

Comprehensive Annual Financial Report

**Fiscal Year Ended
June 30, 2004**

**City of Randleman,
North Carolina**



Bruce Moore, Mayor

Tony Lowe, Mayor Pro-Tempore

Bud Talley, Alderman

J. C. Leonard, Alderman

Melissa Blalock, Alderwoman

Cletus Lilly, Alderman

**David B. Cotton
City Manager**

**Nicole Belgarde
Finance Director**

**Peggy Hinshaw
City Clerk/Deputy Finance Director**

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City of Randleman, North Carolina

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List of Principal Officials

June 30, 2004

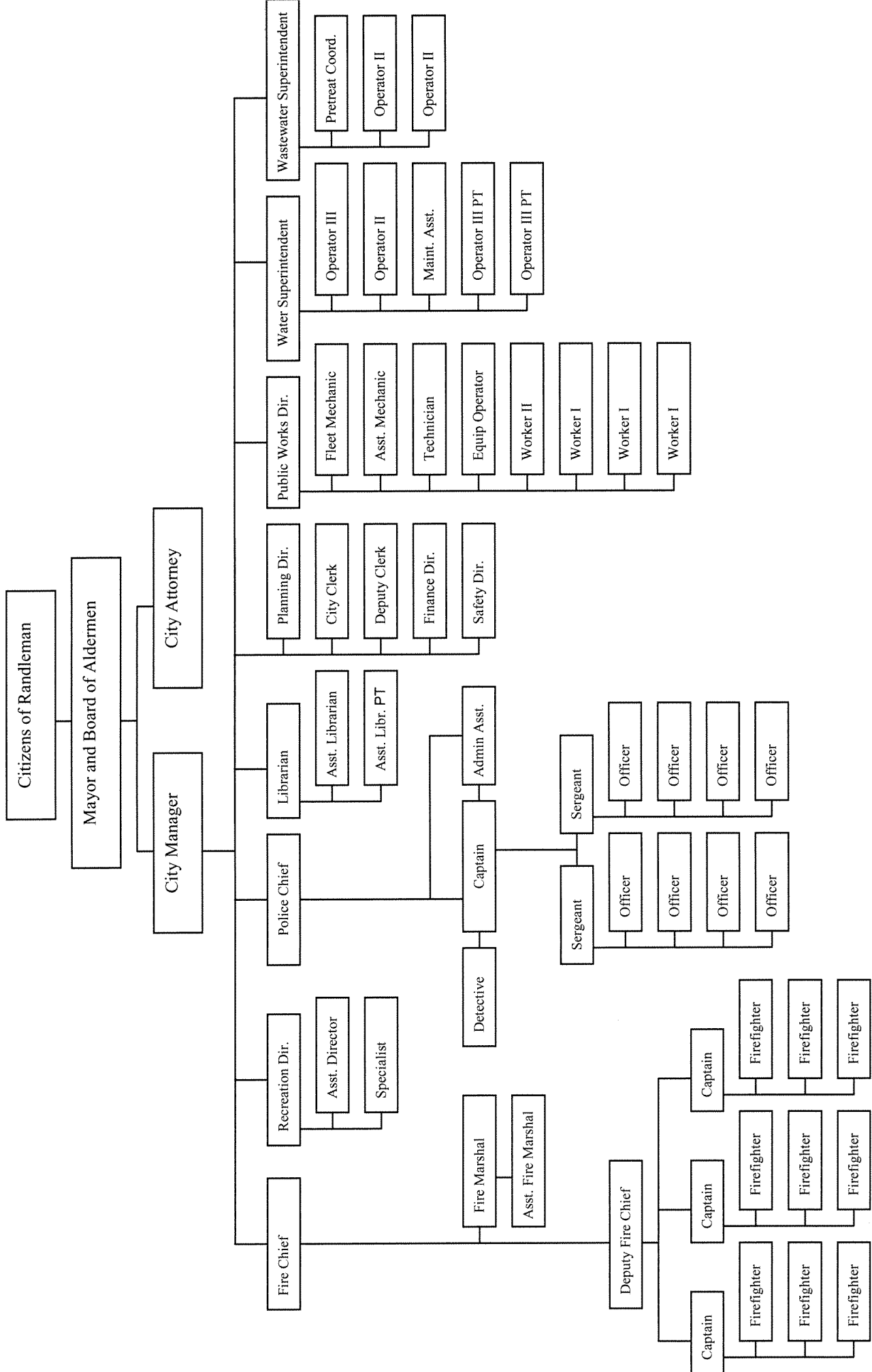
Board of Aldermen

Bruce Moore	Mayor
Tony Lowe	Mayor Pro-Tempore
Bud Talley	Alderman
J. C. Leonard	Alderman
Melissa Blalock	Alderwoman
Cletus Lilly	Alderman

City Officials

David B. Cotton	City Manager
Nicole Belgarde	Finance Director
Peggy Hinshaw	City Clerk/Deputy Finance Director
Bob Wilhoit	City Attorney
Hiram Marziano	City Engineer
Richard Weinblatt	Police Chief
Marty Leonard	Fire Chief
Greg Patton	Planning Director
Travis Millikan	Public Works Director
Jeff Tuttle	Parks and Recreation Director
Karen Richardson	Librarian
Tommy Thornton	Water Plant Superintendent
Frank Brewer	Wastewater Plant Superintendent
Crystal Spillman	Human Resources Director

City of Randleman - Organizational Chart





CITY OF RANDLEMAN

101 Hilliary Street
Randleman, North Carolina 27317
(336) 495-7500 / Fax: (336) 495-7503
www.randleman.org/
BRUCE M. MOORE, MAYOR

ALDERMEN

Tony Lowe, Mayor Pro-Tempore
J.C. Leonard
Bud Talley
Melissa Blalock
Cletus Lilly

David B. Cotton, City Manager

December 31, 2004

The Honorable Bruce Moore, Mayor, Board of Alderman
and Residents of Randleman
Randleman, NC 27317

Dear Randleman Residents:

The Comprehensive Annual Financial Report (CAFR) of Randleman, North Carolina for the fiscal year ended June 30, 2004 is submitted herewith. This report was prepared by the City Finance Department staff, which has responsibility for the accuracy of the presented data. The completeness and fairness of the presentation rests with the City. We believe the data, as presented, are accurate in all material respects and that the CAFR is presented in a manner designed to fairly set forth the financial position and operational results of the City as measured by the financial activity of its various funds. We have included all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs.

General

The Comprehensive Annual Financial Report (CAFR) is presented in four sections: Introductory, Financial, Statistical, and Compliance. The Introductory Section contains this letter of transmittal and information about the organization and principal officials of the City. The Financial Section is composed of the Management's Discussion and Analysis, the Basic Financial Statements, the notes to the basic financial statements, required supplementary pension information and the associated independent auditors' report. The Statistical Section contains fiscal and economic data designed to provide a more complete understanding of the City. Many tables in this section present financial data for the past ten years. Finally, the Compliance Section presents information required by the Single Audit Act, which is discussed in a later paragraph.

The Reporting Entity

In conformity with the standards of the Governmental Accounting Standards Board, this report includes all funds and account groups of the City as well as its component unit. The City of Randleman (as legally defined) is considered to be a primary government. Component units are legally separate entities for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The primary government is considered financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization, or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the primary government.

Discretely presented component units are reported in a separate column in the general purpose financial statements to emphasize that they are legally separate from the primary government and to distinguish their financial positions, results of operations, and cash flows from those of the City. The City of Randleman Board of Alcoholic Beverage Control ("ABC Board") is included as a discretely presented component unit. The ABC Board's governing members are appointed by the City Council. However, the City has no further accountability for its operations.

Description of the City

The City of Randleman, located in Randolph County, was founded in 1880. The City is noted for its "southern hospitality" and ties to NASCAR, and is an industrial, business and governmental center of northern Randolph County. The City, with a population of 3,895, offers a "small town" setting, near urban centers and universities. The City is a short commute to the Piedmont Triad, the University of North Carolina at Greensboro and Wake Forest University because of its proximity to Highways 220 and 311, and Interstates 85, 40, 73 (future) and 74 (future).

The Council-Manager form of government governs the City. The six members of the City's non-partisan Board of Aldermen serve four-year staggered terms, with two members elected at large and four members elected by district. The Mayor is one of those two members elected at large; he presides over all Council meetings and votes when a tie occurs.

The City provides a full range of municipal services, including police, fire, planning and zoning, water treatment and distribution, wastewater collection and treatment, parks and recreation, street maintenance, and solid waste collection. The City provides financial support to certain boards, agencies, and commissions to assist their efforts in serving citizens. The City has evaluated its relationship with each of these entities according to criteria established by GASB Statement 14 and has determined that none of these entities (with the exception of the ABC Board) are includable in the reporting entity because the City is not financially accountable for them.

Financial Information

In government, much more than in business, the budget is an integral part of a unit's accounting system and daily operations. An annual or project budget ordinance, as amended by the governing body, creates a legal limit on spending authorizations. For the City of Randleman, annual budgets are adopted for the General Fund and the, Enterprise Fund and Permanent Fund. Appropriations in the General Fund and the, Enterprise Fund and Permanent Fund are made at the department level. However, for internal accounting purposes, budgetary control is maintained by object class (line item account).

City management is responsible for the accounting system and for establishing and maintaining an internal control structure. The internal control structure is designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements in conformity with generally accepted accounting principles and maintaining accountability for assets; and (3) compliance with applicable laws and regulations related to federal and state financial assistance programs. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately protect assets and provide reasonable assurance of the proper recording of financial transactions.

Cash Management - The investment policy of the City is guided in large part by state statute, and as a result, investments have been made in certificates of deposit, secured time deposits and the North Carolina Capital Management Trust. All such investments are fully secured by pledged collateral, delivered securities or United States government guarantee. All securities are delivered to a third-party safekeeping account in the name of the City.

Risk Management

In recent years changes in the insurance industry have pushed many local governments almost completely out of the commercial insurance market. The City of Randleman has been fortunate to retain coverage with a local agent for health, life, accident, disability and dental. The City maintains coverage for worker's compensation, liability, property damage and bonding for public officials through the North Carolina League of Municipalities Risk Management Insurance Pool. Each year the City requests bids for insurance services. We do not anticipate any problems in retaining our current coverage, although premiums have risen significantly over the past five years.

As noted previously, the City operates its own water and sanitary sewer systems. The City's water treatment plant has a capacity of 1.5 million gallons per day (MGD) and is currently treating an average daily flow of 0.875 MGD. The City also purchases approximately 0.135 MGD from the City of Asheboro. The sanitary sewer system has a treatment capacity of 1.75 MGD with a current average daily flow of 0.925 MGD.

Economic Conditions and Outlook

The City of Randleman, Randolph County and the Piedmont Triad area continue to experience growth and are considered to be among the top desirable areas of the country to live and work. The economy of the City is diversified with manufacturing and a mix of wholesale and retail businesses as well as numerous service providers. 35 percent of Randleman's tax base is industrial in nature. Local industries are involved in a range of operations from simple assembly to complex manufacturing processes resulting in products such as textiles, machine parts, and hydraulic parts.

The City's unemployment rate has been below state and national rates in recent years. This trend has been continued during the current year in which the City's unemployment rate as of June 2004 was 4.2 percent while the state and national rates were 5.0 percent and 5.4 percent, respectively. This relative stability is due primarily to the manufacturing sector, which is diversified within Randolph County and the City of Randleman.

The City's economy is expected to remain relatively strong in the foreseeable future because of the benefits derived from the low unemployment rate and a stable employment base. The City is served by Highways 220 and 311, and Interstates 85, 40, 73 (future) and 74 (future). The construction of Interstates 73 and 74, which will merge south of the city limits will greatly improve access to the City from other areas of the state, thereby creating many economic benefits for the City. We are confident that with proper planning and continued effective leadership, the City will be able to meet the challenges of the future.

Major Initiatives

The City's major area of concern is the lack of storage for raw water. In times of drought the City relies on water purchased from neighboring Asheboro. This is, in part, due to the state limiting improvements to the City's existing reservoir. The need for a raw water reservoir has been studied for many years. The resulting conclusions have led to the Randleman Lake project, which will provide potable water for Greensboro, High Point, Randleman, and the surrounding areas. Construction began in the summer of 2001 and is scheduled for completion in 2010.

During the past fiscal year, the City has pushed forward in its goal of making a public Community Center a reality. The planned facility is both innovative and striking; a place that will improve the quality of life in Randleman. The Community Center will be open to citizens in 2005.

Independent Audit

North Carolina statutes require an annual audit by independent certified public accountants. The Board of Aldermen selected the accounting firm of Dixon Hughes PLLC. In addition to meeting the requirements set forth in the State statutes, the audit was also designed to meet the requirements of the Single Audit of 1984 and the related OMB Circular A -133. The auditors' unqualified report is included in the Financial Section of the CAFR.

Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Randleman for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. The Certificate of Achievement for Excellence in Financial Reporting is a significant indicator to other entities that the City of Randleman is a public organization which strives for the highest standards. Please reference the reproduction of the immediate prior year's Certificate of Achievement as an example of the City's continued commitment to these standards.

The City's annual financial report should be management's report to its governing body, constituents, oversight bodies, resource providers, investors and creditors. A copy is available for viewing in the Randleman Public Library. In addition, a copy has been submitted to bond rating agencies, the Local Government Commission, and other financial institutions which have expressed an interest in the City of Randleman's financial affairs.

We appreciate the assistance and dedication of the Finance Department staff throughout the year, especially during the preparation of this CAFR. We would like to thank all members of the Department who contributed to its preparation, and to the independent certified public accountants, Dixon Hughes PLLC, for their assistance. The cooperation of each City department is appreciated as we work together in conducting the City's financial operations. We also express our appreciation to the Mayor and the members of the Board of Aldermen for their continued support, guidance, and advice in planning and conducting the financial activities of the City in a responsible and progressive manner. The City's strong financial status is a tribute to that involvement.

Respectfully submitted,

CITY OF RANDLEMAN



Nicole Belgarde
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Randleman,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

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DIXON HUGHES PLLC

Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the City Board of Aldermen
City of Randleman
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. These financial statements are the responsibility of the City of Randleman's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Randleman ABC Board. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the City of Randleman ABC Board, are 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the budget to actual comparison for the General Fund, and the aggregate remaining fund information of the City of Randleman as of June 30, 2004, and the respective changes in financial position and its cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement Number 34 during the year ended June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2004 on our consideration of the City of Randleman'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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on page 3 through 13 and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions on pages 56 and 57 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Randleman's basic financial statements. The individual fund statements and schedules, and other schedules listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Dixon Hughes PLLC
November 19, 2004

Management's Discussion and Analysis

As management of the City of Randleman, we offer readers of the City of Randleman's financial statements this narrative overview and analysis of the financial activities of the City of Randleman for the fiscal year ended June 30, 2004. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City of Randleman exceeded its liabilities at the close of the fiscal year by \$9,021,167 (*net assets*).
- The government's total net assets increased by \$112,826, which is due to fairly equal increases in both governmental and business-type activities.
- As of the close of the current fiscal year, the City of Randleman's governmental funds reported combined ending fund balances of \$1,683,768, an increase of \$850,902 (including a prior period adjustment of \$83,654) in comparison with the prior year. Approximately 55.96 percent of this total amount, or \$942,210, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$942,210, or 16.16 percent of total General Fund expenditures for the fiscal year.
- The City of Randleman's total debt increased by \$3,327,417 (128.33%) during the current fiscal year. Two large projects include a lease purchase of \$2,772,026 for Community Center renovations and \$1,989,306 for water rights and construction of the Randleman Dam.
- The City of Randleman maintained its BBB+ bond rating from Standard & Poor's Corporation.

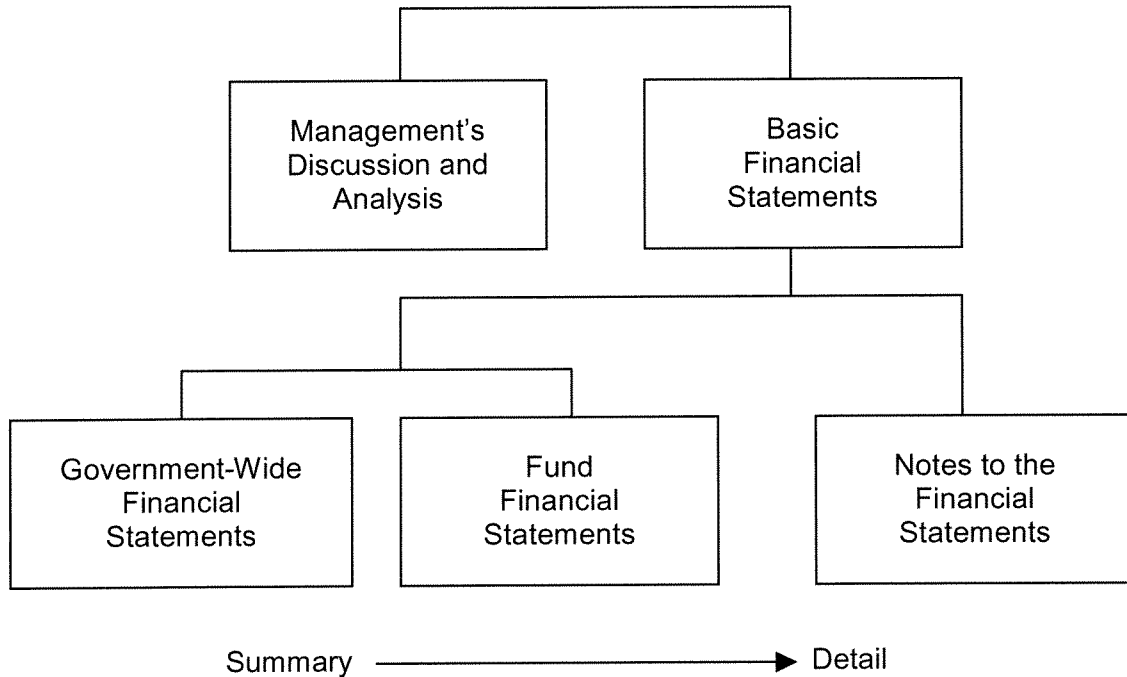
Overview of the Financial Statements

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

Management's Discussion and Analysis (Continued)

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: (1) the governmental funds statements, (2) the budgetary comparison statements, and (3) the proprietary fund statements.

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

Management's Discussion and Analysis (Continued)

Government-Wide Financial Statements

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

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

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

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

Fund Financial Statements

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

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

Management's Discussion and Analysis (Continued)

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 29 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Randleman's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 56 of this report.

Government-Wide Financial Analysis

The government-wide financial statements for the fiscal year ended June 30, 2004 are the beginning of a new era in financial reporting for the City of Randleman, and many other units of government across the United States. Prior to this year, the City of Randleman maintained its governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the City of Randleman. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

Management's Discussion and Analysis (Continued)

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the City of Randleman's financial reports as well as those of many other units of government. While the City of Randleman was required to implement these changes for the fiscal year ended June 30, 2004, other units were required to implement Statement 34 in 2002 and 2003, and any remaining governments will have implemented in 2004.

Because of the new reporting model, comparative data for all facets of this report are not available. When comparative numbers are accessible, they have been included, such as with net assets. Future years' reports will have more comparative data that will allow more opportunities for comparative analysis.

The City of Randleman's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2004	2003 (1)	2004	2003 (1)	2004	2003 (1)
Current and other assets	\$ 1,780,346	\$ -	\$ 1,276,803	\$ -	\$ 3,057,149	\$ -
Capital assets	4,766,482	-	7,416,326	-	12,182,808	-
Total assets	<u>6,546,828</u>	<u>-</u>	<u>8,693,129</u>	<u>-</u>	<u>15,239,957</u>	<u>-</u>
Long-term liabilities outstanding	3,272,648	-	2,799,242	-	6,071,890	-
Other liabilities	79,559	-	67,340	-	146,899	-
Total liabilities	<u>3,352,207</u>	<u>-</u>	<u>2,866,582</u>	<u>-</u>	<u>6,218,789</u>	<u>-</u>
Net assets:						
Invested in capital assets, net of related debt	1,623,941	-	4,638,518	-	6,262,459	-
Restricted	466,654	-	-	-	466,654	-
Unrestricted	1,104,026	-	1,188,028	-	2,292,054	-
Total net assets	<u>\$ 3,194,621</u>	<u>\$ -</u>	<u>\$ 5,826,546</u>	<u>\$ -</u>	<u>\$ 9,021,167</u>	<u>\$ -</u>

(1) Information not available due to the first year of GASB 34 implementation in the fiscal year ended June 30, 2004.

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Randleman exceeded liabilities by \$9,021,167 as of June 30, 2004. The largest portion (69.42%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Randleman uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Randleman's 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. Another portion of net assets (5.17%) includes resources that are subject to external restrictions on how they may be used (unspent Powell Bill funds restricted for street improvements, and Randleman Library Endowment funds). The remaining portion (25.41%) is unrestricted assets.

Management's Discussion and Analysis (Continued)

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

- A collection rate of 98.94% for property taxes.
- Continual examination of departmental spending to conserve resources and boost fund balance.
- Utilities franchise tax increase.

The City of Randleman's Changes in Net Assets

Figure 3

	<u>Governmental Activities</u> <u>2004</u>	<u>Business-Type Activities</u> <u>2004</u>	<u>Total</u> <u>2004</u>
Revenues:			
Program revenues:			
Charges for services	\$ 275,697	\$ 1,496,212	\$ 1,771,909
Operating grants and contributions	132,661	-	132,661
Capital grants and contributions	45,000	-	45,000
General revenues:			
Property taxes	1,338,981	-	1,338,981
Other taxes	5,843	-	5,843
Unrestricted intergovernmental revenues	1,320,167	-	1,320,167
Loss on sale of capital asset	(215,500)	-	(215,500)
Other	38,485	8,073	46,558
Total revenues	<u>2,941,334</u>	<u>1,504,285</u>	<u>4,445,619</u>
Expenses:			
General government	790,529	-	790,529
Public safety	1,260,992	-	1,260,992
Public works	253,706	-	253,706
Cultural and recreation	364,682	-	364,682
Economic and physical development	80,695	-	80,695
Interest on long-term debt	140,453	-	140,453
Water and sewer	-	1,441,736	1,441,736
Total expenses	<u>2,891,057</u>	<u>1,441,736</u>	<u>4,332,793</u>
Increase in net assets before transfers	50,277	62,549	112,826
Transfers	<u>222,971</u>	<u>(222,971)</u>	<u>-</u>
Increase (decrease) in net assets	273,248	(160,422)	112,826
Net assets, July 1	<u>2,921,373</u>	<u>5,986,968</u>	<u>8,908,341</u>
Net assets, June 30	<u>\$ 3,194,621</u>	<u>\$ 5,826,546</u>	<u>\$ 9,021,167</u>

Management's Discussion and Analysis (Continued)

Governmental Activities. Governmental activities increased the City's net assets by \$50,277 (before transfers from business-type activities), thereby accounting for 44.56% of the total growth in the net assets of the City of Randleman. Key elements of this increase are as follows:

- Utilities tax increased.
- Grant revenues in the public safety function were used to construct capital assets.
- Tax revenues increased.

Business-Type Activities. Business-type activities increased the City of Randleman's net assets by \$62,549 (before transfers to governmental activities) accounting for 55.44% of the total growth in the government's net assets. Key elements of this outcome are as follows:

- Water and sewer budget revenue numbers were adjusted down mid-year due to a decrease in water usage by a large local industry. Expenses were adjusted accordingly, frozen, and examined carefully to compensate for the decrease in revenues.
- Water and sewer taps revenue increased due to growth in residential subdivision development.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Randleman. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$942,210, while total fund balance reached \$1,630,003. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 16.16 percent of total General Fund expenditures, while total fund balance represents 27.95 percent of that same amount.

At June 30, 2004, the governmental funds of City of Randleman reported a combined fund balance of \$1,683,768, a 102.17 percent increase over last year. Included in this change in fund balance are increases in fund balance in both the General (including a prior period adjustment of \$83,654) and Permanent Funds.

General Fund Budgetary Highlights: During the fiscal year, the City 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.

Management's Discussion and Analysis (Continued)

Budget amendments were made to adjust revenue expectations upward in the Other Taxes category mostly due to the City's Utilities Franchise Tax distribution. This distribution increased significantly at year end due to a utility service provider underreporting its valuation. Once the utility properly reported its valuation, the City greatly exceeded its budgeted amount by roughly \$174,000. A budget amendment was made to reflect this increase. Restricted Intergovernmental Revenues were amended to reflect a slight increase in receipts due to Powell Bill funds over budget, and Other General Revenues increased to reflect proceeds from the sale of a capital asset, specifically a piece of property in downtown Randleman for \$149,500. Unrestricted Intergovernmental Revenues decreased due to a \$10,000 decrease in interest on investments and a decrease in the state and county sales tax refund.

Budget amendments were also made throughout the year to adjust expenditures. General governmental expenses increased largely due to a \$30,000 ad valorem tax refund given to two industries in Randleman. Occasionally refunds are necessary when an entity incorrectly reports its valuation. In this case, two businesses had overpaid in a prior year which required Randleman to "pay back" or refund these overpayments. Another reason why general governmental expenditures increased is that insurance expenses increased midyear due to coverage for additional property purchased. Public Safety expenses decreased due to personnel vacancies in both the Police and Fire Departments. The Fire Department received a capital grant from FEMA in the amount of \$45,000 for an exhaust system midyear. In Supplemental Budget Appropriations, debt principal and interest payments were necessary for the Community Center Project. Capital Outlay expenses were for the payoff of an existing note for the Community Center building.

Overall, actual expenses were less than the expected amounts due to conservative spending late in the fiscal year. In an effort to comply with the budget ordinance, all departments held spending to a minimum.

Proprietary Funds. The City of Randleman's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,188,028. The total change in net assets was \$(160,422) which includes a transfer to the General Fund of \$222,971.

In the course of the year, Water Charge Revenue and Wastewater Charge Revenue were amended to reflect a decrease in water usage by the City's largest water-using industry. This decrease, in the amount of \$151,000, was shown in a midyear amendment. The largest amendment was for \$1,989,306 to reflect the debt proceeds from a installment purchase for the Randleman Dam Project. The payment of dues and construction for the Randleman Dam is also reflected in expenditures. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Randleman's business-type activities.

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

Capital Assets. The City of Randleman's investment in capital assets for its governmental and business-type activities as of June 30, 2004 totals \$12,162,627 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Construction in progress for water and sewer capital assets of \$180,872.
- Water rights from the Piedmont Triad Regional Water Authority of \$451,636.

The City of Randleman's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
Land	\$ 65,475	\$ 7,275	\$ 72,750
Buildings and improvements	1,105,229	740,542	1,845,771
Improvements other than buildings	134,177	1,011,490	1,145,667
Water rights	-	1,716,305	1,716,305
Machinery and equipment	1,338,222	55,160	1,393,382
Infrastructure	73,435	3,556,881	3,630,316
Vehicles and other	24,287	-	24,287
Construction in progress	2,025,657	328,673	2,354,330
Total	\$ 4,766,482	\$ 7,416,326	\$ 12,182,808

Additional information on the City's capital assets can be found in Note 2.A.5. of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2004, the City of Randleman had total bonded debt, installment purchases, and notes payable outstanding of \$5,920,349. Of this, \$350,000 is debt backed by the full faith and credit of the City. The remainder of the City's debt is secured by specific assets financed by the debt.

Management's Discussion and Analysis (Continued)

The City of Randleman's Outstanding Debt General Obligation Bonds, Installment Purchases and Notes Payable

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ -	\$ -	\$ 350,000	\$ 450,000	\$ 350,000	\$ 450,000
Installment purchases	3,142,541	1,562,447	1,889,841	-	5,032,382	1,562,447
Notes payable	-	-	537,967	580,485	537,967	580,485
Total	\$ 3,142,541	\$ 1,562,447	\$ 2,777,808	\$ 1,030,485	\$ 5,920,349	\$ 2,592,932

The City of Randleman's total debt increased during the past fiscal year, primarily due to two large installment financing agreements. In the proprietary fund, installment purchase financing was issued for water rights and construction costs related to the Randleman Dam Project in the amount of \$1,989,306. The other large installment purchase was in the General Fund for \$2,772,027. A portion in the amount of \$1,317,000 was used for construction and renovation of a Community Center, and the remaining portion of \$1,455,027 was used to pay off an existing note. Other new debt was issued for two Sanitation vehicles and one Police vehicle.

North Carolina General Statutes limit 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 City of Randleman is \$22,262,000. The City has \$350,000 in general obligation bonds outstanding at June 30, 2004.

Additional information regarding the City of Randleman's long-term debt can be found in Note 2.B.5. beginning on page 47 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- *Low unemployment.* The City of Randleman's unemployment rate of 4.2% is considerably lower than the state average of 5.0% and the national rate of 5.4%.
- *New economic development initiatives.* The City has invested in water and sewer lines to service a planned industrial site inside the city limits. With help from the Randolph County Economic Development Corporation, the City expects to attract a thriving, growing business next fiscal year.

Management's Discussion and Analysis (Continued)

Budget Highlights for the Fiscal Year Ending June 30, 2005

Governmental Activities: Property taxes (benefiting from the economic growth) and revenues from permits and fees are expected to lead the increase in budgeted revenue by 7.2 percent. The City will use these increases in revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to rise approximately 13.15%. The largest increments are in debt service and employee compensation and benefits.

Business-Type Activities: The water and sewer rates in the City will increase by 20%, primarily to satisfy debt service requirements and compensate for a decrease in water usage by a large local industry. General operating expenses will increase by 6.81% to cover increased personnel costs and debt service.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Office, City of Randleman, 101 Hilliary Street, Randleman, NC 27317.

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BASIC FINANCIAL STATEMENTS

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CITY OF RANDLEMAN, NORTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2004

Exhibit 1

ASSETS	Primary Government			City of Randleman ABC Board
	Governmental Activities	Business-Type Activities	Total	
Current assets:				
Cash and investments	\$ 1,416,755	\$ 905,050	\$ 2,321,805	\$ 319,549
Receivables:				
Taxes receivable, net	21,388	-	21,388	-
Accounts receivable, net	16,785	239,646	256,431	-
Accrued interest receivable	-	350	350	-
Due from other governments	207,114	11,779	218,893	-
Due from component unit	64,539	-	64,539	-
Prepaid expenses	-	-	-	3,395
Restricted assets				
Cash and cash equivalents	53,765	108,407	162,172	-
Inventory	-	11,571	11,571	132,039
Total current assets	1,780,346	1,276,803	3,057,149	454,983
Noncurrent assets:				
Capital assets:				
Land, construction in progress and water rights	2,091,132	2,052,253	4,143,385	-
Other capital assets, net of depreciation	2,675,350	5,364,073	8,039,423	567,896
Total noncurrent assets	4,766,482	7,416,326	12,182,808	567,896
Total Assets	6,546,828	8,693,129	15,239,957	1,022,879
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	61,656	44,658	106,314	85,144
Sales taxes payable	-	-	-	41,238
Distributions payable	-	-	-	15,922
Due to primary government	-	-	-	64,539
Customer deposits	-	15,630	15,630	-
Unearned revenues	2,580	-	2,580	-
Accrued interest payable	15,323	7,053	22,376	-
Other	-	-	-	1,036
Long term liabilities:				
Due in less than one year	307,344	286,205	593,549	-
Due in more than one year	2,965,304	2,513,037	5,478,341	-
Total Liabilities	3,352,207	2,866,583	6,218,790	207,879
NET ASSETS				
Invested in capital assets, net of related debt	1,623,941	4,638,518	6,262,459	567,896
Restricted for:				
Other purposes	53,765	-	53,765	-
Street improvements	412,889	-	412,889	65,808
Unrestricted	1,104,026	1,188,028	2,292,054	181,296
Total Net Assets	\$ 3,194,621	\$ 5,826,546	\$ 9,021,167	\$ 815,000

The Notes to Financial Statements are an integral part of this statement.

**CITY OF RANDLEMAN, NORTH CAROLINA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2004**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 790,529	\$ 79,776	\$ 10,207	\$ -
Public safety	1,260,992	47,791	9,274	45,000
Public works	253,706	82,448	113,180	-
Cultural and recreational	364,682	65,682	-	-
Economic and physical development	80,695	-	-	-
Unallocated interest expense	140,453	-	-	-
Total governmental activities	<u>2,891,057</u>	<u>275,697</u>	<u>132,661</u>	<u>45,000</u>
Business-type activities:				
Water and sewer	1,441,736	1,496,212	-	-
Total business-type activities	<u>1,441,736</u>	<u>1,496,212</u>	<u>-</u>	<u>-</u>
Total primary government	<u>4,332,793</u>	<u>1,771,909</u>	<u>132,661</u>	<u>45,000</u>
Component unit:				
ABC Board	1,723,870	1,721,694	-	-
Total component unit	<u>1,723,870</u>	<u>1,721,694</u>	<u>-</u>	<u>-</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Other taxes				
Unrestricted intergovernmental revenues				
Investment earnings, unrestricted				
Loss on sale of capital assets				
Miscellaneous				
Transfers in and out				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

The Notes to Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-Type Activities	Total	City of Randleman ABC Board
\$ (700,546)	\$ -	\$ (700,546)	\$ -
(1,158,927)	-	(1,158,927)	-
(58,078)	-	(58,078)	-
(299,000)	-	(299,000)	-
(80,695)	-	(80,695)	-
(140,453)	-	(140,453)	-
<u>(2,437,699)</u>	<u>-</u>	<u>(2,437,699)</u>	<u>-</u>
-	54,476	54,476	-
-	54,476	54,476	-
<u>(2,437,699)</u>	<u>54,476</u>	<u>(2,383,223)</u>	<u>-</u>
-	-	-	(2,176)
-	-	-	(2,176)
1,338,981	-	1,338,981	-
5,843	-	5,843	-
1,320,167	-	1,320,167	-
16,562	8,073	24,635	2,176
(215,500)	-	(215,500)	-
21,923	-	21,923	-
222,971	(222,971)	-	-
<u>2,710,947</u>	<u>(214,898)</u>	<u>2,496,049</u>	<u>2,176</u>
273,248	(160,422)	112,826	-
<u>2,921,373</u>	<u>5,986,968</u>	<u>8,908,341</u>	<u>815,000</u>
<u>\$ 3,194,621</u>	<u>\$ 5,826,546</u>	<u>\$ 9,021,167</u>	<u>\$ 815,000</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF RANDLEMAN, NORTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2004

Exhibit 3

ASSETS	<u>General Fund</u>	<u>Non-major Fund Permanent Fund</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 1,416,755	\$ 53,765	\$ 1,470,520
Taxes receivable, net	21,388	-	21,388
Accounts receivable, net	16,785	-	16,785
Due from component unit	64,539	-	64,539
Due from other governments	207,114	-	207,114
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,726,581</u>	<u>\$ 53,765</u>	<u>\$ 1,780,346</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 61,656	\$ -	\$ 61,656
Deferred revenues	34,922	-	34,922
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>96,578</u>	<u>-</u>	<u>96,578</u>
 Fund balances:			
Reserved:			
Reserved by state statute	274,904	-	274,904
Reserved for streets - Powell Bill	412,889	-	412,889
Reserved for other purposes	-	53,765	53,765
Unreserved, General Fund:			
Undesignated	942,210	-	942,210
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,630,003</u>	<u>53,765</u>	<u>1,683,768</u>
Total Liabilities and Fund Balances	<u>\$ 1,726,581</u>	<u>\$ 53,765</u>	<u>\$ 1,780,346</u>

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

Total fund balances - governmental funds	\$ 1,683,768
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	4,766,482
Liabilities for earned but deferred revenues in fund statements.	32,342
Some liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,287,971)</u>
Net assets of governmental activities	<u>\$ 3,194,621</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF RANDLEMAN, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2004

Exhibit 4
Page 1 of 2

	General Fund	Non-major Fund Permanent Fund	Total Governmental Funds
Revenues			
General revenues			
Ad valorem taxes	\$ 1,348,875	\$ -	\$ 1,348,875
Other taxes and licenses	341,277	-	341,277
Unrestricted intergovernmental revenues	1,107,995	-	1,107,995
Restricted intergovernmental revenues	177,454	-	177,454
Licenses and permits	27,149	-	27,149
Investment earnings	15,700	862	16,562
Other general revenues	324,481	-	324,481
Total general revenues	<u>3,342,931</u>	<u>862</u>	<u>3,343,793</u>
Expenditures			
Current			
General government	786,339	-	786,339
Public safety	1,155,226	-	1,155,226
Public works	219,478	-	219,478
Cultural and recreation	349,479	-	349,479
Economic and physical development	77,496	-	77,496
Capital outlay	1,648,701	-	1,648,701
Debt service			
Principal retirement	1,650,658	-	1,650,658
Interest and fiscal charges	142,891	-	142,891
Total expenditures	<u>6,030,268</u>	<u>-</u>	<u>6,030,268</u>
Revenues over (under) expenditures	<u>(2,687,337)</u>	<u>862</u>	<u>(2,686,475)</u>
Other financing sources			
Transfers from other funds	222,971	-	222,971
Proceeds from installment purchases	3,230,752	-	3,230,752
Total other financing sources	<u>3,453,723</u>	<u>-</u>	<u>3,453,723</u>
Excess of revenues and other financing sources over expenditures	<u>766,386</u>	<u>862</u>	<u>767,248</u>
Fund balances, beginning, as previously reported	779,963	52,903	832,866
Prior period adjustment	83,654	-	83,654
Fund balances, beginning, as restated	<u>863,617</u>	<u>52,903</u>	<u>916,520</u>
Fund balances, ending	<u>\$ 1,630,003</u>	<u>\$ 53,765</u>	<u>\$ 1,683,768</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF RANDLEMAN, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2004

Exhibit 4
Page 2 of 2

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities:

Total net change in fund balances - governmental funds	\$ 767,248
 Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,456,831
Disposal of capital assets.	(365,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenues	(23,285)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,577,446)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	17,785
Net pension obligation	(5,519)
Change in accrued interest	<u>2,634</u>
 Changes in net assets of governmental activities	 <u>\$ 273,248</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF RANDLEMAN, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2004

Exhibit 5

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
General revenues				
Ad valorem taxes	\$ 1,291,168	\$ 1,330,957	\$ 1,348,875	\$ 17,918
Other taxes	153,500	327,972	341,277	13,305
Unrestricted intergovernmental revenues	1,033,600	980,029	1,107,995	127,966
Restricted intergovernmental revenues	117,000	168,179	177,454	9,275
Investment earnings	-	8,461	15,700	7,239
Other general revenues	160,749	253,953	324,481	70,528
Total general revenues	2,756,017	3,069,551	3,315,782	246,231
Functionally related revenues				
Licenses and permits	24,750	29,335	27,149	(2,186)
Total revenues	2,780,767	3,098,886	3,342,931	244,045
Expenditures				
Current				
General government	661,407	814,735	786,339	28,396
Public safety	1,220,538	1,164,891	1,155,226	9,665
Public works	228,560	222,284	219,478	2,806
Cultural and recreation	279,509	362,434	349,479	12,955
Economic and physical development	79,000	79,300	77,496	1,804
Special appropriations	529,589	3,640,259	3,243,524	396,735
Total expenditures	2,998,603	6,283,903	5,831,542	452,361
Revenues under expenditures	(217,836)	(3,185,017)	(2,488,611)	696,406
Other financing sources				
Operating transfers from other funds	217,836	222,971	222,971	-
Proceeds from installment purchase	-	3,032,026	3,032,026	-
Total other financing sources	217,836	3,254,997	3,254,997	-
Excess of revenues and other financing sources over expenditures	-	69,980	766,386	696,406
Appropriated fund balance	-	(69,980)	-	69,980
Excess of revenues, other financing sources and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>766,386</u>	<u>\$ 766,386</u>
Fund balance, beginning, as previously reported			779,963	
Prior period adjustment			83,654	
Fund balance, beginning, as restated			<u>863,617</u>	
Fund balance, ending			<u>\$ 1,630,003</u>	

The Notes to Financial Statements are an integral part of this statement.

CITY OF RANDLEMAN, NORTH CAROLINA
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2004

Exhibit 6

ASSETS	<u>Water and Sewer Fund</u>
Current assets:	
Cash and investments	\$ 905,050
Receivables:	
Accounts receivable, net	239,646
Accrued interest receivable	350
Due from other governments	11,779
Restricted assets	
Cash and cash equivalents	108,407
Inventory	<u>11,571</u>
Total current assets	<u>1,276,803</u>
Noncurrent assets:	
Capital assets:	
Land	2,052,253
Other capital assets, net of depreciation	<u>5,364,073</u>
Total noncurrent assets	<u>7,416,326</u>
Total Assets	<u>8,693,129</u>
 LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	44,658
Customer deposits	15,630
Accrued interest payable	7,053
Long-term liabilities:	
Due in less than one year	286,205
Due in more than one year	<u>2,513,037</u>
Total Liabilities	<u>2,866,583</u>
 NET ASSETS	
Invested in capital assets, net of related debt	4,638,518
Unrestricted	<u>1,188,028</u>
Total Net Assets	<u><u>\$ 5,826,546</u></u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF RANDLEMAN, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - PROPRIETARY FUND
Year Ended June 30, 2004**

Exhibit 7

	<u>Proprietary Fund Type Enterprise</u>
OPERATING REVENUES	
Charges for services	\$ 1,496,212
TOTAL OPERATING REVENUES	<u>1,496,212</u>
OPERATING EXPENSES	
Personnel services	499,065
Supplies	96,453
Depreciation	242,007
Other current charges	<u>502,133</u>
TOTAL OPERATING EXPENSES	<u>1,339,658</u>
OPERATING INCOME	<u>156,554</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	8,073
Interest and fees	<u>(102,078)</u>
TOTAL NONOPERATING EXPENSES	<u>(94,005)</u>
INCOME BEFORE TRANSFERS	62,549
TRANSFERS TO THE GENERAL FUND	<u>(222,971)</u>
CHANGE IN NET ASSETS	(160,422)
TOTAL NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>5,986,968</u>
TOTAL NET ASSETS, END OF YEAR	<u><u>\$ 5,826,546</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF RANDLEMAN, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended June 30, 2004

Exhibit 8
Page 1 of 2

	<u>Proprietary Fund Type Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,408,336
Cash paid for goods and services	(637,556)
Cash paid to or on behalf of employees for services	<u>(490,744)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>280,036</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers to General Fund	<u>(222,971)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(222,971)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(616,239)
Principal paid on bonds, notes and installment purchases	(241,983)
Interest paid on bonds and installment purchases	(102,804)
Proceeds from the issuance of long-term debt	1,989,306
Payment for capital assets in accrued liabilities at June 30, 2003	<u>(1,264,669)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(236,389)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>8,177</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>8,177</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(171,147)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,184,604</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 1,013,457</u></u>
NONCASH CAPITAL AND FINANCING ACTIVITIES	
Capital asset acquisition in accrued liabilities	<u><u>\$ 16,269</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF RANDLEMAN, NORTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended June 30, 2004

Exhibit 8
Page 2 of 2

	<u>Proprietary Fund Type Enterprise</u>
CASH AND CASH EQUIVALENTS	
Unrestricted	\$ 905,050
Restricted	<u>108,407</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 1,013,457</u>
RECONCILIATION FROM OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 156,554
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	242,007
Provision for uncollectible accounts	5,000
Changes in assets and liabilities	
Increase in accounts receivable	(86,544)
Increase in due from other governments	(11,779)
Decrease in inventory	3,195
Decrease in accounts payable and accrued liabilities	(19,600)
Decrease in deposits	(11,332)
Increase in compensated absences payable	<u>2,535</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 280,036</u>

The Notes to Financial Statements are an integral part of this statement.

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