



## Independent Auditors' Report

To the Board of County Commissioners  
Randolph County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Randolph County, North Carolina (the "County") as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Randolph County Tourism Development Authority were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2009, and the respective changes in financial position, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

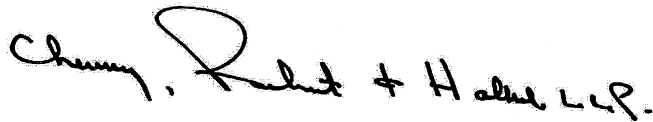
In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2009 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Required Supplementary Information listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the County. The combining and individual fund statements and schedules, capital assets used in the operation of governmental funds, and other supplementary information listed in the accompanying Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

The Introductory and Statistical Sections, as listed in the accompanying Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

**CHERRY, BEKAERT & HOLLAND, L.L.P.**

A handwritten signature in black ink that reads "Cherry, Bekaert & Holland L.L.P." in a cursive, flowing script.

Asheboro, North Carolina  
November 23, 2009

# Randolph County, North Carolina

## Management's Discussion and Analysis

As management of Randolph County, we offer readers of Randolph County's financial statements this narrative overview and analysis of the financial activities of Randolph County for the fiscal year ended June 30, 2009. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

### **FINANCIAL HIGHLIGHTS FOR FISCAL YEAR ENDED JUNE 30, 2009**

- The liabilities of the County exceeded its assets at the close of the fiscal year by (\$28,105,175) (*net assets*). Under North Carolina law, counties are responsible for providing public school facilities. At June 30, 2009, Randolph County had outstanding debt of \$119,946,637 associated with assets owned by the Randolph County Board of Education, the Asheboro City Board of Education, and Randolph Community College. Although this debt is reported in the financial statements as liabilities of Randolph County, the school facilities are not considered capital assets of the County and are not included in the financial statements. This has the effect of reducing total net assets for the County.
- The government's total net assets decreased by \$14,161,161, primarily due to significant project costs incurred in the Randolph County Schools and Asheboro City Schools Capital Projects Funds, following the issuance of debt in August 2006 (\$41,195,000) and September 2007 (\$36,345,000).
- As of the close of the current fiscal year, Randolph County's governmental funds reported combined ending fund balances of \$58,488,591, a decrease of \$22,983,808 in comparison with the prior year. Approximately eighty percent of this total amount, or \$46,584,081, is available for spending at the government's discretion (*unreserved fund balance*). The year end fund balances include \$6,715,130 of net unexpended debt proceeds restricted for school construction projects.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$33,041,679 or twenty-nine percent of total general fund expenditures for the fiscal year.
- Randolph County's total debt decreased by \$9,981,441 (6.8%) due primarily to required principal payments. During the year, the County issued a \$300,000 installment purchase agreement to acquire an office building in Archdale.
- Randolph County maintained for the 11<sup>th</sup> consecutive year, its Aa3 bond rating from Moody's Investor Service and for the 9<sup>th</sup> consecutive year, its AA- rating from Standard and Poor's Corporation.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

## **BASIC FINANCIAL STATEMENTS**

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

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gage the County's financial condition. The Statement of Net Assets reports the financial condition at year end.

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

The government-wide statements are divided into two categories:

- 1) Governmental activities of the primary government (the County) include most of the County's basic services such as public safety, human services, and general administration. Property taxes, sales taxes, and state and federal grant funds finance most of these activities.

- 2) Component units over which the County exercises some degree of control. Financial information for component units is reported separately from the financial information presented for the primary government itself. Randolph County Tourism Development Authority (TDA) is a public authority created by the County to promote tourism and is funded primarily by an occupancy tax

assessed by the County. The County Commissioners appoint the board of directors for the TDA.

**Fund Financial Statements** - The next statements (Exhibits 3 through 7) focus on the activities of the individual parts of the County's government. The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Randolph County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance.

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

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

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

Randolph County maintains twelve individual governmental funds, including the General Fund, seven special revenue funds, and four capital projects. The General Fund and County Schools Capital Project Fund meet the definition of a major fund for reporting purposes. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for these major funds.

The Board of County Commissioners adopts an annual budget for the General Fund, which is the primary operating fund of the County. The budget is a legally adopted document that incorporates recommendations from the management of the County, input from citizens, and the priorities of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether

or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board, 2) the final budget as amended by the board, 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County’s own programs. Randolph County has nineteen fiduciary funds, one of which is a pension trust fund and eighteen of which are agency funds.

**Notes to the Financial Statements** - The notes explain in detail some of the data contained in those statements and provide additional financial disclosures that are necessary to fully understand the financial status of the County. The notes to the financial statements start on page 29 of this report.

**Other Information** - Following the notes is the required supplementary information. This section contains funding information about the County’s Law Enforcement Separation Allowance plan and Post-employment Health Benefits. Required supplementary information can be found beginning on page 73 of this report.

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

debt. Although certain asset purchases and construction projects are funded by the County, all such facilities are owned and utilized by the school systems.

Since the County, as the issuing government, acquires no capital assets, the County has incurred liability without a corresponding increase in assets. As of June 30, 2009, \$119,946,637 of the outstanding debt on the County's financial statements was related to assets included in the school systems' financial statements.

The liabilities of Randolph County exceeded assets by \$28,105,175 as of June 30, 2009. The County's net assets decreased by \$14,161,161 for the fiscal year ended June 30, 2009.

One of the largest portions, \$38,113,207, reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Randolph County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Randolph County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Randolph County's net assets, \$10,703,344, represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$76,921,726) is unrestricted.

### Randolph County's Net Assets

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
Current and other assets	\$ 89,553,291	\$ 113,863,114
Capital assets	34,358,746	34,551,026
Total assets	123,912,037	148,414,140
Long-term liabilities outstanding	142,006,021	150,860,250
Other liabilities	10,011,191	11,497,904
Total liabilities	152,017,212	162,358,154
Net assets:		
Invested in capital assets, net of related debt	38,113,207	37,570,452
Restricted	10,703,344	31,659,530
Unrestricted	(76,921,726)	(83,173,996)
Total net assets	\$ (28,105,175)	\$ (13,944,014)

Current and other assets decreased by 21.35%, primarily due to the construction spending of debt proceeds received in prior years; the restricted net assets total decreased accordingly. Capital assets hardly changed, declining by .56%.

Long-term liabilities decreased 5.9%, primarily due to retirement of debt principal. Other liabilities decreased by 10.6%.

Despite the substantial decline in total net assets, the overall change in net assets provided from revenues and expenses improved by \$6,017,141 over the prior year.

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

		Invested in Capital Assets, net	Other governmental activities	Total net assets related to school facilities	Total Net Assets
Net Assets of Governmental Activities	06/30/2008	\$ 37,570,452	\$ 51,196,636	\$(102,711,102)	\$(13,944,014)
Increase (decrease) in net assets		<u>542,755</u>	<u>(2,711,192)</u>	<u>(11,992,724)</u>	<u>(14,161,161)</u>
Net Assets of Governmental Activities	06/30/2009	<u>\$ 38,113,207</u>	<u>\$ 48,485,444</u>	<u>\$(114,703,826)</u>	<u>\$(28,105,175)</u>

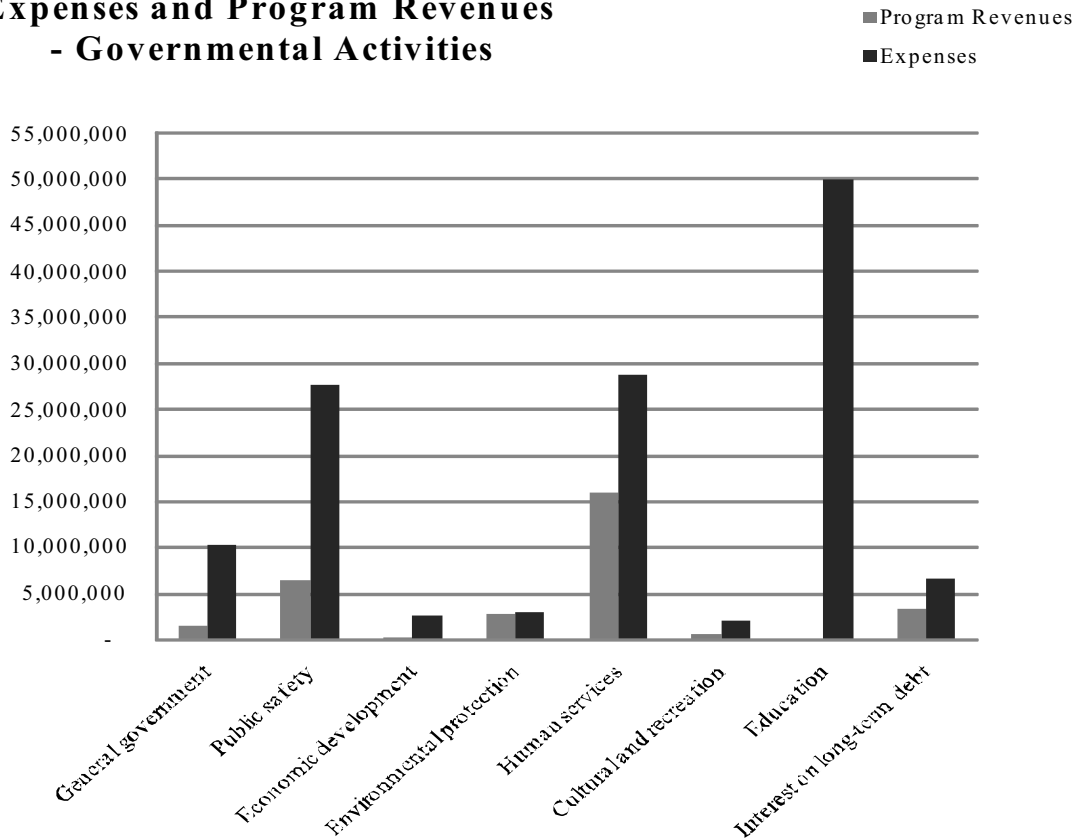
## Randolph County Changes in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
Revenues:		
Program revenues:		
Charges for services	\$ 10,061,131	\$ 10,093,748
Operating grants and contributions	20,493,964	19,084,971
Capital grants and contributions	-	232,099
General revenues:		
Property taxes	62,358,416	59,918,658
Sales taxes	19,938,750	24,716,613
Other taxes	679,983	1,829,712
Investment earnings	2,097,753	4,449,027
Other	1,161,273	714,633
Total revenues	116,791,270	121,039,461
Expenses:		
General government	10,204,905	10,101,605
Public safety	27,715,294	26,674,444
Economic and physical development	2,611,115	5,205,511
Environmental protection	2,982,766	3,275,193
Human services	28,740,972	30,742,214
Culture and recreation	1,988,368	2,012,179
Education	50,107,591	56,508,352
Interest on long-term debt	6,601,420	6,698,265
Total expenses	130,952,431	141,217,763
Increase (decrease) in net assets	(14,161,161)	(20,178,302)
Net assets, July 1	(13,944,014)	6,234,288
Net assets, June 30	\$ (28,105,175)	\$ (13,944,014)

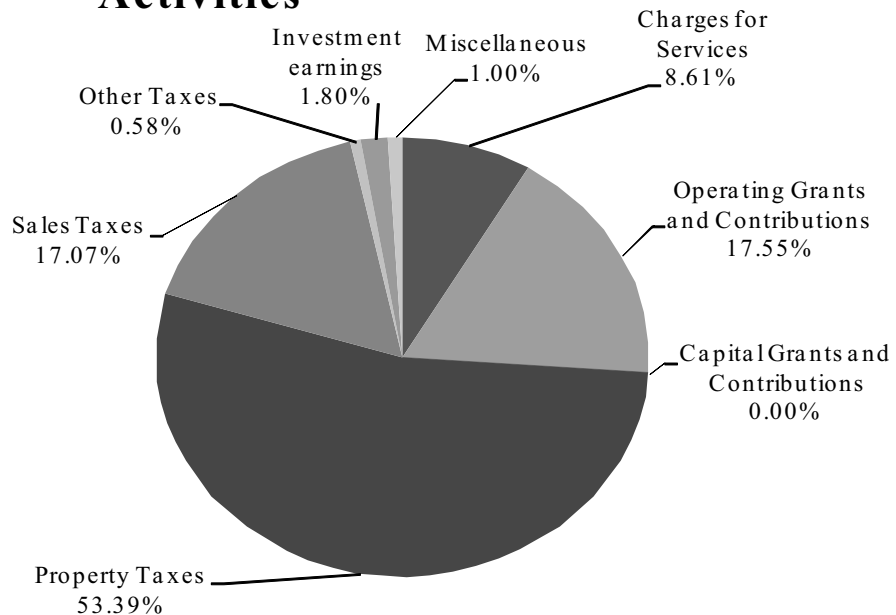
**Governmental activities.** Governmental activities decreased the County's net assets \$14,161,161 for the year. Key elements in several areas affected the County's 2009 results:

- Total Revenues declined 3.5%. Property taxes increased primarily as a result of rate increases. Sales taxes declined 19.3% due to a combination of the recession and legislative changes to the County's rate. Program revenues covered 23.3% and federal and state grants funded 15.6% of governmental expenses in 2009 compared to 20.8% and 13.7% in 2008, respectively.
- Total Expenses declined by 7.3%, primarily due to the lower construction outlay for the school capital projects. Human Services declined 7% in part due to the reduced County responsibility for Medicaid costs. Education declined as a result of the diminishing costs of school construction. In 2008, Economic Development included a \$2,014,985 contribution to Franklinville for a water line.

## Expenses and Program Revenues - Governmental Activities



## Revenues By Source - Governmental Activities



## **FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

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

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

### General Fund [*Major Fund*]

The General Fund is the primary operating fund of Randolph County, and is always reported as a major fund. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$33,041,679, while total fund balance reached \$ 44,293,319. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. While total fund balance represents 39.95 percent of total General Fund expenditures, not all fund balance is available for appropriation. Unreserved fund balance represents 29.80 percent of total expenditures, with \$7,402,270 of that amount designated for use in the 2009-10 budget ordinance.

Revenues for the General Fund decreased by \$2,951,381, or 2.64%, over amounts in the previous fiscal year.

- Property tax revenues increased 4.41% reflecting a two cent increase in the property tax rate to pay for school facilities, along with growth in the property tax base .9% beyond budgeted levels. The total tax rate was 55.5 cents per \$100 valuation. The County maintained a high tax collection rate of 97.86%.
- Sales tax collections were expected to drop because of the transfer of one-quarter cent of the County's rate to the state, in exchange for reducing the County's share of Medicaid costs. The 2009 budget included an expected 9% reduction for the swap. The national recession, which caused severe declines in retail sales, resulted in actual sales tax collections nearly \$2 million below budget.
- The financial crisis and related decline in construction resulted in substantially less revenues from deed fees, building inspection permits, and environmental health fees. Deed fees fell 26% and building inspection fees by 35%. These collections have fallen three years in a row.
- Sales and services declined 4%, primarily due to the 18% decline in solid waste tonnage.
- The aggressive action by the Federal Reserve to lower interest rates resulted in a decline of investment earnings of \$1,048,465, 45% lower than 2008. Randolph County follows sound investment practices in accordance with NC General Statutes, seeking safety, liquidity and yield in that order.

General Fund expenditures increased \$2,141,936 or 1.97% in 2009. By implementing budget restrictions in July 2008, departments' operated far below fiscal limits, yet maintained most existing services.

- General government increased \$691,492, approximately the amount of public building capital outlay. The County office building required a new roof and new HVAC unit. A community services building was purchased for the Archdale-Trinity area.
- Public safety expenditures make up over 18% of the total budget, yet totals were virtually unchanged from the prior year.
- Human services expenditures declined \$2,453,314. These costs are substantially dependent on federal and state funding. In addition, the County share of Medicaid program costs is being taken over by the state as a result of legislative changes. This appropriation was reduced from \$5,818,674 in 2008 to \$2,933,849 in 2009. Due mainly to Federal stimulus funding of a greater portion of Medicaid, the County's share of costs was \$ 1,151,210 below budget.
- Education support rose \$2,291,444 (8.74%) for two reasons. The annual appropriations to public schools and the community college rose \$1,242,996. The opening of the Providence Grove High School contributed to this rise. Another \$1,048,448 was provided to the community college for the acquisition of a vacant building next to their campus.
- Debt service increased \$1,929,561, as a full year of interest and principal payments were due on debt obligations issued in 2007. The County maintained its strong bond rating, which allows issuance of debt at a lower interest cost.

#### County Schools Capital Project [Major Fund]

Providence Grove High School was completed in the fall of 2008 and Wheatmore High School was nearing completion as of year-end. These projects were funded with debt issued in 2006 and 2007. The County Schools Capital Project spent \$21,363,157 of those proceeds during the 2009 fiscal year; \$1,674,430 for Providence Grove and \$19,688,727 for Wheatmore. The fund earned \$424,974 in interest earnings during the year. The remaining \$6,708,317 of fund balance is restricted for these projects.

#### Special Revenue Funds

Total revenues declined by 5.1%, or \$388,665. There was less activity in the Community Development Fund as prior year grants were completed in 2009. The funds also saw a decline in interest earnings. Expenditures decreased by \$488,736. Fund balances at year end were \$5,943,810.

#### Capital Project Funds

Revenues and spending for capital projects fluctuates from year to year due to the cycle of projects being started and completed. Total revenues in 2009 are reported less due to certain grants and reimbursements received only in 2008. Expenditures of \$720,131 include the final costs for the renovation of Teachey Elementary (\$232,634) and technology improvements (\$467,497).

**General Fund Budgetary Highlights:** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available, 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants, and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues and other financing sources by \$4,899,466, or 4.29 percent. These changes were primarily to record increased federal and state financial assistance and encumbrances carried forward from 2007-08.

Randolph County traditionally takes a conservative approach to financial management, budgeting revenues prudently and operating within budgetary limits for expenditures. However, as mentioned previously, the recession prevented the County from reaching budget for several economically based revenues. The County also had budgeted \$5,669,258 as an appropriation of available fund balance to fund acquisition of property, school appropriations, encumbrances, and other items. Nevertheless, during the year, certain other revenues exceeded budgetary estimates and departmental expenditures were substantially less than budgetary levels. As a result, only \$620,069 was required from fund balance.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Randolph County's capital assets for its governmental-type activities as of June 30, 2009, totals \$34,358,746 (net of accumulated depreciation). These assets include buildings, land, land improvements, machinery and equipment, and vehicles.

Major capital asset transactions during the year include:

- Purchased new vehicles and patrol cars for Sheriff.
- Initiated renovations to the historic courthouse and county office building.
- Constructed a solid waste convenience site in Liberty.
- Acquired office building in the Archdale-Trinity area for human service departments.
- Upgraded tax billing software.

**Randolph County's Capital Assets  
(net of depreciation)**

	Governmental Activities 2009	Governmental Activities 2008
Land	\$ 3,063,330	\$ 2,937,830
Land improvements	291,640	305,406
Buildings	25,935,312	26,228,764
Machinery and equipment	2,715,149	2,964,548
Vehicles	1,788,698	2,069,978
Construction in progress	564,617	44,500
<b>Total</b>	<b>\$ 34,358,746</b>	<b>\$ 34,551,026</b>

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

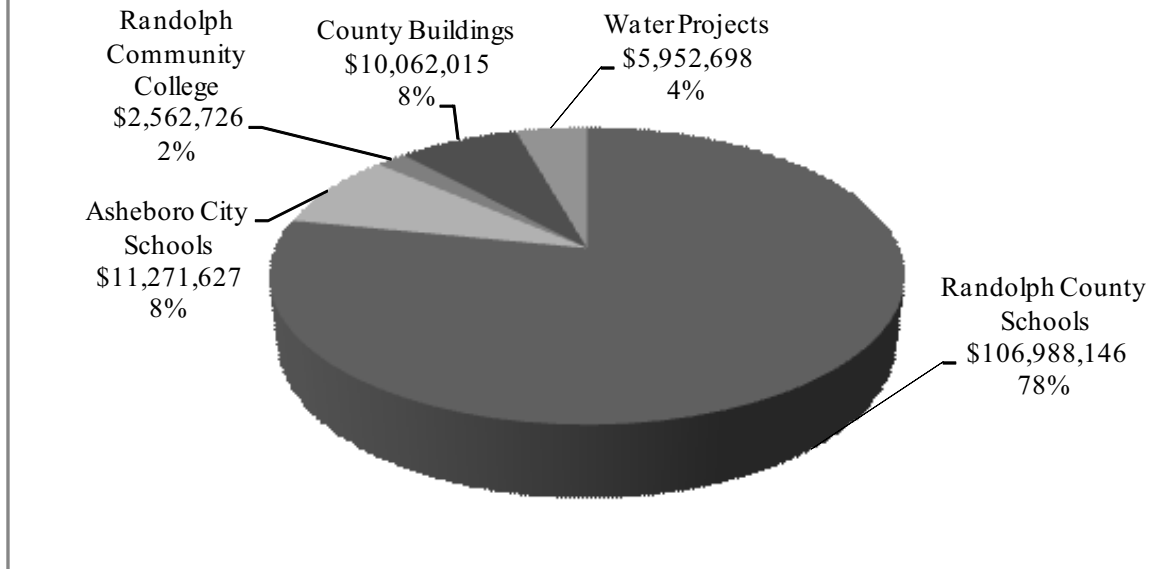
**Long-term Debt.** As of June 30, 2009, Randolph County had total bonded debt outstanding of \$1,735,000, all of which is debt backed by the full faith and credit of the County. In addition, the County was obligated under several installment purchase agreements and a Clean Drinking Water note payable to the State of North Carolina.

**Randolph County's Outstanding Debt**

	Governmental Activities	
	2009	2008
General obligation bonds	\$ 1,735,000	\$ 3,875,000
Installment purchase obligations	134,585,949	142,605,803
Less deferred items, net	(875,863)	(1,097,298)
Notes payable - State of N.C.	516,264	559,286
	<b>\$ 135,961,350</b>	<b>\$ 145,942,791</b>

During the past fiscal year, Randolph County's total debt decreased by \$9,981,441; \$300,000 of new debt was issued, \$10,502,876 was paid as required principal payments and amortization of deferred items was \$221,435.

## Outstanding County Debt By Purpose



As mentioned in the financial highlights section of this document, Randolph County maintained for the 11<sup>th</sup> consecutive year, its Aa3 bond rating from Moody's Investor Service and for the 9<sup>th</sup> consecutive year, its AA- rating from Standard and Poor's Corporation. These bond ratings are a clear indication of the sound financial condition of Randolph County. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Randolph County is \$678,696,417. The County has no bonds authorized but unissued at June 30, 2009.

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

Additional information regarding Randolph County's long-term debt can be found in note II.B.9, beginning on page 59 of this audited financial report.

## **ECONOMIC FACTORS**

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

- Despite the effects of school construction, the County maintains a relatively low property tax rate and one of the lowest in central North Carolina.
- In the last five years, new industrial investment has totaled nearly \$308 million by both new and existing industries. This increased investment generated more than 1,900 new jobs.
- Malt-O-Meal Company has completed construction of a facility to expand its share of the breakfast cereal market in the eastern part of the country. The manufacturer has renovated a former dry soup facility through investment of \$140 million in building and equipment. At the completion of the project, Malt-O-Meal will become the second largest taxpayer in the County. They anticipate at least 164 jobs will be created over the next five years.
- Despite the recession, hotel occupancy has not declined as much as other areas, declining only 4%.

## **BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

### **Governmental Activities:**

The adopted 2009-10 General Fund Budget totaled \$111,662,221, a 2.21% decrease over the previous year. The 2009-10 Budget levied a 55.5¢ property tax rate (unchanged from prior year) with a countywide valuation of \$10,100,000,000. The tax rate remained the same despite additional debt service for school construction, the impact from opening the new Wheatmore High School, and the effects of programs transferred to the County under the State budget. Randolph County's property tax rate is below most counties surrounding us. The County's 2009-10 tax rate was the 8<sup>th</sup> lowest among urban (>100,000 population) counties and 34<sup>th</sup> lowest among all 100 counties in North Carolina.

The Board of Commissioners continued to provide for the needs of our public schools. The final budget included an additional \$1,159,987 in current Education appropriations, or an increase of approximately 4.2%. Randolph County is constructing two new high schools, with the second one to be completed for the 2009-10 school year.

The budget did not include new positions or any market adjustment to the employee pay plan.

In addition to the impact of the public schools, the recession impacted the 2009-10 budget. Falling revenues and increasing demand for services resulted in the appropriation of \$1,755,486 of fund balance to maintain departmental operations. An additional \$3,324,395 was appropriated out of fund balance for public school current expense, plus \$981,720 for school debt service. The North Carolina General Assembly eliminated \$1,340,669 in grant funds to help balance the state budget, which must be made up with local resources. In total, \$7,402,270 was appropriated out of fund balance in an effort to shield our citizens from a tax increase during the recession without

sacrificing critical programs and services needed by the public. This substantial use of reserves cannot be maintained beyond 2010.

## **REQUESTS FOR INFORMATION**

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This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Randolph County, 725 McDowell Road, Asheboro, NC 27205.