonoperating expenditures	2,345,458	977,294	1,368,164	630,802
Total expenditures	3,480,116	2,071,953	1,408,163	1,745,297
Other financing uses				
Transfers to General Fund	222,971	222,971	-	160,335
Total expenditures and other financing uses	3,703,087	2,294,924	1,408,163	1,905,632
Excess of revenues over (under) expenditures and other financing uses	(356,275)	1,203,667	1,559,942	(350,810)
Appropriated fund balance	356,275	-	(356,275)	-
Excess of revenues and appropriated fund balance over (under) expenditures and other financing uses	\$ -	\$ 1,203,667	\$ 1,203,667	\$ (350,810)

CITY OF RANDLEMAN, NORTH CAROLINA
ENTERPRISE FUND
RECONCILIATION OF BUDGETARY BASIS TO
ACCRUAL BASIS INCOME - WATER AND SEWER FUND
Year Ended June 30, 2004

Schedule 3

Total revenues - Water/Sewer Fund (page 65)	\$ 3,498,591
Total expenditures and other financing uses - Water/Sewer Fund (page 66)	<u>2,294,924</u>
Excess of revenues over expenditures and other financing uses	1,203,667
Reconciling items	
Depreciation	(242,007)
Decrease in accrued interest payable	725
Increase in bad debt reserve	(5,000)
Inventory adjustment	(2,992)
Long-term debt proceeds	(1,989,306)
PTRWA dues	451,636
Capital outlay	180,872
Principal payments on bonds and notes payable	<u>241,983</u>
Change in net assets	<u>\$ (160,422)</u>

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Other Schedules

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy, City-Wide Levy

CITY OF RANDLEMAN, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
Year Ended June 30, 2004

Schedule 4

Fiscal Year	Uncollected Balance July 1, 2003	Additions	Collections and Credits	Uncollected Balance June 30, 2004
2003-04	\$ -	\$ 1,356,720	\$ 1,342,311	\$ 14,409
2002-03	16,672	-	8,158	8,514
2001-02	7,392	-	3,250	4,142
2000-01	2,768	-	1,025	1,743
1999-00	1,358	-	390	968
1998-99	394	-	-	394
1997-98	587	-	13	574
1996-97	771	-	363	408
1995-96	441	-	104	337
1994-95	899	-	-	899
	31,282	<u>\$ 1,356,720</u>	<u>\$ 1,355,614</u>	32,388
Allowance for doubtful accounts	-			(11,000)
Ad valorem taxes receivable, net	<u>\$ 31,282</u>			<u>\$ 21,388</u>
Reconcilement with revenues:				
Ad valorem taxes - General Fund				\$ 1,348,875
Reconciling items:				
Interest and penalties collected				2,114
Taxes written off				9,262
Adjustments				(4,637)
			TOTAL COLLECTIONS AND CREDITS, PER ABOVE	<u>\$ 1,355,614</u>

CITY OF RANDLEMAN, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY, CITY-WIDE LEVY
June 30, 2004

Schedule 5

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 275,661,042	\$ 0.48	\$ 1,323,173	\$ 1,217,794	\$ 105,379
Discoveries					
Current year taxes	10,740,625	0.48	51,555	51,555	-
Abatements	<u>(3,751,667)</u>	0.48	<u>(18,008)</u>	<u>(15,265)</u>	<u>(2,743)</u>
Total property valuation	<u>\$ 282,650,000</u>				
Net levy			1,356,720	1,254,084	102,636
Uncollected taxes at June 30, 2004			<u>14,409</u>	<u>3,936</u>	<u>10,473</u>
Current year's taxes collected			<u>\$ 1,342,311</u>	<u>\$ 1,250,148</u>	<u>\$ 92,163</u>
Current levy collection percentage			<u>98.94%</u>	<u>99.69%</u>	<u>89.80%</u>

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STATISTICAL SECTION

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**CITY OF RANDLEMAN, NORTH CAROLINA
GOVERNMENT-WIDE EXPENSES BY FUNCTION (1)**

Fiscal Year Ended June 30	General Government	Public Safety	Public Works	Cultural and Recreation	Economic and Physical Development	Unallocated Interest and Fiscal Charges	Water and Sewer	Total
2004	\$ 790,529	\$ 1,260,992	\$ 253,706	\$ 364,682	\$ 80,695	\$ 140,453	\$ 1,441,736	\$ 4,332,793

(1) Ten years of historical information not available due to GASB 34 implementation in the fiscal year ended June 30, 2004.

**CITY OF RANDLEMAN, NORTH CAROLINA
GOVERNMENT-WIDE REVENUES ⁽¹⁾**

Table 2

Fiscal Year Ended June 30	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Inter- Governmental Revenues Not Restricted to Specific Programs	Investment Earnings, Unrestricted	Miscellaneous	Total
2004	\$ 1,771,909	\$ 132,661	\$ 45,000	\$ 1,344,824	\$ 1,320,167	\$ 24,635	\$ (193,577) ⁽²⁾	\$ 4,445,619

⁽¹⁾ Ten years of historical information not available due to GASB 34 implementation in the fiscal year ended June 30, 2004.

⁽²⁾ Miscellaneous category contains a loss on sale of capital assets of \$215,500.

**CITY OF RANDLEMAN, NORTH CAROLINA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	General Government	Public Safety	Public Works	Cultural and Recreation	Economic and Physical Development	Supplemental Budget Appropriation Capital Outlay	Debt Service	Total
1995	\$ 374,177	\$ 579,092	\$ 354,762	\$ 165,716	\$ 27,890	\$ -	\$ -	\$ 1,501,637
1996	403,223	644,423	469,792	178,466	379,025	-	-	2,074,929
1997	481,356	748,657	438,176	192,731	162,076	-	-	2,022,996
1998	394,171	711,544	409,983	187,878	622,916	-	13,099	2,339,591
1999	501,346	1,233,806	344,136	234,183	138,533	169,396	20,681	2,642,081
2000	485,768	810,698	423,456	242,296	87,681	139,957	101,067	2,290,923
2001	570,678	926,364	370,837	253,776	71,367	695,586	659,121	3,547,729
2002	652,113	1,017,599	392,578	282,313	89,706	1,167,924	93,839	3,696,072
2003	702,302	1,153,940	287,761	279,777	71,462	323,459	197,528	3,016,229
2004	786,339	1,155,226	219,478	349,479	77,496	1,648,701	1,793,549	6,030,268

(1) Includes General and Special Revenue Funds expenditures

Table 4

CITY OF RANDLEMAN, NORTH CAROLINA
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Ad Valorem		Other		Unrestricted		Restricted		Licenses and Permits		Other General Revenues		Total	
	Taxes		Taxes		Intergovernmental Revenues	Intergovernmental Revenues	Intergovernmental Revenues	Licenses and Permits	Revenues		Revenues			
1995	\$	487,578	\$	435,805	\$	271,011	\$	119,641	\$	9,264	\$	105,628	\$	1,428,927
1996		497,006		469,173		314,724		478,007		8,978		118,340		1,886,228
1997		515,835		504,889		342,729		300,182		17,922		130,456		1,812,013
1998		515,617		517,244		369,985		504,095		19,422		171,593		2,097,956
1999		654,500		154,290		761,562		241,531		23,050		183,280		2,018,213
2000		696,389		178,538		789,956		119,576		24,210		228,300		2,036,969
2001		748,763		181,253		807,515		127,225		26,149		300,296		2,191,201
2002		917,698		61,837		1,018,018		132,290		29,320		124,049		2,283,212
2003 (2)		1,284,164		229,568		1,082,090		246,136		25,717		156,760		3,024,435
2004		1,348,875		341,277		1,107,995		177,454		27,149		340,181		3,342,931

(1) Includes General and Special Revenue Funds

(2) Restated for prior period adjustment

Table 5

CITY OF RANDLEMAN, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Tax Year	Fiscal Year Ended June 30,	Current Adjusted Tax Levy	Current Year Levy Collections	Percent Collected	Prior Years' Levy Collections	Total Collections During Year	Percent of Collections to Adjusted Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Adjusted Tax Levy
1994	1995	\$ 475,924	\$ 455,889	95.79%	\$ 24,676	\$ 480,565	100.98%	\$ 33,219	6.98%
1995	1996	504,802	485,641	96.20%	30,971	516,612	102.34%	30,971	6.14%
1996	1997	507,204	483,766	95.38%	22,857	506,623	99.89%	31,552	6.22%
1997	1998	528,197	511,530	96.84%	22,025	533,555	101.01%	26,194	4.96%
1998	1999	674,508	656,832	97.38%	15,129	671,961	99.62%	28,741	4.26%
1999	2000	717,209	698,889	97.45%	17,438	716,327	99.88%	29,623	4.13%
2000	2001	780,767	753,989	96.57%	17,148	771,137	98.77%	39,253	5.03%
2001	2002	917,396	899,304	98.03%	26,670	925,974	100.94%	30,675	3.34%
2002	2003	1,282,326	1,265,305	98.67%	16,415	1,281,720	99.95%	31,281	2.44%
2003	2004	1,356,720	1,342,311	98.94%	13,303	1,355,614	99.92%	32,388	2.39%

Table 6

CITY OF RANDLEMAN, NORTH CAROLINA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Tax Year Ended December 31,	Real Property	Personal Property	Public Service Companies	Total Assessed Value	Estimated Actual Value	Ratio of Assessed Value to Estimated Actual Value
1995	1994	\$ 86,265,050	\$ 33,921,609	\$ 5,243,780	\$ 125,430,439	125,430,439	100%
1996	1995	87,507,152	36,481,947	5,313,600	129,302,699	129,302,699	100%
1997	1996	90,740,147	36,599,088	5,662,706	133,001,941	133,001,941	100%
1998	1997	90,187,811	45,636,882	4,439,361	140,264,054	140,264,054	100%
1999	1998	92,162,726	49,797,252	4,672,222	146,632,200	146,632,200	100%
2000	1999	100,868,642	50,232,992	4,813,366	155,915,000	155,915,000	100%
2001	2000	114,647,840	50,950,314	4,133,802	169,731,956	169,731,956	100%
2002	2001 (1)	175,678,580	91,512,457	6,566,983	273,758,020	273,758,020	100%
2003	2002	196,722,977	60,725,457	6,566,983	264,015,417	264,015,417	100%
2004	2003	178,023,888	97,770,559	6,855,553	282,650,000	282,650,000	100%

(1) Increase due to revaluation

**CITY OF RANDLEMAN, NORTH CAROLINA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING
GOVERNMENTS PER \$100 OF ASSESSED VALUE
Last Ten Fiscal Years**

Table 7

<u>Tax Year</u>	<u>Fiscal Year Ended June 30,</u>	<u>City of Randleman</u>	<u>Randolph County</u>
1994	1995	\$0.3800	\$0.4650
1995	1996	0.3800	0.4650
1996	1997	0.3800	0.4650
1997	1998	0.4600	0.4650
1998	1999	0.4600	0.4650
1999	2000	0.4600	0.5125
2000	2001	0.4600	0.5125
2001	2002	0.4000	0.4800
2002	2003	0.4800	0.4800
2003	2004	0.4800	0.5000

**CITY OF RANDLEMAN, NORTH CAROLINA
PROPERTY TAX LEVIES -
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years**

Table 8

<u>Tax Year</u>	<u>Fiscal Year Ended June 30,</u>	<u>City of Randleman</u>	<u>Randolph County</u>	<u>Total Tax Levied</u>
1994	1995	\$ 475,924	\$ 21,393,071	\$ 21,868,995
1995	1996	504,802	22,665,732	23,170,534
1996	1997	507,204	24,632,674	25,139,878
1997	1998	528,197	25,664,442	26,192,639
1998	1999	674,508	26,382,094	27,056,602
1999	2000	717,209	30,226,296	30,943,505
2000	2001	780,767	31,570,635	32,351,402
2001	2002	917,396	39,302,404	40,219,800
2002	2003	1,282,326	40,079,649	41,361,975
2003	2004	1,356,720	35,330,332	36,687,052

**CITY OF RANDLEMAN, NORTH CAROLINA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2004**

Table 9

Total assessed valuation at June 30, 2004	\$ <u>282,650,000</u>
Debt limit - 8% of total assessed value	\$ 22,612,000
Amount of debt applicable to debt limit	<u>(350,000)</u>
Legal debt margin	\$ <u>22,262,000</u>

CITY OF RANDLEMAN, NORTH CAROLINA
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
June 30, 2004

Table 10

	<u>Bonded Debt (1)</u>	<u>Percentage of Total City Valuation Subject to this Debt</u>	<u>City of Randleman Share of Debt</u>
City of Randleman	\$ 350,000	100.0%	\$ 350,000
Randolph County	<u>12,805,000</u>	3.2%	<u>409,760</u>
	<u>\$ 13,155,000</u>		<u>\$ 759,760</u>

(1) Includes only full faith and credit debt

**CITY OF RANDLEMAN, NORTH CAROLINA
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years**

Table 11

Fiscal Year Ended June 30,	Population (1)	Per Capita Income (4)	Median Age (1)	School Enrollment Admissions (2)	Unemployment Rate (3)
1995	2,995	\$ 19,685	35.6	2,500	3.0
1996	3,086	20,417	35.8	2,528	3.2
1997	3,187	21,075	36.7	2,629	2.6
1998	3,189	22,622	36.3	2,764	2.8
1999	3,310	23,721	36.6	2,796	2.7
2000	3,557	23,548	36.4	3,040	3.1
2001	3,585	23,554	37.0	3,225	4.7
2002	3,727	N/A	36.4	3,338	7.7
2003	3,846	N/A	36.5	3,372	5.8
2004	3,895	17,257	35.4	3,738	4.2

- (1) State Library of North Carolina
 - (2) Randolph County Schools
 - (3) Employment Security Commission
 - (4) US Census Bureau
- N/A - Not Available

Table 12

**CITY OF RANDLEMAN, NORTH CAROLINA
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Property Value (2)				Construction (3)				Bank Deposits (4) (in Thousands)
	Real Property	Personal Property	Public Service Companies	Total Assessed Value	Number of Building Permits	Residential Value (in Thousands)	Nonresidential Value (in Thousands)	Total Value (in Thousands)	
1995	\$ 86,265,050	\$ 33,921,609	\$ 5,243,780	\$ 125,430,439	51	\$ 587,335	\$ 518,255	\$ 1,105,590	\$ 75,294
1996	87,507,152	36,481,947	5,313,600	129,302,699	46	611,828	528,541	1,140,369	80,663
1997	90,740,147	36,599,088	5,662,706	133,001,941	32	617,111	557,035	1,174,146	84,086
1998	90,187,841	45,636,882	4,439,361	140,264,084	81	637,278	586,630	1,223,908	87,588
1999	92,162,726	49,797,252	4,672,222	146,632,200	64	665,110	543,665	1,208,775	86,599
2000	100,868,642	50,232,992	4,813,366	155,915,000	48	2,227,130	1,840,513	4,067,643	92,183
2001	114,647,840	50,950,314	4,133,802	169,731,956	46	1,132,125	804,805	1,936,930	94,037
2002 (1)	175,678,580	91,512,457	6,566,983	273,758,020	51	2,085,670	1,028,020	3,113,690	98,589
2003	196,722,977	60,725,457	6,566,983	264,015,417	49	785,231	742,381	1,527,612	104,339
2004	178,023,888	97,770,559	6,855,553	282,650,000	64	6,140,672	2,454,015	8,594,687	104,980

(1) Increase due to revaluation
(2) Estimated assessed value from Table 6
(3) City of Randleman Planning Department
(4) State of North Carolina Banking Commission
N/A Not Available

**CITY OF RANDLEMAN, NORTH CAROLINA
PRINCIPAL TAXPAYERS
Year Ended June 30, 2004**

Table 13

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2003 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
The Timken Company	Manufacturing	\$ 35,841,796	12.68%
Dart Container Corporation	Manufacturing	31,031,138	10.98%
Deep River Crossing	Shopping Center	8,155,140	2.89%
Hughes Furniture Industries	Manufacturing	7,277,082	2.57%
Deep River Dyeing	Manufacturing	5,582,736	1.98%
Time Warner	Utility	4,998,553	1.77%
BW Hughes	Manufacturing	4,347,900	1.54%
United Brass	Manufacturing (brass valves)	3,862,365	1.37%
J & R Ventures	Shopping Center	3,027,400	1.07%
Shaw Enterprises	Manufacturing	2,778,112	0.98%

**CITY OF RANDLEMAN, NORTH CAROLINA
MISCELLANEOUS STATISTICS
Year Ended June 30, 2004**

Table 14

Date of Incorporation	March 29, 1880
Form of Government	Council - Manager
Area	4.5 square miles
Miles of Streets - paved (1)	19.48
Miles of Streets - unpaved (1)	0.66
Number of Street Lights	497
Fire Protection (Combination) (2):	
Number of Stations	1
Number of Paid Firefighters	15
Number of Volunteer Firefighters	17
Police Protection (2):	
Number of Stations	1
Number of Police Officers	12
Education (3):	
Number of Schools	5
Number of Teachers	220
Number of Students	3,738
Recreation and Culture:	
Number of Parks	2
Number of Libraries	1
Number of Volumes (4)	23,142
Employees (2):	
Full-time permanent	57
Part-time permanent	4
Water and Sewer (5):	
Number of Consumers	1,812
Average Daily Consumption	.875 MGD
Miles of Water Mains	40.05
Miles of Sanitary Sewer Lines	34.05

Sources:

- (1) North Carolina Department of Transportation**
- (2) City of Randleman Personnel Department**
- (3) Randolph County Board of Education**
- (4) City of Randleman Municipal Library**
- (5) City of Randleman Water Department**

COMPLIANCE SECTION

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DIXON HUGHES PLLC

Certified Public Accountants and Advisors

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, Board of Aldermen
and the City Manager
City of Randleman, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budget to actual comparison for the General Fund, and the aggregate remaining fund information of the City of Randleman, North Carolina, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 19, 2004. We did not audit the financial statements of the City of Randleman ABC Board. Those financial statements were audited by other auditors whose reports thereon have 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 reports of the 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.

As discussed in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments*, (as amended by Statement No. 37) during the year ended June 30, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Randleman's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that we have reported to management of the City of Randleman in a separate letter dated November 19, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Randleman's financial statements are free of 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*. We noted certain matters that we reported to management of the City of Randleman in a separate letter dated November 19, 2004.

This report is intended solely for the information and use of management, others within the organization, and members of the Board of Aldermen, and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Hughes PLLC
November 19, 2004