



Budget and Accounting Policies

Financial Structure - Fund Accounting

The accounts of the County are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The County utilizes encumbrance accounting for its governmental fund types, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

Description of Funds

General Fund: The General Fund is the general operating fund of the County. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Funds: Special Revenue Funds account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains three annually budgeted Special Revenue Funds:

Emergency Telephone System Fund is required under state regulations to account for the proceeds and use of both the regular wireline emergency telephone tax and the surcharge fees on wireless telephone service. The taxes are assessed to provide resources for the installation, lease, purchase or maintenance of the 9-1-1 emergency telephone system, which locates the origin of the distress call.

Landfill Closure Fund accounts for monies set aside to pay for post-closure costs of the County's closed landfill. Federal and state environmental regulations require the County to perform monitoring procedures on the landfill site for thirty years.

Fire Districts Fund accounts for the collection and distribution of voter approved property taxes, levied to provide fire protection for nineteen special fire districts. The Board of Commissioners set each district tax rate during the annual budget process.

Budget and Accounting Policies (Continued)

Basis of Accounting

The accounting and budgeting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting for both budgeting and reporting purposes.

Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available") to pay the liabilities of the current period. The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual.

In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The Comprehensive Annual Financial Report (CAFR) shows the status of the County's finances on a basis of generally accepted accounting principles (GAAP). In most cases this conforms to the way the County prepares its budget. The CAFR shows fund expenditures and revenues on both a GAAP basis and Budget Basis for comparison purposes.

Budget Objectives

Randolph County has always tried to maintain a realistic balance between the need for services and our citizens' ability to pay for them. The annual budget is implemented by a series of objectives regarding development of resources and their allocation to various competing demands:

- Limiting the addition of permanent staff positions or implementing new programs until economic conditions capable of supporting them are in place.
- Conserving the fiscal capacity of the County to meet potential future needs.
- Restricting the use of fund balance to finance one-time projects or, if necessary, targeted recurring costs for a limited time.
- Controlling discretionary expenses, such as travel.
- Providing adequate training, technology and tools to enhance productivity.
- Maintaining funding for delivery of high quality county services.

Budget and Accounting Policies (Continued)

Budgetary Basis

The County's budgets are adopted as required by the North Carolina General Statutes. G.S. 159-8 requires that "each local government and public authority shall operate under an annual balanced budget ordinance adopted and administered in accordance with this Article. A budget ordinance is balanced when the sum of estimated net revenues and appropriated fund balances is equal to appropriations."

All budgets are prepared using the modified accrual basis of accounting. An annual budget is adopted for the general and three special revenue funds. All annual appropriations lapse at fiscal year-end. Under the County's budgetary process, outstanding encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be reappropriated and honored the subsequent fiscal year.

Expenditures may not legally exceed appropriations at the departmental level for the general fund and special revenue funds, and the project level for capital ordinances. During the year, amendments to the original budget may be necessary. The County Manager is authorized to transfer appropriations within a department; however, any revisions that alter the total expenditures of any department must be approved by the governing board. Budgetary control is maintained at the individual expenditure account level by the review of all requisitions of estimated purchase amounts prior to the release of purchase orders to vendors.

Budget Process

In accordance with state law, the County maintains a fiscal year from July 1 to June 30. A budget calendar is included in the North Carolina General Statutes, which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 - Each department head will transmit to the budget officer the budget requests and revenue estimates for their department for the budget year.

June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.

July 1 - The budget ordinance shall be adopted by the governing board.

The budget development process begins in the first quarter of the calendar year with departmental evaluation of programs and allocation of resources. Department heads discussed their requested budgets with the Budget Officer during early April. The Proposed Budget was completed by the Budget Officer during April and May. The Proposed Budget, along with the Budget Message, was presented to the Board of Commissioners at their regularly scheduled June meeting.

Budget and Accounting Policies (Continued)

Budget Process (concluded)

G.S. 159-11 states "the budget message should contain a concise explanation of the governmental goals fixed by the budget for the budget year, should explain important features of the activities anticipated in the budget, should set forth the reasons for stated changes from the previous year in program goals, programs, and appropriation levels, and should explain any major changes in fiscal policy."

During the month of June, the Board of Commissioners schedule meetings with various department heads and representatives of the many organizations requesting funding. At these sessions, the Commissioners review the Proposed Budget, consider requested new positions, discuss proposed service levels, and offer changes to departmental budgets; they may also ask that further information be provided.

A public hearing allows citizens the opportunity to voice their opinion on issues related to the budget. Adoption of the final budget ordinance occurs prior to June 30. At the same time as the budget ordinance is adopted, the Commissioners set the county-wide property tax rate as well as tax rates for nineteen fire districts and two school districts.

Debt Policy

It is the intent of Randolph County to issue debt in a manner that adheres to state and federal laws, existing bond covenants and prudent financial management. In accordance with N.C. General Statutes, no form of long-term financing shall be used to fund any operating expenditures. Debt is scheduled on the basis of the entire outstanding debt, not just the individual issue, in a manner which seeks to avoid erratic impacts in the total tax rate. It is the intention of the County to maintain and improve the current bond rating with Moody's and Standard and Poor's by scheduling and issuing debt that sustains reasonable ratios (e.g., percent of outstanding debt to assessed value, percent of debt service to total expenditures). In accordance with guidelines established by the N.C. Local Government Commission, Randolph County will maintain a level of debt service which is no greater than fifteen percent of the total annual budget.

Budget and Accounting Policies

(Concluded)

Fiscal Policies

To ensure the financial stability and legal protection of the County, the following fiscal practices are followed:

- All departments are encouraged to closely monitor expenditures through regular review of operational and administrative costs and to initiate cost-cutting efforts.
- All departments are encouraged to aggressively collect revenue due to the County and seek alternate forms of revenue whenever possible, such as grants and user fees.
- The County attempts to maintain an undesignated, unreserved fund balance of at least 20 percent of the total General Fund budget in order to have adequate reserves to offset revenue volatility, to maintain liquidity despite the timing of cash inflows/outflows, and to meet unforeseen contingencies.
- The County protects itself through legal documents that minimize litigation.
- Risk management continues to reduce uncertainties regarding potential losses to assets, maintain continuity of services to the public, and support the integrity of the budget.
- Excellence in financial reporting is promoted through continued qualification for the Certificate of Achievement for Excellence in Financial Reporting.
- Excellence in budgetary reporting is developed through participation in the Government Finance Officers Association Distinguished Budget Preparation Award.
- Complete property information is maintained on our GIS system, which allows accuracy in locating, listing, and valuing of all personal and business property in the County.
- Randolph County invests idle funds with the objectives, in priority order, of safety, liquidity, and yield. All investments must comply with state law.
- The Tax Department continues maximize property tax collections, achieving at least a 97 percent collection rate of ad valorem property taxes.