

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

I. Summary of Significant Accounting Policies

The accounting policies of Randolph County, North Carolina (the County) and its component units conform to generally accepted accounting principles (GAAP). 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

Randolph County was created from a portion of Guilford County in 1779, and is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. Randolph County's governing body is a five-member Board of Commissioners elected at large; the County operates under a county manager form of government. The County provides services which are classified into the following functions in the financial statements: General Government, Public Safety, Economic and Physical Development, Environmental Protection, Human Services, Culture and Recreation, and Education. Many public services are provided by other governmental agencies that are supported through County appropriations. Mental health programs are provided in part through the County's contribution to Sandhill Center. Elementary and secondary education is provided by two public school systems; professional, technical and vocational training beyond the secondary level is available through the community college.

As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. Randolph County Industrial Facility and Pollution Control Financing Authority (the *Financing Authority*) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Financing Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements.

The Randolph County Tourism Development Authority (the *Tourism Development Authority*) is a public authority under the North Carolina General Statutes, created to promote activities and programs which encourage travel and tourism to the area. The County is financially accountable for the Tourism Development Authority because it appoints board members and levies the occupancy tax which is the major source of the Authority's revenues. The Tourism Development Authority has a June 30 year-end and is presented as if it is a separate governmental fund of the County (discrete presentation).

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

I. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (concluded)

In February 2008, the Board of County Commissioners authorized the formation of four county water and sewer districts: the Eastern Randolph Water and Sewer District, the Northwest Randolph Water and Sewer District, the Randleman Lake Water and Sewer District, and the Uwharrie Water and Sewer District. These four districts exist to provide and maintain water and sewer systems for the County residents within the district; however, the districts have not conducted any operations through June 30, 2009. These four districts have no financial transactions or account balances; accordingly, they are not presented in the basic financial statements.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Eastern Randolph Water and Sewer District	Blended	Under State law [NCGS 162A-89], the County's board of commissioners also serve as the governing board for the District.	None issued.
Northwest Randolph Water and Sewer District	Blended	Under State law [NCGS 162A-89], the County's board of commissioners also serve as the governing board for the District.	None issued.
Randleman Lake Water and Sewer District	Blended	Under State law [NCGS 162A-89], the County's board of commissioners also serve as the governing board for the District.	None issued.
Uwharrie Water and Sewer District	Blended	Under State law [NCGS 162A-89], the County's board of commissioners also serve as the governing board for the District.	None issued.
Randolph County Industrial Facility and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board of commissioners that is appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued.
Randolph County Tourism Development Authority	Discrete	The Randolph County Tourism Development Authority was created to promote travel and tourism within the County. Its primary revenue is a room occupancy tax. The County is financially accountable for the Authority. The Authority is governed by a nine-member board, all of which are appointed by the Randolph County Board of Commissioners. Randolph County collects the occupancy tax for the Authority, and performs administrative functions. However, the County does not provide any direct financial support to the Authority.	Randolph County Tourism Development Authority 222 Sunset Avenue Suite 107 Asheboro, N.C. 27203

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. 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. However, Randolph County currently does not operate any business-type activities.

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

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental and fiduciary* – 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.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

County Schools Capital Project Fund. This fund accounts for the acquisition of property and construction of two county high schools, to be financed through installment purchase contracts.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation, Basis of Accounting (continued)

The County reports the following fund types:

Pension Trust Fund. The County had one Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Custodial Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund – Public Schools, which accounts for various legal fines and forfeitures that the County is required to remit to Randolph County and Asheboro City Boards of Education; the Fines and Forfeitures Fund – State of NC, which accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; the Municipal Tax Districts Funds and the School Tax Districts Funds, which account for ad valorem property taxes that are billed and collected by the County for the respective municipalities and special school districts within the County; the Town Library Fund which accounts for monies held by the County as trustee for certain town libraries in the County; and the Detention Center Commissary Fund, which accounts for monies held by the County as agent for inmates of the Detention Center.

Measurement Focus, Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds, which have no measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, 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, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation, Basis of Accounting (continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 capital leases are reported as other financing sources.

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. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current 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 all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual 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, taxes for vehicles registered from March 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation, Basis of Accounting (concluded)

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County 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 County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental activities of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone System, Fire Districts, and Landfill Closure Special Revenue Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Reserve Special Revenue Fund, the Economic Development Reserve, the Randleman Dam Capital Project Fund, the Asheboro City Schools Capital Project Fund, the Randolph County Schools Project Fund, the Seagrove Library Capital Project Fund, and the Technology Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The County Manager is authorized to transfer appropriations within a department; however, all revisions that alter the total expenditures of any department must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

I. Summary of Significant Accounting Policies (continued)

C. Budgetary Data (concluded)

During the year, several amendments to the original budget were necessary.

Encumbrance carryovers from prior year	\$ 2,630,134
Federal and State grants:	
Health programs	175,358
Social Service programs	312,012
Other grant programs	457,632
Tax audit collections	190,000
Public Buildings	210,000
Sheriff's Restricted Funds - Building	683,004
Economic Development incentives	157,326
Transfer to Technology Capital Project	84,000
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	\$ 4,899,466
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D. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the County and Randolph County Tourism Development Authority are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and the Tourism Development Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County and the Tourism Development Authority 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 County and the Tourism Development Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The 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.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Fund Equity (continued)

2. Cash and Cash Equivalents

The County pools monies from several funds, except the Pension Trust 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 Randolph County Tourism Development Authority considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

3. Restricted Assets

The unexpended proceeds from certificates of participation are classified as restricted assets within the City and County Schools Capital Project Funds because their use is completely restricted to the purpose for which the debt was originally issued. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County 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, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2008. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Fund Equity (continued)

6. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These costs are recorded as expenditures when consumed.

7. Capital Assets

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. Minimum capitalization costs are \$5,000 for the following types of assets: land, buildings, land improvements, equipment, and vehicles. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Randolph County Board of Education and Randolph Community College properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education and the College give these organizations full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to them, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Randolph County Board of Education and the Randolph Community College, respectively.

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

- Buildings - 40 years
- Improvements - 15 years
- Furniture and equipment – 10 years
- Computer equipment – 3 years
- Vehicles – 5 years

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Fund Equity (continued)

8. Long-term Obligations

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

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as another financing source.

9. Compensated Absences

The vacation policies of the County and the Tourism Development Authority provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide funds and the Tourism Development Authority, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County and the Tourism Development Authority 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 none of the entities have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component unit.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Fund Equity (continued)

10. Net Assets/Fund Balances

Net Assets

Net assets in government-wide 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 laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable 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 the appropriation of fund balance 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 reserves for encumbrances and reserves for inventories, 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 that are not offset by deferred revenues.

Reserved for encumbrances - portion of fund balance available to pay for any commitments related to purchase orders and contracts that remain unperformed at year-end.

Unreserved:

Designated for subsequent year expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2009-2010 budget ordinance.

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

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

I. Summary of Significant Accounting Policies (continued)

E. Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$ (86,593,766) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 55,986,503
Less Accumulated Depreciation	<u>(21,627,757)</u>
Net Capital Assets	<u>34,358,746</u>
Water rights are an intangible asset reported in governmental activities, but is not a financial resource and is therefore not reported in the fund statements	17,021,952
Deferred charges related to debt issuance costs - included on government-wide statement of net assets but are not current financial resources	1,610,932
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements	335,145
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide statements	3,699,750
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, capital leases, and installment financing	(135,961,350)
Accrued interest payable	(1,614,270)
Compensated absences	(2,098,949)
Net pension obligation	(737,246)
Medical claims incurred but not reported	(662,012)
Postemployment benefits	(639,260)
Accrued landfill post-closure costs	<u>(1,907,204)</u>
Total Adjustment	<u>\$ (86,593,766)</u>

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

I. Summary of Significant Accounting Policies (continued)

E. Reconciliation of Government-wide and Fund Financial Statements (continued)

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$8,822,647 as follows:

(continued on next page)

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

I. Summary of Significant Accounting Policies (continued)

E. Reconciliation of Government-wide and Fund Financial Statements (continued)

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the government-wide statement of net assets	\$ 2,001,972
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(2,420,286)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	10,502,876
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	(116,579)
Amortization of refunding costs not recorded on fund statements	(143,898)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(87,742)
Increase in net pension obligation	(108,880)
Increase in postemployment benefits	(639,260)
Increase in medical claims reserve	(284,012)
Landfill post-closure costs are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(7,318)
Cost of capital assets disposed of during the year	(85,966)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Fair value of assets donated that is not recorded in the fund statements but is recorded in the government-wide statements	12,000
Reversal of deferred tax revenue recorded at 7/1/08	(2,053,883)
Recording of tax receipts deferred in the fund statements as of 6/30/09	2,265,772
Increase in accrued interest on taxes receivable	18,088
Increase in accrued interest receivable on investments	238,799
Reversal of deferred service revenues recorded at 7/1/08	(1,703,014)
Recording of service fees deferred in the fund statements as of 6/30/09	1,433,978
Total adjustment	<u>\$ 8,822,647</u>

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's and the Tourism Development Authority's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's and the Tourism Development Authority's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and the Tourism Development Authority, these deposits are considered to be held by their agents in the entities' 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 County or the Tourism Development Authority or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the Tourism Development Authority 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.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County and Authority rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2009, the County's deposits had a carrying amount of \$ 41,543,809 and a bank balance of \$ 42,302,596. Of the bank balance, \$ 1,080,382 was covered by federal depository insurance, and \$ 41,222,213 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2009, Randolph County had \$5,276 cash on hand.

At June 30, 2009, the carrying amount of deposits for Randolph County Tourism Development Authority was \$ 297,014 and the bank balance was \$ 297,014. All of the bank balance was covered by collateral held under the Pooling Method.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

A. Assets (continued)

2. Investments

At June 30, 2009, the County's investments consisted of \$ 17,514,909 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on credit risk.

3. Receivables

Receivables at the government-wide level at June 30, 2009 were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from Other Governments	Total
Governmental Activities:				
General	\$ 6,979,354	\$ 2,361,791	\$ 7,206,497	\$ 16,547,642
Other Governmental	<u>60,871</u>	<u>227,281</u>	<u>507,823</u>	<u>795,975</u>
Total receivables	7,040,225	2,589,072	7,714,320	17,343,617
Allowance for doubtful accounts	<u>(5,294,400)</u>	<u>(323,300)</u>	<u>-</u>	<u>(5,617,700)</u>
 Total-governmental activities	 <u>\$ 1,745,825</u>	 <u>\$ 2,265,772</u>	 <u>\$ 7,714,320</u>	 <u>\$ 11,725,917</u>

The County's accounts receivable are presented net of the allowance for uncollectible accounts of:

Ambulance Billings	\$ 5,202,900
Landfill tipping fees	29,700
Health service fees	<u>61,800</u>
Total allowance for uncollectible accounts	<u>\$ 5,294,400</u>

The due from other governments that is owed to the County consists of the following:

Local option sales tax	\$ 4,833,497
Social service grant reimbursements	1,595,457
Health grants	93,911
Refund of sales and use tax	695,874
Telecommunications tax	112,166
Other	<u>383,415</u>
Total due from other governments	<u>\$ 7,714,320</u>

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

A. Assets (continued)

4. Notes Receivable

The note from Davidson Water, Inc. was a loan to construct water lines in the Glenola area of Randolph County. The funds were provided by a State Clean Drinking Water Revolving Loan to the County. The terms for Davidson Water are the same as the repayment terms for the state's loan to the County.

A summary of changes in notes receivable follows:

	Balance July 1, 2008	Advances	Adjustments and Collections	Balance June 30, 2009
Due from				
Davidson Water, Inc	\$ 559,286	\$ _____ -	\$ 43,022	\$ 516,264

5. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2005	1,070,850	174,013	1,244,863
2006	1,101,638	261,639	1,363,277
2007	2,028,550	299,211	2,327,761
2008	2,239,567	128,775	2,368,342

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

A. Assets (concluded)

6. Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,937,830	\$ 139,400	\$ 13,900	\$ 3,063,330
Construction in progress	44,500	564,617	44,500	564,617
Total capital assets not being depreciated	<u>2,982,330</u>	<u>704,017</u>	<u>58,400</u>	<u>3,627,947</u>
Capital assets being depreciated:				
Buildings	36,984,385	637,372		37,621,757
Land improvements	528,459	14,883		543,342
Equipment	7,763,663	456,068		8,219,731
Vehicles and motor equipment	6,392,326	501,632	920,232	5,973,726
Total capital assets being depreciated	<u>51,668,833</u>	<u>1,609,955</u>	<u>920,232</u>	<u>52,358,556</u>
Less accumulated depreciation for:				
Buildings	10,755,620	930,825		11,686,445
Land improvements	223,053	28,649		251,702
Equipment	4,799,116	706,891	1,425	5,504,582
Vehicles and motor equipment	4,322,348	753,921	891,241	4,185,028
Total accumulated depreciation	<u>20,100,137</u>	<u>2,420,286</u>	<u>892,666</u>	<u>21,627,757</u>
Total capital assets being depreciated, net	<u>31,568,696</u>	<u>\$ (810,331)</u>	<u>\$ 27,566</u>	<u>30,730,799</u>
Governmental activity capital assets, net	<u>\$ 34,551,026</u>			<u>\$ 34,358,746</u>

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

General government	\$ 996,655
Public safety	1,244,047
Economic and physical development	12,136
Environmental protection	49,183
Human services	82,816
Cultural and recreational	35,449
Total depreciation expense	<u>\$ 2,420,286</u>

As disclosed further in Note V, the County is a member of the Piedmont Triad Regional Water Authority. According to the joint governmental agreement, the participating governments have rights to a pre-determined portion of water in the reservoir, but no equity interest. Accordingly, a \$17,021,952 intangible asset has been recorded at cost in the government-wide financial statements. No amortization has been charged against this asset.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2009, were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Total
Governmental Activities:				
General	\$ 1,514,908	\$ 499,743	\$ 1,614,270	\$ 3,628,921
Other Governmental	3,131	-	-	3,131
Total - governmental activities	\$ 1,518,039	\$ 499,743	\$ 1,614,270	\$ 3,632,052

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. Randolph County and the Randolph County Tourism Development Authority 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, North Carolina 27699-1410, or by calling (919) 981-5454.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

2. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (concluded)

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County and the Randolph County Tourism Development Authority are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.72%, respectively, of annual covered payroll. For the Authority, the current rate for employees not engaged in law enforcement is 4.80% of annual covered payroll. The contribution requirements of members and of Randolph County and the Randolph County Tourism Development Authority are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2009, 2008, and 2007 were \$ 1,259,398, \$1,204,039, and \$1,133,352, respectively. The Authority's contributions to LGERS for the years ended June 30, 2009, 2008, and 2007 were \$ 4,775, \$3,900, and \$2,257, respectively. The contributions made by the County and the Tourism Development Authority equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

(1) Plan Description.

Randolph County administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County'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. The Separation Allowance is reported in the County's report as a pension trust fund; a separate report was not issued for the plan.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

2. Pension Plan Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	161
Total	165

(2) Summary of Significant Accounting Policies.

Basis of Accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. The County has chosen to fund the Separation Allowance on a pay as you go basis. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term money market debt instruments, deposits, and repurchase agreements, are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

(3) Contributions.

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making a fixed contribution, rather than one based on actuarial valuations. For the current year, the County contributed \$40,000, or .64% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5% to 12.3% per year.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

2. Pension Plan Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007 was 23 years.

Three Year Trend Information			
For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 119,778	25.05%	\$ 536,416
2008	131,950	30.31%	628,366
2009	148,880	26.87%	737,246

(4) Funded Status and Funding Progress.

As of December 31 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,014,431. The covered payroll (annual payroll of active employees covered by the plan) was \$5,804,398, and the ratio of the UAAL to the covered payroll was 17.48 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

2. Pension Plan Obligations (continued)

c. Supplemental Retirement Income Plan

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to employees covered under the Local Government Employees Retirement System. 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 County to contribute each month an amount equal to five percent of each law enforcement officer's salary. The County also makes a contribution of two percent of salary for all other employees covered under the Local Government Employees Retirement System. All covered employees may make voluntary contributions to the plan. The County's contributions for each employee (and interest allocated to the employee's account) are fully vested immediately. Contributions for the year ended June 30, 2009 were \$ 1,105,317, which consisted of \$719,674 from the County and \$385,643 from employees.

d. Registers of Deeds' Supplemental Pension Fund

Plan Description. Randolph County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2009, the County's required and actual contributions were \$8,195.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

2. Pension Plan Obligations (concluded)

e. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount. The County considers these contributions to be immaterial.

3. Other Postemployment Benefits (OPEB)

Plan Description. Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of July 1, 1998, this plan provides postemployment healthcare benefits to retirees of the County until they are eligible for Medicare coverage, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the County. The retiree pays a portion of the cost of coverage for these benefits unless they have at least thirty years of service.

Years of Service at Retirement	Age at Retirement	County Contribution
30 or more	Any age	100%
25 – 29	50	75%
20 – 24	50	50%
10 – 19	50	0%

The HCB Plan is available to qualified retirees until the age of 65 or until Medicare eligible, whichever is sooner. Also, the County's retirees can purchase coverage for their dependents at the County's group rates. The County Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

3. Other Postemployment Benefits (OPEB) (continued)

Membership of the HCB Plan consisted of the following at December 31, 2007, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	32	5
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>533</u>	<u>155</u>
Total	<u>565</u>	<u>160</u>

Funding Policy. With the exception of retiree premium costs based upon the applicable years of service, the County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by County Commissioners. The County's members pay \$300 per month for dependent coverage. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 3.65% of annual covered payroll. For the current year, the County contributed \$231,844 and the retirees' contributed \$41,835 in premiums, representing .92% and .17% of annual covered payroll, respectively. The County's obligation to contribute to HCB Plan is established and may be amended by the County Commissioners.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

3. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 912,939
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	912,939
Contributions made	<u>(273,679)</u>
Increase (decrease) in net OPEB obligation	639,260
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ 639,260</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$912,939	29.98%	\$639,260

Funded Status and Funding Progress. As of December 31, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$ 7,863,167. The covered payroll (annual payroll of active employees covered by the plan) was \$ 25,146,244, and the ratio of the UAAL to the covered payroll was 31.3 percent. Employees of the Tourism Development Authority were included in the study. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

3. Other Postemployment Benefits (OPEB) (concluded)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 11.00 to 5.00 percent annually. The return rate included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007, was 30 years.

4. Closure and Postclosure Care Costs - Landfill Facility

State and federal laws and regulations require the County to place a final cover on its Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County closed its only landfill on December 31, 1997 and completed closure requirements in 2000. Since 1998, solid waste collections have been transferred to a privately operated facility.

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that helps determine if a unit is financially able to meet closure and postclosure care requirements. However, the County has also elected to establish a reserve fund to accumulate resources for the payment of closure and postclosure care costs. Landfill Closure fund balance available at June 30, 2009 exceeded the accrued postclosure cost liability of \$1,907,204. The County expects that future inflation costs will be paid from the interest earnings on these designated funds. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or by future tax revenues.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

5. Deferred / Unearned Revenues

The balance in deferred revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$ -	\$ 231,973
Prepaid taxes not yet earned (Special Revenue)		26,912
Deferred annuity on Drinking Water Loan (General)		111,588
Other collections (General)		31,383
Prepaid contribution for share of construction costs		
Taxes receivable, net (General)	2,051,791	
Taxes receivable, net (Special Revenue)	213,981	
Ambulance service receivables, net (General)	720,545	
Health service receivables, net (General)	41,241	
Landfill tipping fees receivable, net (General)	153,758	
Dog license receivables (General)	2,170	
Notes receivable (General)	516,264	-
Total	<u>\$ 3,699,750</u>	<u>\$ 401,856</u>

6. Construction commitments

The County had two active school construction projects as of June 30, 2009, with the remaining commitments with contractors as follows:

Project	Spent-to-date	Remaining Commitment
Providence Grove High School	\$ 29,333,230	\$ -
Wheatmore High School	31,080,594	2,716,523
Total	<u>\$ 60,413,824</u>	<u>\$ 2,716,523</u>

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

7. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in three self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$150 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, workers' compensation coverage up to the statutory limits, and health insurance for county employees. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, \$750,000 of aggregate annual losses in excess of \$250,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation. For health insurance, the county is reinsured through the Pool for individual losses in excess of \$75,000 and aggregate annual losses in excess of 120% of expected claims. The pool is reinsured through commercial carrier for individual losses in excess of \$500,000. At June 30, 2009, there is a potential liability of \$662,012 for estimated self-insurance claims incurred but not reported.

The Randolph County Multi-jurisdictional Hazard Mitigation Plan, completed in August 2004, inventoried all County-owned property and determined that no County property was located in a Flood Plain. Accordingly, Randolph County has not obtained flood insurance on any of its property.

County employees are bonded in accordance with NC General Statutes. The Finance Officer and Deputy Finance Officer are individually bonded for \$500,000. The Tax Collector is individually bonded for \$300,000 and deputy tax collectors are each individually bonded for \$200,000. The Sheriff and Register of Deeds are bonded at the statutory limits. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

7. Risk Management (concluded)

Changes in aggregate liabilities for medical insurance during the past two years are as follows:

	Fiscal Year Ending <u>June 30, 2009</u>	Fiscal Year Ending <u>June 30, 2008</u>
Beginning of year claims liability	\$ 378,000	\$ 709,000
Claims incurred	4,390,768	4,084,958
Payments	<u>(4,106,756)</u>	<u>(4,415,958)</u>
End of year claims liability	<u>\$ 662,012</u>	<u>\$ 378,000</u>

The Randolph County Tourism Development Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority is included under Randolph County's insurance for property, general liability, auto liability, workers' compensation, and employee health coverage.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

9. Long-Term Obligations

a. Note Payable – Revolving Loan

In 1999, the County received an \$860,440 State Clean Drinking Water Revolving Loan granted for the development of water lines to an area of the County. The funds were provided to Davidson Water, Inc., who will repay the County under the same repayment terms as those under the state loan. The agreement was executed on May 1, 2002 and requires twenty annual payments of \$43,022, plus interest at 2.550%. The outstanding balance at year end was \$516,264. The debt service requirements of the loan as of June 30, 2009 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 43,022	\$ 13,165
2011	43,022	12,068
2012	43,022	10,970
2013	43,022	9,874
2014	43,022	8,776
2015-2019	215,110	27,426
2020-2021	<u>86,044</u>	<u>3,291</u>
Totals	<u>\$ 516,264</u>	<u>\$ 85,570</u>

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

9. Long-Term Obligations (continued)

b. Installment Purchases

As authorized by State law (G.S. 160A-20 and 153A-158.1), the County financed various property acquisitions for use by Randolph County Board of Education during the fiscal year ended June 30, 1996, by installment purchase. The installment purchase was issued pursuant to a deed of trust, which requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with Randolph County Board of Education, which transfers the rights and responsibilities for maintenance and insurance of the property to the Board of Education. The lease calls for nominal annual lease payments and also contains a bargain purchase option. The lease term is the same as that of the installment purchase obligation. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Board of Education.

The installment purchase was executed on November 15, 1995, for various property improvements for use by Randolph County Board of Education and the Randolph County Mental Health Program. The transaction required principal payments by the County ranging from \$1,370,000 in 2003 to \$2,365,000 in 2015 and semi-annual interest payments at rates from 4.50% to 5.3%. This debt was included as part of the advance refunding conducted in December 2003. As of June 30, 2009, there is no remaining outstanding obligation under this agreement.

A second installment purchase was issued in April 2000 and is also authorized by G.S. 160A-20 and 153A-158.1. The County financed the acquisition, construction and renovation of facilities for the Asheboro City and Randolph County Boards of Education, the Randolph Community College, and the Randolph County Courthouse. The installment purchase was issued pursuant to a deed of trust which requires that legal title for certain Randolph County Board of Education and Randolph Community College property remain with the County as long as the debt is outstanding. The County has entered into leases with the Randolph County Board of Education and Randolph Community College, which transfer the rights and responsibilities for maintenance and insurance of the properties to them. The leases call for nominal annual lease payments and also contain a bargain purchase option. The lease term is the same as that of the installment purchase obligation. Due to the economic substance of the transaction, the capital assets associated with the Boards of Education and the RCC projects are recorded by those organizations.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

9. Long-Term Obligations (continued)

b. Installment Purchases (continued)

The installment purchase required principal payments, which increased from \$925,000 in 2003 to \$3,235,000 through 2022. Semi-annual interest payments have rates ranging from 5.0% to 5.75%. This debt was included as part of the advance refunding conducted in March and May 2004. As of June 30, 2009, there is no remaining outstanding obligation under this agreement.

The 2003 installment purchase requires principal payments, which increase from \$195,000 in 2004 to \$2,510,000 through 2018. Semi-annual interest payments have rates ranging from 2.0% to 5.0%. The outstanding balance at year end was \$14,265,000.

The 2004 installment purchase requires principal payments, which increase from \$245,000 in 2005 to \$3,350,000 through 2015. Semi-annual interest payments have rates ranging from 2.0% to 5.0%. The outstanding balance at year end was \$18,890,000.

The 2004A installment purchase requires principal payments, which increase from \$135,000 in 2005 to \$3,410,000 through 2022. Semi-annual interest payments have rates ranging from 2.0% to 5.0%. The outstanding balance at year end was \$24,255,000.

A sixth installment purchase was issued in January 2005 to finance the acquisition of additional water rights in the Randleman Lake, construction of a new library, and renovation to two other county office buildings. Biannual payments of \$330,000 are required, including interest of 3.59%. The outstanding balance at year end was \$4,370,949.

Another installment purchase was issued in August 2006 and is also authorized by G.S. 160A-20 and 153A-158.1. The County financed the acquisition, construction and renovation of facilities for the Asheboro City and Randolph County Boards of Education. The installment purchase was issued pursuant to a deed of trust which requires that legal title for certain Randolph County Board of Education property remain with the County as long as the debt is outstanding. The County has entered into leases with the Randolph County and Asheboro City Boards of Education, which transfer the rights and responsibilities for maintenance and insurance of the properties to them. The leases call for nominal annual lease payments and also contain a bargain purchase option. The lease term is the same as that of the installment purchase obligation. Due to the economic substance of the transaction, the capital assets associated with the Boards of Education are recorded by those organizations.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

9. Long-Term Obligations (continued)

b. Installment Purchases (continued)

The 2006 installment purchase requires principal payments of \$2,060,000 from 2008 to 2026 and \$2,055,000 in 2027. Semi-annual interest payments have rates ranging from 4.0% to 5.0%. The outstanding balance at year end was \$37,075,000.

Another installment purchase was issued in September 2007 and is also authorized by G.S. 160A-20 and 153A-158.1. The County financed the acquisition, construction and renovation of facilities for the Randolph County Boards of Education and to provide financial assistance to the Town of Franklinville for the construction of a water line to two county schools. The installment purchase was issued pursuant to a deed of trust which requires that legal title for certain Randolph County Board of Education property remain with the County as long as the debt is outstanding. The County has entered into a lease with the Randolph County Board of Education, which transfer the rights and responsibilities for maintenance and insurance of the properties to them. The lease calls for nominal annual lease payments and also contains a bargain purchase option. The lease term is the same as that of the installment purchase obligation. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Board of Education.

The 2007 installment purchase requires principal payments, which increase from \$915,000 in 2009 to \$1,910,000 through 2028. Semi-annual interest payments have rates ranging from 4.0% to 5.0%. The outstanding balance at year end was \$35,430,000.

A final installment purchase of \$300,000 was issued in May 2009 to finance the acquisition of a county office building for Archdale. Annual payments of \$100,000 are required, including interest of 2.90%. The outstanding balance at year end was \$300,000.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

9. Long-Term Obligations (continued)

b. Installment Purchases (concluded)

The debt service requirements for installment purchases as of June 30, 2009, are:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 8,707,599	\$ 5,760,402
2011	9,800,985	5,479,490
2012	10,330,037	5,144,063
2013	10,324,779	4,752,041
2014	10,375,237	4,348,756
2015-19	41,537,312	15,451,513
2020-24	29,695,000	6,831,286
2025-28	13,815,000	1,471,345
Totals	<u>\$ 134,585,949</u>	<u>\$ 49,238,896</u>

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

9. Long-Term Obligations (continued)

c. General Obligation Indebtedness

All general obligation bonds serviced by the County's general fund are collateralized by the full faith, credit, and taxing power of the County. Principal and interest payments are appropriated when due.

The County's general obligation bonds payable at June 30, 2009 are comprised of the following individual issue serviced by the County's General Fund:

\$23,465,000 1998 School Facility Refunding Bonds due on May 1 in installments from \$605,000 to \$2,370,000 through May 1, 2010, plus interest ranging from 4.50 to 5.00 percent. \$ 1,735,000

Annual debt service requirements to maturity for the County's general obligation bonds are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 1,735,000	\$ 86,750
Total	\$ 1,735,000	\$ 86,750

At June 30, 2009, Randolph County had no bonds authorized but unissued and a legal debt margin of \$678,696,417.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

B. Liabilities (continued)

9. Long-Term Obligations (concluded)

d. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2009:

Governmental activities:	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009	Current Portion of Balance
General obligation debt	\$ 3,875,000	\$ -	\$ 2,140,000	\$ 1,735,000	\$ 1,735,000
Installment purchase	142,605,803	300,000	8,319,854	134,585,949	8,707,599
Unamortized premium on debt	3,030,285		375,763	2,654,522	358,970
Deferred Charge on Refunding	(4,127,583)		(597,198)	(3,530,385)	(577,863)
Note Payable - State of NC	559,286		43,022	516,264	43,022
Compensated absences	2,011,207	1,797,659	1,709,917	2,098,949	1,709,917
Net pension obligation	628,366	148,880	40,000	737,246	-
Net OPEB Obligation	-	912,939	273,679	639,260	-
Accrued medical claims	378,000	4,390,768	4,106,756	662,012	662,012
Accrued landfill postclosure costs	1,899,886	41,055	33,737	1,907,204	86,500
Total governmental activities	<u>\$ 150,860,250</u>	<u>\$ 7,591,301</u>	<u>\$ 16,445,530</u>	<u>\$ 142,006,021</u>	<u>\$ 12,725,157</u>

Compensated absences and accrued medical claims typically have been liquidated in the General Fund.

e. Conduit Debt Obligations

Randolph County Industrial Facility and Pollution Control Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2009, there were no industrial revenue bonds outstanding.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

C. Interfund Balances and Activity

1. Transfers to/from other funds

Transfers to/from other funds during the fiscal year ended June 30, 2009, consist of the following:

From the General Fund to the 1995 Capital Reserve - Mental Health and County Schools Facilities Fund to accumulate resources for the payment of obligations on the above leased properties	\$1,442,950
From the General Fund to the Technology Capital Project to transfer appropriations for improvements to county technology	84,000
From the General Fund to the Emergency Telephone System Fund to reimburse non-911 charges	56,299
From the 1995 Capital Reserve - Mental Health and County Schools Facilities Fund to the General Fund to transfer resources for the payment of obligations on the above leased properties	2,490,515
From the Economic Development Reserve Fund to the General Fund to transfer resources for the payment of economic development projects	<u>344,825</u>
Total	<u>\$4,418,589</u>

	Transfer In				
Transfer Out	<u>General Fund</u>	<u>Emergency Telephone System Fund</u>	<u>1995 Capital Reserve - Mental Health and County Schools Facilities Fund</u>	<u>Technology Capital Project</u>	<u>Totals</u>
General Fund		\$ 56,299	\$ 1,442,950	\$ 84,000	\$ 1,583,249
1995 Capital Reserve - Mental Health and County Schools Facilities Fund	\$ 2,490,515				2,490,515
Economic Development Reserve	344,825				344,825
	\$ 2,835,340	\$ 56,299	\$ 1,442,950	\$ 84,000	\$ 4,418,589

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

II. Detail Notes on All Funds (continued)

C. Interfund Balances and Activity

2. Interfund Receivables and Payables

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These interfund balances as of June 30, 2009 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue Funds:		
Fire Districts Fund	General Fund	\$ <u>84,262</u>
Trust and Agency Funds:		
City of Asheboro Tax Fund	General Fund	127,870
City of Archdale Tax Fund	General Fund	26,708
Town of Franklinville Tax Fund	General Fund	7,309
Town of Liberty Tax Fund	General Fund	13,051
Town of Ramseur Tax Fund	General Fund	3,286
City of Randleman Tax Fund	General Fund	14,635
Town of Seagrove Tax Fund	General Fund	418
Town of Staley Tax Fund	General Fund	310
City of High Point Tax Fund	General Fund	3,213
City of Thomasville Tax Fund	General Fund	416
City of Trinity Tax Fund	General Fund	7,530
Asheboro School District Tax Fund	General Fund	40,271
Archdale-Trinity School District Tax Fund	General Fund	<u>24,967</u>
		<u>269,984</u>
	Total	\$ <u>354,246</u>

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

III. Related Organization

The Seagrove-Ulah Metropolitan Water District of Randolph County was established in 1989 to provide local water and sewer services. Its primary revenues are customer fees for these services. Three of the four members of the District's governing board are appointed by Randolph County; however, the County's responsibility for this organization does not extend beyond making these appointments. The County is not responsible for any debt issued by the District, nor is it required to fund any operating deficits.

The Randolph County Health Development Authority, Inc., is a non-stock corporation established in 1982. The Authority's board of directors is appointed by the County Board of Commissioners; however, the County provides no funding to the Authority, guarantees no debt of the Authority, and does not maintain a significant continuing relationship with the Authority board.

IV. Jointly Governed Organization

The County, in conjunction with six other counties and thirty-eight municipalities, established the Piedmont Triad 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 County paid membership fees of \$48,426 to the Council during the fiscal year ended June 30, 2009. The County was the subrecipient of grants for \$851,100 from the U.S. Department of Health and Human Services, the U.S. Department of Agriculture, and the Division of Aging of the North Carolina Department of Human Resources, which was passed through the Council.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

V. Joint Ventures

The County, in conjunction with the State of North Carolina, the Asheboro City Board of Education, and the Randolph County Board of Education, participates in a joint venture to operate the Randolph County Community College. The County and the State appoint four members of the thirteen-member board of trustees of the community college. The Boards of Education each appoint two members. The president of the community college's student government serves as an ex officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. As of June 30, 2009, the County has no outstanding general obligation bond debt for this purpose. The County has a \$2,562,726 debt outstanding for an installment purchase obligation to construct a training facility at the community college. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$2,400,000 and \$733,000 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2009. In addition, the County made debt service payments of \$281,530 during the fiscal year on installment purchase obligations issued for community college capital facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2009. Complete financial statements for the community college may be obtained from the community college's administrative offices at 629 Industrial Park Avenue, Asheboro, NC 27205.

The County, 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 transmission lines. The participating governments were legally obligated under the intergovernmental agreement that created the Authority to contribute a pre-determined share of the construction costs on the dam, which was completed in 2003. The County's share of support is 18.75%. 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.

The Authority's water treatment plant is currently under construction; after completion, the participating governments will purchase treated water based upon a pre-determined share, according to a uniform rate structure to be set by the Authority. The County will be purchasing 1.25 million gallons per day when the plant is completed in 2010; its rate will be primarily based on the County's share of the annual debt service on the project, plus administrative and operating costs. The County's share of debt issued by the Authority totals \$20,981,340. The County will sell its allotment in bulk to other water systems.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

V. Joint Ventures (concluded)

Complete financial statements for the Authority can be obtained from the Authority's administrative offices at 2216 West Meadowview Road, Greensboro, NC 27407.

VI. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State moneys. County personnel are involved with certain functions, primarily eligibility determinations, which cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients that do not appear in the basic financial statements because they are not revenues and expenditures of the County.

	Federal	State
Women, infants and children	\$ 3,184,152	
Medicaid	101,268,045	39,739,634
Food stamp program	24,426,209	
Temporary assistance for needy families	1,530,219	274
Energy assistance	731,575	
Adoption assistance	375,322	547,542
Adult assistance		1,239,311
Title IV-E, foster care	478,692	83,172
Total	\$ 131,994,214	\$ 41,609,933

VII. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys 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 moneys.

Randolph County, North Carolina
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2009

VIII. Future Reporting Standards

GASB STATEMENT NO. 51 "ACCOUNTING AND FINANCIAL REPORTING FOR INTANGIBLE ASSETS"

This statement establishes accounting and financial reporting requirements for intangible assets including easement, water rights, timber rights, patents, trademarks, and computer software. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2009.

GASB STATEMENT NO. 54 "FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS"

The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.