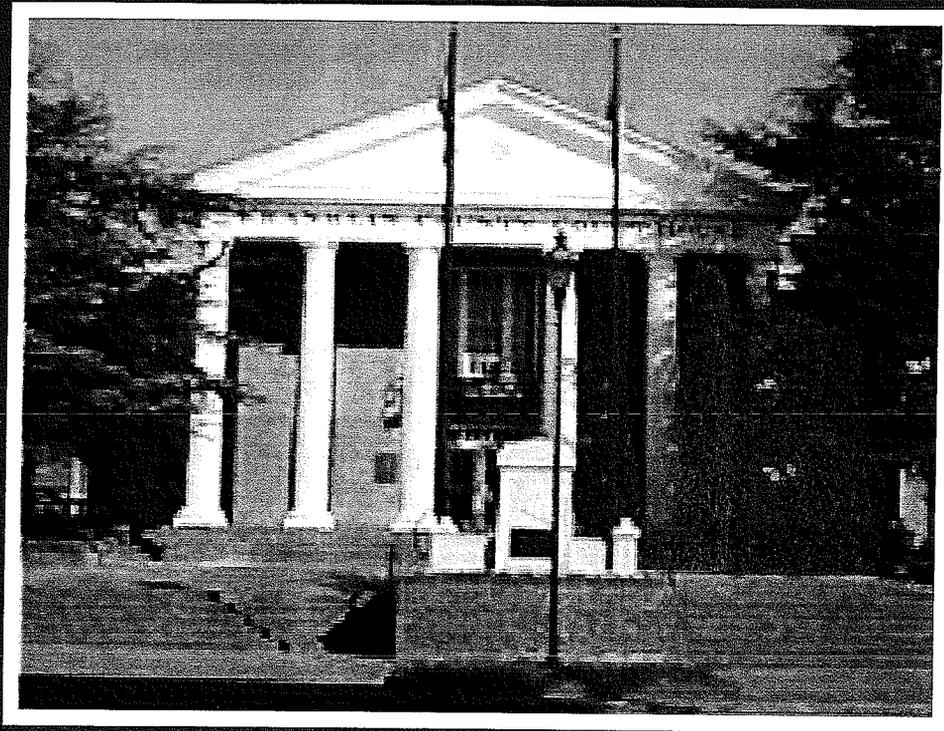


Franklin County North Carolina



**Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2004**

**Prepared by:
Franklin County Finance Department**

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INTRODUCTORY SECTION

Franklin County's Letter of Transmittal



COUNTY OF FRANKLIN

113 Market Street ● Louisburg, N.C. 27549
Office (919) 496-5994 ● Fax (919) 496-2683
www.co.franklin.nc.us

December 15th, 2004

To the Board of County Commissioners and Citizens of Franklin County:

We are pleased to present the comprehensive annual financial report of Franklin County for the fiscal year ended June 30, 2004. State law requires that local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with general accepted accounting principals (GAAP) and audited in accordance with generally accepted accounting standards by a firm of licensed certified public accountants.

This report consists of management's representation concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of County of Franklin's financial statements in conformity with GAAP. Because of the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements contained herein have been audited by the independent, certified public accounting firm of Holden, Moss, Knott, Clark and Taylor, P.A. a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County of Franklin for the fiscal year ended June 30th 2004 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principals used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County of Franklin's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited

government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are contained in the compliance section of this report

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

Profile of the County

The General Assembly created Franklin County from a portion of Bute County on January 29, 1779. The County was named in honor of Benjamin Franklin who was in France requesting help for our country during the Revolutionary War.

Franklin County encompasses 494 square miles and has a population of 52,855. There are five municipalities, Town of Bunn, Town of Youngsville, Town of Franklinton, Town of Centerville, and the Town of Louisburg, which serves as the county seat. The county has a commissioner/ manager form of government. The five members of the Board of Commissioners are elected from districts on a partisan basis and serve staggered four-year terms. In December 2004, the Board of Commissioners will expand to a seven member board. Commissioners hold policy-making and legislative authority. They are also responsible for adopting the budget and appointing the County Manager. The manager is responsible for implementing policies, managing daily operations and appointing department heads.

The county provides its citizens with a wide variety of services that includes public safety, human services, cultural and recreational opportunities and others. It is also the Home of Louisburg College, the nation's oldest junior college. The college was founded in 1787 and offers a strong academic program in humanities, sciences, and business.

NC General Statutes require formal budgetary accounting for all funds. Departments of the County are required to submit their request for funding by April 1st of each year. These requests are used as a starting point for developing the proposed budget. The County Manager presents the proposed budget to the Board of Commissioners by June 1st. The County Board of Commissioners is required to hold public hearings on the proposed budget and must adopt an annual budget by June 30th of each year. The adopted budget is prepared by fund and function (e.g., public safety). Department heads can request transfers between line items and are approved by the County Manager. The manager has the authority to approve transfers between the same functions; however, he must inform the Board of Commissioners if he transfers monies outside of function appropriations. Budget to actual comparisons are provided in this report for each individual governmental fund that has an annual budget adopted. A project ordinance is used to establish a budget for a project that extends over more than one fiscal year. Project length budget to actual comparisons for each governmental fund that a project length budget has been adopted is also included in this report.

MAJOR INITIATIVES/CHANGES

Activities undertaken by the County during the year further confirmed the ongoing commitment to improving the infrastructure by continuing some projects and initiating others. An increasing population places additional burdens on the County to meet citizens' demands and needs for services. The year's activities as highlighted below demonstrate the County's response to these demands and needs.

Sewer Plant Expansion

In the early spring of 2001, the County made the decision to expand the current sewer treatment plant from 1,000,000 per day to 3,000,000 gallons per day. The entire cost of the project is estimated around \$9,100,000. The County has been awarded a \$1,500,000 grant from the Economic Development Administration, \$400,000 from the NC Rural Center, and \$750,000 from a State CDBG grant to help fund the project. In July 2003 the County acquired an installment purchase of \$6,500,000 to complete funding for the project. Construction began in 2003 and was completed in August of 2004. Several industries in the County have requested additional capacity. The additional capacity should provide enough capacity to last the County until 2012 according to the Water and Sewer study recently released.

Human Resources Building Renovation

The County began a renovation project in the amount of \$585,000 for major improvements to the Human Services Building which houses Social Services, Public Health, and Mental Health. Both the Health Department and the Social Services Department have needed additional space for years and this will satisfy this need. This project has been needed for a few years and should be completed by March 2005.

County Park Facility

In January 2002, the construction of the County's first recreation facility began. The facility had its official grand opening in June 2003. The total cost for the park was \$1.1 million. The location of the park is located in the Franklinton area and the Town of Franklinton will help police it. The park contains a 200-foot softball/baseball field, a 300-foot baseball/adult softball field, a soccer/football multipurpose field, playground apparatus area, a picnic shelter and tables, and a 1.25-mile nature trail. All ball fields are lighted. The county has received donations and grants that will provide a 400-meter, 8 lane, all weather track that was placed in service in September 2004. The total project is now complete.

County Airport

During the fiscal year, a project in the amount of \$332,000 was approved to clear the approach landing and upgrade the approach lighting. The project began in October 2004, and should be complete in January 2005. The Airport has great potential and if funds become available to expand the runway, larger corporate jets may be lured from the Raleigh-Durham Airport and stationed here in our county which would increase our tax base.

Transfer Station

During fiscal year 2002-2003, the County hired Municipal Engineering to design and provide oversight to the expansion of the County's current Transfer Station. This project has been heavily recommended by the Department of Environmental and Natural Resources for several years. This \$1.358 million dollar project was awarded in July 2004 and construction of the transfer station has begun. The County plans to continue to transfer all of its household waste out of county to a regional landfill.

School Needs

In June 2004, the County Commissioners and the Board of Education agreed to ask the citizens of the county to support a \$30 million general obligation bond issue for school renovations, future land purchase, and construction of a new elementary school. In November 2004, this bond issue passed by a 3 to 1 margin. The county plans to issue the \$30 million over the next three fiscal years. School renovations should begin around April 2005 and end around April 2008. Renovations are scheduled for all three high schools and additions will be constructed at Terrell Lane Middle School, Bunn Elementary, Laurel Mill Elementary and Youngsville Elementary.

E911 Tower Project

In September of 2003, the Board of Commissioners approved the construction of a new communications tower and purchase communication equipment to enhance its Emergency 911 services. The project was completed in January 2004 and E911 communication has improved greatly.

ECONOMIC CONDITION AND OUTLOOK

The economic base of the county has traditionally centered on agriculture and textiles, however recently the county has diversified greatly from this base and has attracted many new industries. Currently, 19.9% of employment in the county is in manufacturing, 25.9% in service producing industries, 23.8% in government, 9.2% in construction and mining, and 18.6% in other non-agricultural employment. Agriculture now employs 2.6%. Tobacco, grain and livestock are major agriculture commodities raised in the county. Currently, 64 percent of the County's work force commutes out of county to work.

Franklin County is located only 21 miles northeast of Raleigh, the state capital of North Carolina. Three interstate highways (40, 85, and 95) are easily reached from the county. Research Triangle Park, the world's largest research complex is only 35 miles southeast of the county seat.

Franklin County's population has increased by 33% since 1993. It is estimated that Franklin County currently has 52,855 residents. The bulk of the growth had been in the southwestern part of the county near the Franklin Park Industrial Center, which is located adjacent to US Highway 1A north of the Town of Youngsville but has become more widespread recently. Development and population growth means increased demand for housing, other facilities and additional county provided services. In the last five years, the county has expended over \$50 million dollars for the renovation of 3 high schools, construction of two new middle schools and two Elementary schools. Even with this, the County has been presented with another 70 million in school facility needs. The county will soon be addressing \$30 million of these needs since the county was successful with the passage of a general obligation bond issue.

With the county's population continuing to rise, careful planning must occur to ensure that adequate real estate remains available for potential industrial prospects as well as looking for additional funding streams to provide dollars needed for additional county services that will be requested with residential growth.

The County has three major water sources. The County can acquire up to three million gallons per day from the City of Henderson, five hundred thousand per day from the

Town of Franklinton and the Town of Louisburg respectively. The county issued 12.4 million COP Bond issue in March 1999 to install main water and distribution lines from the Franklin/Vance County line into the heart of Franklin County. The construction phase was completed in June 2000. As of June 30th, 2004, the County utilizes 1,613,562 gallons per day. The county currently has 1,554 residential water customers and 300 sewer customers.

The county's largest corporate citizen is Novozymes, Incorporated. Novo Nordisk Biochem, Inc. The company currently has 450 employees. Their current property valuation is \$82.75 million. This provided over \$827,086 to the county in property taxes. They are also the county's largest water customer averaging 700,000 gallons per day at a cost of \$1,022,000 annually. While the county is extremely fortunate to have such an excellent corporate citizen, efforts should continue to broaden the county's tax base. Novozymes represents 3.49 percent of the county's tax base. Over reliance on a few large taxpayers is often viewed as a financial weakness and could hinder efforts to upgrade the county's bond rating.

SINGLE AUDIT

As a recipient of federal, state and county assistance, the County also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the Finance Department staff of the County. As a part of the County's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the County has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2004, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

CASH MANAGEMENT AND RISK MANAGEMENT

Cash Management - The County uses a central depository system to pool moneys from all funds to facilitate disbursements and investments. All depositories are collateralized according to North Carolina General Statute 159-31. Investments are made in accordance with North Carolina General Statute 159-30. Cash temporarily idle during the year was invested in interest-bearing accounts, principally with the North Carolina Capital Management Trust and First Citizens Bank. The government fund types recorded investment income of \$257,474 for fiscal year 2004. At June 30, 2004, the County's deposits had a carrying value of \$21,914,067 and a bank balance of \$21,914,067. All County deposits are maintained with financial institutions, which collateralize deposits in excess of amounts insured by the FDIC by the Pooling Method. At June 30, 2004 \$100,000 of the bank balance was covered by federal depository insurance and \$21,814,067 was covered by collateral held under the Pooling Method.

Risk Management - The County participates in one insurance pool developed by the North Carolina Association of County Commissioners. The pool provides coverage for health and dental insurance. The county has property and general liability with St. Paul's Inc. Major Policies and their limits of coverage include the following: jail and public safety officers' liability \$2,000,000, vehicle liability \$2,000,000 and property damage \$33,497,057. The county is self insured for worker's compensation and has realized a substantial savings by doing so. The county has additional specific stop loss coverage in the amount of \$350,000 per incident.

Also the county has a Safety Officer. The Safety Officer reviews accidents, makes periodic on-site inspections, makes recommendations to improve safety practices and provide employee safety education. The county has an established safety committee that consists of a representative from each county office building. The safety committee meets monthly to review accidents, perform safety inspections and discuss potential corrections to safety related issues.

PENSION AND OTHER POST EMPLOYMENT BENEFITS

The County of Franklin sponsors a single-employer defined benefit pension plan for its public safety employees (Separation Allowance). Each year, an independent actuary calculates the amount of the annual contribution that the County of Franklin may make to the pension plan to ensure the plan will be able to fully meet its obligations to retired employees on a timely basis. The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis. The County currently has 40 active members. Three retirees are receiving benefits.

The County of Franklin also contributes 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. This plan includes all County employees. The rate of contribution is determined each year by an actuarially determined rate. The County of Franklin has no obligation in connection with employee benefits offered through this plan beyond its contributions to the LGERS.

A Supplemental Retirement Income Plan is also provided to all County employees. The County contributes each month an amount equal to 4% of each employee's salary, excluding law enforcement that receive 5% of their monthly salary. All amounts are contributed and invested immediately and employees may also make voluntary contributions to the plan. The Department of State Treasurer and Board of Trustees administer the plan.

The County of Franklin also provides post retirement health care benefits for certain retirees. As of the end of FY 2004, there were 15 retired employees receiving those benefits. These benefits are financed on a pay as you go basis, and GAAP does not required governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the pension and post employment benefits can be found in the notes to the financial statements.

AWARDS AND OTHER INFORMATION

Independent Audit – The County is required by state statutes to have an annual independent financial audit. The accounting firm of Holden, Moss, Knott, and Clark, P.A. has been conducting the County's annual audit since F.Y. ended 1992. In addition to meeting the requirements set forth in state statutes, the audit was also designed to comply with the requirements of the Single Audit Act of 1996 and related OMB circular A-133 and the State Single Audit Implementation Act. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the

financial section of this report. The auditor's reports related specifically to the single audit are included in the compliance section.

Management's Discussion and Analysis - The Management's discussion and analysis report contains more detailed information regarding the County of Franklin's financial statements and can be found immediately following the report of the independent auditors.

Awards - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Franklin County North Carolina for its comprehensive annual financial report for the fiscal year ended June 30th, 2003. This was the fifth consecutive year that Franklin County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report would not have been possible without the dedicated efforts of the Finance Department's staff and the cooperation and dedication of other county departments and the auditing staff of Holden, Moss, Knott Clark and Taylor, P.A. Great gratitude is extended to the Board of County Commissioners for their continued support throughout the past year.

Use of the Report. The Government Finance Officers Association reports a growing awareness that the annual financial report should be management's report to its governing body, constituents, oversight bodies, resource providers, investors and creditors. We agree with this direction, and in keeping with our past practice, have made available a copy of this report to each of you, the various county departments, bond rating agencies, the Local Government Commission, and such other financial institutions that have expressed an interest in the County of Franklin's financial affairs.

A copy of this report is also being placed in the Franklin County Public Library and the Franklin County Chamber of Commerce. The report may also be viewed from the County's web site www.co.franklin.nc.us.

Respectfully submitted,



Chris Coudriet
County Manager



Charles F. Murray, Jr.
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Franklin County,
North Carolina

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

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



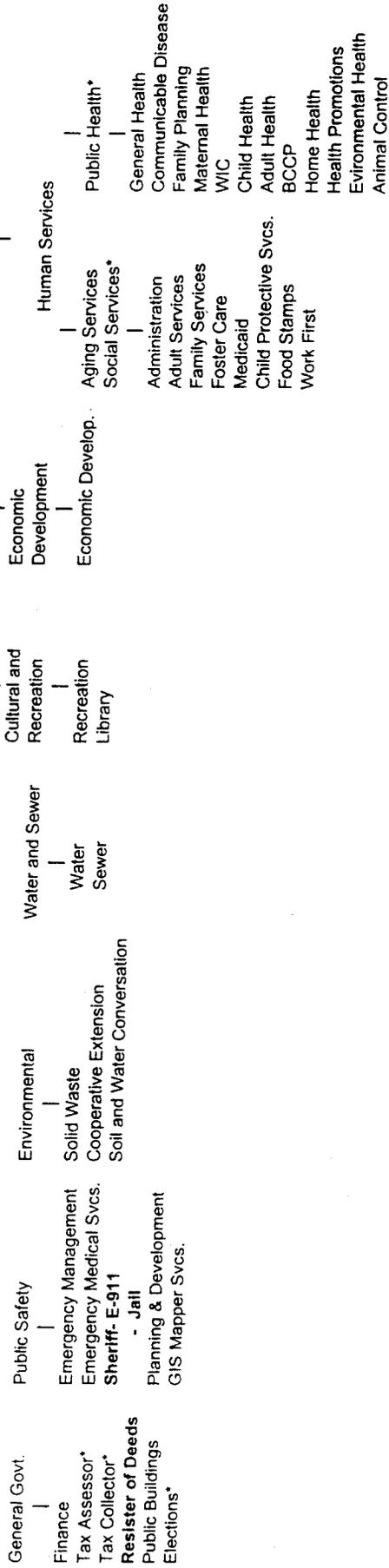
President

Executive Director

Franklin County
Organizational Chart

Board of County Commissioners

County Manager*



Legend: Elected

*Appointed in whole or part by others

FRANKLIN COUNTY, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
LIST OF COUNTY OFFICIALS
JUNE 30, 2004

BOARD OF COUNTY COMMISSIONERS

Raymond A. Stone, Chairman

Harry L. Foy, Jr., Vice Chairman

Jimmie R. Gupton

John R. Ball

Robert L. Swanson

COUNTY OFFICIALS

Charles F. Murray, Jr.
Interim County Manager

Charles F. Murray, Jr.
Finance Director

Darnell A. Batton
County Attorney

FINANCIAL SECTION

Independent Auditor's Report

To the Board of County Commissioners
Franklin County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, North Carolina, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Franklin County's management. Our responsibility is to express an opinion on these basic 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, North Carolina as of June 30, 2004, and the respective changes in financial position and cash flows, 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.

Management's Discussion and Analysis, the schedules of funding progress, employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation Allowance, 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 thereon.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2004, on our consideration of Franklin County's internal control over financial

reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Franklin County, North Carolina. The combining statements and individual nonmajor fund schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, 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 our 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 other data in this report, designated as "Statistical Section" in the Table of Contents, have not been audited by us and, accordingly, we express no opinion on such data.


Certified Public Accountants and Consultants

November 15, 2004
Henderson, North Carolina

MANAGEMENT'S
DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

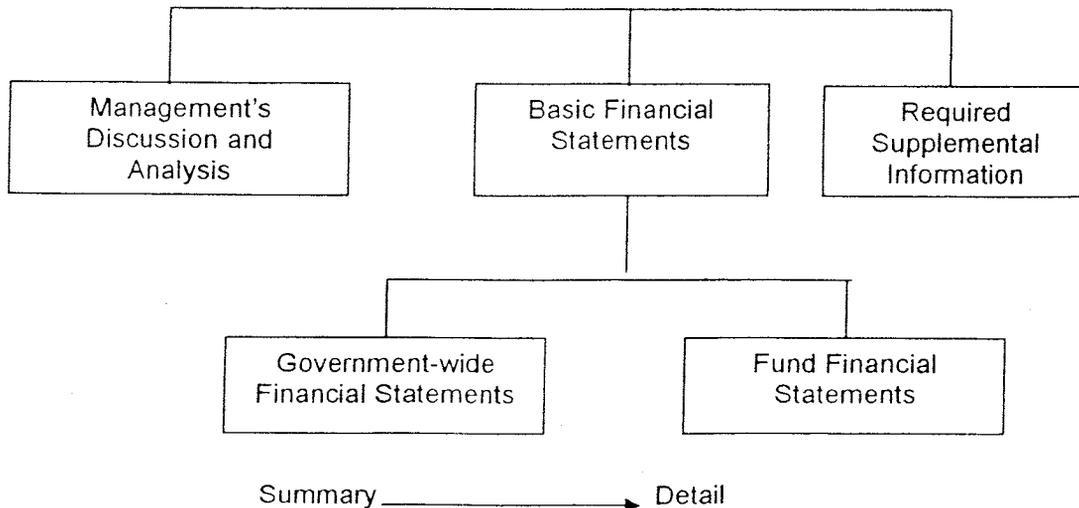
- The assets of the County exceeded its liabilities at the close of the fiscal year by \$24,395,162 (*net assets*). In accordance with North Carolina law, liabilities of the County include long-term debt associated with assets belonging to the Franklin County Board of Education. The amount included in liabilities related to school financing is \$23,507,955. These assets are not reflected in the County's financial statements but the full amount of the long-term debt associated with schools is reflected in the County's financial statements. Some similar County financial reports may reflect a net deficit in net assets due to this law.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$18,535,536, a very small decrease from the previous fiscal year where the combined fund balances totaled \$18,591,898. Approximately 56 percent of this total amount or \$12,113,514 is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$11,358,285 or 24.0 percent of total general fund expenditures for the fiscal year. Of this amount \$1,109,585 has been designated for subsequent year expenditures.
- The County's total debt decreased by \$3,744,068 during the current fiscal year. The County did incur \$6.5 million in new debt to upgrade its' waste water treatment plant in the current year. All debt payments were paid timely.
- The County maintained its (A2) bond rating from Moody's Investor Services and (A) bond rating from Standard & Poor's for the 5th consecutive year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to The 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 also contains other supplemental information that should enhance the reader's understanding of the financial condition of the County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the County's financial status.

The next statements are Fund Financial Statements. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the agency fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the County's non-major governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans.

Government-wide Financial Statements

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

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 government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as general administration, taxation and records, community planning, community maintenance, human services, education, and public safety. Property and other taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide the service. Franklin County's only business-type activity reported during fiscal year 2004 is for water and sewer service. In past fiscal years, the County recognized solid waste service as a business type activity. However in fiscal year 2003, the county began reporting this service under governmental activities. The final category is component units. Although legally separate from the County, the Franklin County Industrial Facility and Pollution Control Financing Authority is the County's only reportable component unit. The County exercises control over its Board by appointing all five of its members. The Authority had no financial transactions or account balances; therefore, it is not presented in the government-wide combined financial statements.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the 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. The 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 The County can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the 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 which provides a current financial resources focus. In modified accrual accounting, revenues are recognized when they become available and expenditures are reported when the obligations were incurred. 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 government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions 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 Statement of Revenues, Expenditures and Changes in Fund Balance. 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.

Proprietary Funds – The County utilizes only one proprietary fund. The County uses an Enterprise Fund to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer activity. This fund is the same as the function shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the functions of the County. The County currently has one internal service fund call the Insurance Fund. Actual payments for health insurance, property and liability insurance, and workers compensation payments are recorded.

Agency Funds – These funds are used to account for assets the County holds on behalf of others. These 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. The County has four agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 26 – 57 of this report.

Required Supplemental Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 58 of this report.

Government-wide Financial Analysis

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

The changes in the financial statement-reporting model for FYE 2003 and FYE 2004 were mandated by the Government Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the County's financial reports as well as those of many other units of government. The County was required to

implement these changes in FYE 2003. The current year reflects the GASB 34 change as well and all future years will as well.

Figure 2 (below) represents comparative data for the County's total assets, total liabilities, and net assets for FYE 2003 and FYE 2004.

The County's Net Assets

Figure 2

FRANKLIN COUNTY'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 24,187,506	\$ 22,840,416	\$ 4,251,074	\$ 1,075,052	\$ 28,438,580	\$ 23,915,468
Capital assets	24,050,482	23,637,063	25,174,332	21,050,167	49,224,814	44,687,230
Total assets	48,237,988	46,477,479	29,425,406	22,125,219	77,663,394	68,602,698
Long-term liabilities outstanding	31,673,833	33,556,623	18,666,871	13,040,013	50,340,704	46,596,636
Other liabilities	2,512,374	2,177,112	415,154	714,661	2,927,528	2,891,773
Total liabilities	34,186,207	35,733,735	19,082,025	13,754,674	53,268,232	49,488,409
Net assets:						
Invested in capital assets, net of related debt	16,636,245	16,612,720	6,539,122	8,040,167	23,175,367	24,652,887
Restricted	-	928,556	-	-	-	928,556
Unrestricted	(2,584,464)	(6,797,532)	3,804,259	330,378	1,219,795	(6,467,154)
Total net assets	\$ 14,051,781	\$ 10,743,744	\$ 10,343,381	\$ 8,370,545	\$ 24,395,162	\$ 19,114,289

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the County exceeded liabilities by \$24,395,162 as of June 30, 2004. Net assets are reported in three categories: Invested in capital assets, net of related debt of \$23.18 million, restricted net assets of \$.3 million and unrestricted net assets \$.9 million.

The invested in capital assets, net of related debt category is defined as the County's investment in County owned capital assets (e.g. land, buildings, automotive equipment, office and other equipment, and sewer lines), less any related debt still outstanding that was issued to acquire those items. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the 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.

Another category of net assets is restricted net assets. This represents resources that are subject to external restrictions on how they may be used. The final category of net assets is unrestricted net assets. This balance may be used to meet the government's ongoing obligations to citizens and creditors.

In the current fiscal year, the county had a positive number of \$1.2 million in unrestricted net assets. However in fiscal year ending 2003, the county had a deficit. Many counties in the State of North Carolina could have a deficit in unrestricted net assets. This could be due primarily to the portion of the County's outstanding debt incurred for the County Board of Education (the "school system"). Under North Carolina law, the County is responsible for providing capital funding for the school system. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of County funds and general obligation debt. The assets funded by the County; however, are owned and utilized by the school system. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$23.5 million of the outstanding debt on the County's financial statements was related to assets included in the school system's financial statements. However, since the majority of this school system related debt is general obligation debt, it is collateralized by the full faith, credit, and taxing power of the County. 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. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

In the current year, total net assets increased, however with the continuing need for additional school facilities due to rapid residential growth, in future years it is possible to have a decrease again. Some of the impact of the inclusion of the school system debt without the corresponding assets was offset by the following positive operational initiatives and results:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 96.06%.
- Continued low cost of debt due to the County's bond rating.
- Continued land use planning in determining future site locations for schools.

The County's Changes in Net Assets
Figure 3

FRANKLIN COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	Total
	FY 2004	FY 2003	FY 2004	FY 2003	FY 2004	FY 2003
Revenues:						
Program revenues:						
Charges for services	\$ 7,915,564	\$ 8,442,871	\$ 3,546,357	\$ 3,176,368	\$11,461,921	\$11,619,239
Operating grants and contributions	7,146,407	6,831,265	-	-	7,146,407	6,831,265
Capital grants and contributions	997,852	2,405,808	1,709,599	217,267	2,707,451	2,623,075
General revenues:						0
Property taxes	26,764,950	25,361,882	-	-	26,764,950	25,361,882
Other taxes	8,379,344	6,954,074	-	-	8,379,344	6,954,074
Other	990,926	702,249	25,943	135	1,016,869	702,384
Total revenues	52,195,043	50,698,149	5,281,899	3,393,770	57,476,942	54,091,919
Expenses:						
General Government	3,781,013	3,512,558	-	-	3,781,013	3,512,558
Public Safety	10,496,309	9,548,128	-	-	10,496,309	9,548,128
Economic and Fiscal Development	5,412,864	4,322,236	-	-	5,412,864	4,322,236
Human Services	15,021,264	14,938,348	-	-	15,021,264	14,938,348
Cultural and Recreation	1,209,559	1,018,608	-	-	1,209,559	1,018,608
Education	10,004,326	11,305,139	-	-	10,004,326	11,305,139
Interest on long-term debt	1,588,798	1,702,373	-	-	1,588,798	1,702,373
Water and Sewer	-	-	4,681,936	4,375,730	4,681,936	4,375,730
Total expenses	47,514,133	46,347,390	4,681,936	4,375,730	52,196,069	50,723,120
Increase(Decrease) in net assets before transfers	4,680,910	4,350,759	599,963	(981,960)	5,280,873	3,368,799
Transfers	(1,372,873)	(10,847,228)	1,372,873	999,807	-	(9,847,421)
Increase in net assets	3,308,037	(6,496,469)	1,972,836	17,847	5,280,873	(6,478,622)
Net assets, July 1	10,743,744	17,240,213	8,370,545	8,352,698	19,114,289	25,592,911
Net assets, June 30	\$ 14,051,781	\$ 10,743,744	\$ 10,343,381	\$ 8,370,545	\$ 24,395,162	\$ 19,114,289

Governmental activities: Governmental activities increased the County's net assets by \$3,308,037 or 30.8 percent. Key elements are as follows:

- Ad valorem Tax collections increased by \$1,403,068. There was no increase in the General fund tax rate and it remained at 99.95 cents per \$100 of valuation.
- Sales Tax revenue increased by \$1,425,270 due to a full year of the new Article 44 sales tax implemented by the County on January 1, 2003.
- Unrestricted revenue increased slightly by \$54,729 due to the sale of surplus property.
- Sales and Services decreased by \$527,307 with the majority of the decrease being noted in Health Services.

Business-type activities: The net assets in Business-type activities increased by \$1.9 million, however most of the increase was a transfer from general fund. Charges for services increased by \$380,000 and the customer based increased by 230 or 17.4 percent.

Financial Analysis of the County's Funds

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

Governmental Funds: The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the 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.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$10,033,424, while total fund balance reached \$13,698,778. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 21.1 percent of total General Fund expenditures, while total fund balance represents 28.83 percent of that same amount.

At June 30, 2004, the governmental funds of the County reported a combined fund balance of \$18,535,536, a \$56,000 decrease from last year. As you can see, there was basically no major change.

General Fund Budgetary Highlights:

During fiscal year 2004, the County increased its fund balance and finish the year in sound financial condition. The County revised its' 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 expenditures by only \$2,655,597 or 5.2% of the total budget. \$1,750,000 was appropriated during the year for the construction of a new solid waste transfer facility and a renovation to the Human Services Building.

The actual operating revenues for the General Fund were slightly higher than the budgeted amount by \$291,030. The new Article 44 Sales tax collected was not budgeted and is the sole reason for the increase in revenues. The County's expenditures were \$4,449,947 less than budgeted. With the uncertainty at the State level, the renovation at the Social Service and Health Department was delayed and the construction of the new transfer station was delayed. Also, departments were very conservative in their spending.

Proprietary Funds: The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$ 330,378. This was no significant decrease or increase from last fiscal year's

amount. The County's water and sewer customer base continues to increase as 236 new customers were added during the year. This represents an 18.26 percent increase.

Capital Asset and Debt Administration

Capital assets: The County's investment in capital assets for its governmental and business-type activities as of June 30, 2004, totaled \$49,224,814 (net of accumulated depreciation). These assets include buildings, automotive equipment, office and other equipment, and water and sewer lines.

Major capital asset transactions during the year include:

- Upgrade of the County's Waste Water Treatment Plant from 1 millions gallons per day to 3 million gallons per day.
- Purchased sixteen new vehicles for various departments.
- Purchased three new ambulances for the Emergencies Services Department.

**The County's Capital Assets
Figure 4**

FRANKLIN COUNTY'S CAPITAL ASSETS						
(net of depreciation)						
	Governmental		Business		Type	
	Activities		Activities		Total	Total
	2004	2003	2004	2003	2004	2003
Land	\$ 8,976,309	\$ 8,301,193	\$ 116,478	\$ 116,478	\$ 17,277,502	\$ 17,393,980
Buildings	12,386,291	12,796,158	-	-	25,182,449	25,182,449
Gas Lines	284,264	292,494			576,758	576,758
Water Lines	-	-	10,295,954	10,585,567	-	10,295,954
Sewer Lines	-	-	7,590,280	7,800,000	-	7,590,280
Automotive equipment	950,092	881,196	53,941	69,287	1,831,288	1,885,229
Office and other equipment	1,286,396	492,371	246,161	247,033	1,778,767	2,024,928
Construction in progress	167,130	873,651	6,871,518	2,231,802	1,040,781	7,912,299
Total	\$ 24,050,482	\$ 23,637,063	\$ 25,174,332	\$ 21,050,167	\$ 47,687,545	\$ 72,861,877

Additional information on the County's capital assets can be found in Note II.5 of the Basic Financial Statements.

Long-term Debt: As of June 30, 2004, the County had total bonded school debt outstanding of \$13,875,000, all of which is backed by the full faith and credit of the County. The County has \$28,328,168 in Certificates Of Participation outstanding, \$3,060,000 outstanding in Federal and State revolving loans and several small installment loans outstanding. A summary of total long-term debt is shown in Figure 5.

General Obligation, Capital Leases and Installment Notes Payable

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 13,875,000	\$ 14,850,000	\$ -	\$ -	\$ 13,875,000	\$ 14,850,000
Certificates of Participation	\$ 12,752,958	\$ 13,890,843	\$ 15,575,210	\$ 9,770,000	\$ 28,328,168	\$ 23,660,843
Installment Purchases	\$ 3,937,202	\$ 3,820,256			\$ 3,937,202	\$ 3,820,256
Revolving Loans	\$ -	\$ -	\$ 3,060,000	\$ 3,240,000	\$ 3,060,000	\$ 3,240,000
Other obligations	1,108,673	995,523	31,661	30,013	1,140,334	1,025,536
Total long-term debt	\$ 31,673,833	\$ 33,556,622	\$ 18,666,871	\$ 13,040,013	\$ 50,340,704	\$ 46,596,635

In fiscal year 2003-2004, the County's total debt increased by \$3,744,069 or 8%. The County issued additional debt during fiscal year 2004 in the amount \$6,500,000 to upgrade the treatment plant and 167,000 to upgrade equipment in the Register of Deeds Office. The County met all of its obligations in a timely fashion.

The County's most recent bond ratings, received in connection with the certificates of participation issued in March of 1999, are shown below:

Moody's Investor Services	A2
Standard & Poor's	A

This bond rating is a clear indication of the sound financial condition of The County. This achievement helps keep 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 The County is \$168,777,016. The County has no bonds authorized and un-issued at June 30, 2004.

Additional information regarding the County's long-term debt can be found in Note 7 on pages 41 - 45 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Franklin County was 3.8 percent at June 30th 2004 which is considerably less when compared to last year which was 6.1 percent. This compares favorably to the state's average of 4.6 percent and the national average 5.1 percent.
- Inflationary trends in the region compare very favorably to national indices.

All of these factors were considered in preparing the County of Franklin's budget for FY 2004.

Budget Highlights for the Fiscal Year Ending June 30, 2005

- **Governmental Activities:** The County has approved a \$52.75 million general fund budget for fiscal year 2004-2005. This represents a \$1.96 million or 3.9 percent increase over the previous fiscal year. The property tax rate remained the same as the previous year.
- Budgeted expenditures for education continue to increase. The County budgeted \$13,317,000 for education in fiscal year 2005, an increase of \$712,913 over the previous year. Also, the County has committed \$1.3 million to construct a new transfer station and \$500,000 to renovations at the Human Services Building.
- **Business - type Activities:** The County increased its' water and sewer rates by 100 percent during the 2004-2004 budget. As the County continues to transfer general fund monies into the Water and Sewer Fund, management will continue to search for ways to reduce the dependency of the water and sewer fund on the general fund. The County also is in the process of expanding its treatment plant capacity from 1 to 3 million gallons per day.

Requests for Information

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 County of Franklin, Director of Finance, 113 Market Street, Louisburg NC 27549.

BASIC FINANCIAL STATEMENTS

Franklin County, North Carolina
Statement of Net Assets
June 30, 2004

	Governmental Activities	Business-type Activity	Total
Assets			
Cash and cash equivalents	\$ 18,171,513	\$ 3,742,554	\$ 21,914,067
Receivables (net)	2,759,623	496,568	3,256,191
Due from other governments	2,418,918	11,952	2,430,870
Restricted cash and cash equivalents	837,452	-	837,452
Capital assets:			
Land, improvements, and construction in progress	7,591,132	6,987,996	14,579,128
Other capital assets, net of depreciation	16,459,350	18,186,336	34,645,686
Total capital assets	<u>24,050,482</u>	<u>25,174,332</u>	<u>49,224,814</u>
Total assets	<u>48,237,988</u>	<u>29,425,406</u>	<u>77,663,394</u>
Liabilities			
Accounts payable and accrued expenses	2,075,584	352,174	2,427,758
Unearned revenue	436,790	-	436,790
Customer deposits	-	62,980	62,980
Liabilities to be paid from restricted assets	-	-	-
Long-term liabilities:			
Due within one year	3,682,559	953,318	4,635,877
Due in more than one year	27,991,274	17,713,553	45,704,827
Total liabilities	<u>34,186,207</u>	<u>19,082,025</u>	<u>53,268,232</u>
Net Assets			
Invested in capital assets, net of related debt	16,636,245	6,539,122	23,175,367
Unrestricted	(2,584,464)	3,804,259	1,219,795
Total net assets	<u>\$ 14,051,781</u>	<u>\$ 10,343,381</u>	<u>\$ 24,395,162</u>

The notes to the financial statements are an integral part of this statement.

Franklin County, North Carolina
Statement of Activities
For the Year Ended June 30, 2004

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activity	Total
Governmental activities:							
General government	\$ 3,781,013	\$ 653,006	\$ 49,205	\$ -	\$ (3,078,802)	\$ -	\$ (3,078,802)
Public safety	10,496,309	1,798,715	341,784	379,795	(7,976,015)	-	(7,976,015)
Economic and physical development	5,412,864	1,844,580	1,066,823	579,401	(1,922,060)	-	(1,922,060)
Human services	15,021,264	3,551,498	5,571,568	32,625	(5,865,573)	-	(5,865,573)
Cultural and recreation	1,209,559	67,765	117,027	6,031	(1,018,736)	-	(1,018,736)
Education	10,004,326	-	-	-	(10,004,326)	-	(10,004,326)
Interest on long-term debt	1,588,798	-	-	-	(1,588,798)	-	(1,588,798)
Total governmental activities	47,514,133	7,915,564	7,146,407	997,852	(31,454,310)	-	(31,454,310)
Business-type activity:							
Water and Sewer Department	4,681,936	3,546,357	-	1,709,599	-	574,020	574,020
Total business-type activity	\$ 52,196,069	\$ 11,461,921	\$ 7,146,407	\$ 2,707,451	(31,454,310)	574,020	(30,880,290)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					26,764,950		26,764,950
Local option sales tax					8,379,344		8,379,344
Grants and contributions not restricted to specific programs					309,898		309,898
Investment earnings, unrestricted					257,554	25,943	283,497
Miscellaneous, unrestricted					359,065		359,065
Gain on sale of land					64,409		64,409
Transfers:							
Net transfers to Water and Sewer Fund					(1,372,873)	1,372,873	-
Total general revenues and transfers					34,762,347	1,388,816	36,151,163
Change in net assets					3,308,037	1,972,836	5,280,873
Net assets - July 1, 2003					10,743,744	8,370,545	19,114,289
Net assets - June 30, 2004					\$ 14,051,781	\$ 10,343,381	\$ 24,395,162

The notes to the financial statements are an integral part of this statement.

Franklin County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2004

	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 13,684,474	\$ 3,461,294	\$ 17,145,768
Receivables, net	2,212,685	251,239	2,463,924
Due from other governments	1,934,271	484,647	2,418,918
Restricted assets:			
Debt service reserve	-	837,452	837,452
Total assets	<u>\$ 17,831,430</u>	<u>\$ 5,034,632</u>	<u>\$ 22,866,062</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,828,148	\$ 32,606	\$ 1,860,754
Deferred revenue	2,304,504	165,268	2,469,772
Total liabilities	<u>4,132,652</u>	<u>197,874</u>	<u>4,330,526</u>
Fund balances:			
Reserved by State statute	2,254,880	530,865	2,785,745
Reserved for			
Health Department	85,613	-	85,613
Debt service	-	837,452	837,452
Unreserved			
Designated for subsequent year's expenditure			
General fund	1,109,585	-	1,109,585
Reported in nonmajor special revenue funds	-	1,374,101	1,374,101
Reported in nonmajor capital projects fund	-	14,250	14,250
Board designated for EMS	215,276	-	215,276
Undesignated	10,033,424	-	10,033,424
Unreserved, reported in nonmajor:			
Special revenue funds	-	1,795,468	1,795,468
Capital projects funds	-	284,622	284,622
Total fund balances	<u>13,698,778</u>	<u>4,836,758</u>	<u>18,535,536</u>
Total liabilities and fund balances	<u>\$ 17,831,430</u>	<u>\$ 5,034,632</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,050,482
Internal service fund is used by management to charge insurance costs to individual funds; the assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.	810,916
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	2,032,982
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	295,698
Some liabilities, including bonds payable, are not due and payable in the current year and, therefore, are not reported in the funds	<u>(31,673,833)</u>
Net assets of governmental activities	<u>\$ 14,051,781</u>

Franklin County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds</u>
Revenues			
Ad valorem taxes	\$ 24,855,280	\$ 1,559,270	\$ 26,414,550
Local option sales taxes	6,468,529	1,910,815	8,379,344
Other taxes and licenses	2,448	270,619	273,067
Unrestricted intergovernmental	309,898	-	309,898
Restricted intergovernmental	6,011,155	1,336,600	7,347,755
Permits and fees	1,312,113	-	1,312,113
Sales and services	7,163,442	-	7,163,442
Investment earnings	249,954	7,520	257,474
Miscellaneous	415,636	55	415,691
Total revenues	<u>46,788,455</u>	<u>5,084,879</u>	<u>51,873,334</u>
Expenditures			
Current:			
General government	3,617,723	318,456	3,936,179
Public safety	8,921,884	2,010,231	10,932,115
Economic and physical development	4,737,145	558,476	5,295,621
Human services	15,305,034	-	15,305,034
Cultural and recreational	1,126,094	-	1,126,094
Intergovernmental:			
Education	9,587,653	416,673	10,004,326
Capital outlay	-	582,628	582,628
Debt service:			
Principal	2,480,253	124,947	2,605,200
Interest and other charges	1,583,813	4,985	1,588,798
Total expenditures	<u>47,359,599</u>	<u>4,016,396</u>	<u>51,375,995</u>
Revenues over (under) expenditures	<u>(571,144)</u>	<u>1,068,483</u>	<u>497,339</u>
Other financing sources (uses)			
Transfers to other funds	(1,630,328)	(2,050,042)	(3,680,370)
Transfers from other funds	2,050,130	257,367	2,307,497
Proceeds from long-term debt	167,000	475,000	642,000
Sale of fixed assets	177,172	-	177,172
Total other financing sources (uses) - net	<u>763,974</u>	<u>(1,317,675)</u>	<u>(553,701)</u>
Net changes in fund balances	192,830	(249,192)	(56,362)
Fund balances			
Beginning of year, July 1	<u>13,505,948</u>	<u>5,085,950</u>	<u>18,591,898</u>
End of year, June 30	<u>\$ 13,698,778</u>	<u>\$ 4,836,758</u>	<u>\$ 18,535,536</u>

The notes to the financial statements are an integral part of this statement.

(continued)

Franklin County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2004

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

Net changes in fund balances - total governmental funds	\$ (56,362)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over the life of the asset.	1,609,915
The allocation of the costs of assets over the life of the assets through depreciation is not a current financial use in the funds; therefore, depreciation expense is not recorded in these statements.	(1,083,733)
Book value of capital asset disposed of during the year, not recognized on modified accrual basis.	(112,763)
Assessments received during the year provide current financial resources and are reported as revenues in the funds. This transaction has no impact on net assets since assessment income was accrued in a previous period.	(66,963)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	493,154
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction has no effect on net assets. There was no issuance of debt for governmental activities during the year.	2,637,939
Some expenses and transfers reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences accrued	(109,247)
Retirement expenses accrued	(3,903)
Total changes in net assets of governmental activities	<u>\$ 3,308,037</u>

Franklin County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues				
Ad valorem taxes	\$ 23,162,734	\$ 24,461,525	\$ 24,855,280	\$ 393,755
Local option sales tax	4,450,000	5,839,285	6,468,529	629,244
Other taxes and licenses	750	500	2,448	1,948
Unrestricted intergovernmental	1,100,209	65,250	309,898	244,648
Restricted intergovernmental	5,158,205	6,040,539	6,011,155	(29,384)
Permits and fees	1,045,429	1,157,920	1,312,113	154,193
Sales and services	6,626,318	7,567,958	7,163,442	(404,516)
Investment earnings	364,845	200,000	249,954	49,954
Miscellaneous	54,000	877,505	415,636	(461,869)
Total revenues	<u>41,962,490</u>	<u>46,210,482</u>	<u>46,788,455</u>	<u>577,973</u>
Expenditures				
Current:				
General government	3,967,615	3,850,125	3,617,723	232,402
Public safety	8,164,772	9,421,625	8,921,884	499,741
Economic and physical development	5,029,079	6,496,622	4,737,145	1,759,477
Human services	15,661,857	16,940,423	15,305,034	1,635,389
Cultural and recreational	1,172,206	1,302,442	1,126,094	176,348
Intergovernmental:				
Education	9,167,804	9,587,653	9,587,653	-
Debt service:				
Principal retirement	2,586,261	2,480,750	2,480,253	497
Interest and other charges	1,718,047	1,737,374	1,583,813	153,561
Total expenditures	<u>47,467,641</u>	<u>51,817,014</u>	<u>47,359,599</u>	<u>4,457,415</u>
Revenues under expenditures	<u>(5,505,151)</u>	<u>(5,606,532)</u>	<u>(571,144)</u>	<u>5,035,388</u>
Other financing sources (uses)				
Transfers to other funds	(1,220,080)	(1,630,328)	(1,630,328)	-
Loan proceeds	1,000,000	1,000,000	167,000	(833,000)
Transfers from other funds	3,214,591	1,920,000	2,050,130	130,130
Sale of fixed assets	10,000	10,000	177,172	167,172
Total other financing sources (uses) - net	<u>3,004,511</u>	<u>1,299,672</u>	<u>763,974</u>	<u>(535,698)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (2,500,640)</u>	<u>\$ (4,306,860)</u>	192,830	<u>\$ 4,499,690</u>
Fund balance				
Beginning of year, July 1			<u>13,505,948</u>	
End of year, June 30			<u>\$ 13,698,778</u>	

The notes to the financial statements are an integral part of this statement.

Franklin County, North Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2004

	<u>Major</u> <u>Enterprise</u> <u>Fund</u>	<u>Major</u> <u>Internal Service</u> <u>Fund</u>
	<u>Water and</u> <u>Sewer Fund</u>	<u>Insurance Fund</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,742,554	\$ 1,025,745
Receivables, net	496,568	-
Due from other governments	11,952	-
Total current assets	<u>4,251,074</u>	<u>1,025,745</u>
Noncurrent assets:		
Capital assets:		
Land, improvements, and construction in progress	6,987,996	-
Other capital assets, net of depreciation	18,186,336	-
Total capital assets	<u>25,174,332</u>	<u>-</u>
Total noncurrent assets	<u>25,174,332</u>	<u>-</u>
Total assets	<u>29,425,406</u>	<u>1,025,745</u>
Liabilities		
Current liabilities:		
Accounts payable	309,813	214,829
Accrued payroll	42,361	-
Customer deposits	62,980	-
Compensated absences	31,661	-
General obligation bonds payable	921,657	-
Total current liabilities	<u>1,368,472</u>	<u>214,829</u>
Noncurrent liabilities:		
General obligation bonds payable	<u>17,713,553</u>	<u>-</u>
Total liabilities	<u>19,082,025</u>	<u>214,829</u>
Net Assets		
Invested in capital assets, net of related debt	6,539,122	-
Unrestricted	3,804,259	810,916
Total net assets	<u>\$ 10,343,381</u>	<u>\$ 810,916</u>

The notes to the financial statements are an integral part of this statement.

Franklin County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2004

	<u>Major</u>	<u>Major</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Water and Sewer Fund</u>	<u>Insurance Fund</u>
Operating revenues		
Charges for water	\$ 2,500,505	\$ -
Charges for sewer	781,434	-
Charges for services	-	3,760,240
Water and sewer taps	117,631	-
Miscellaneous	146,787	-
Total operating revenues	<u>3,546,357</u>	<u>3,760,240</u>
Operating expenses		
Salaries and employee benefits	741,696	-
Water purchases	1,979,004	-
Contracted services	83,350	-
Other operating expenses	357,942	2,949,349
Depreciation	716,007	-
Total operating expenses	<u>3,877,999</u>	<u>2,949,349</u>
Operating loss	<u>(331,642)</u>	<u>810,891</u>
Nonoperating revenues (expenses)		
Interest earnings	25,943	25
Interest expense	(803,937)	-
Total nonoperating revenue (expenses) - net	<u>(777,994)</u>	<u>25</u>
Capital contributions		
EDA grant	959,599	-
Community Development Block Grant	750,000	-
Total capital contributions	<u>1,709,599</u>	<u>-</u>
Loss before transfers	<u>599,963</u>	<u>810,916</u>
Transfers		
Transfer to General Fund	(88)	-
Transfer from General Fund	1,372,961	-
Net transfers	<u>1,372,873</u>	<u>-</u>
Change in net assets	<u>1,972,836</u>	<u>810,916</u>
Net assets		
Beginning of year, July 1	<u>8,370,545</u>	<u>-</u>
End of year, June 30	<u>\$ 10,343,381</u>	<u>\$ 810,916</u>

The notes to the financial statements are an integral part of this statement.

Franklin County, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2004

	<u>Major</u>	<u>Major</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Water and Sewer Fund</u>	<u>Insurance Fund</u>
Cash flows from operating activities		
Cash received from customers	\$ 3,367,993	\$ 3,760,240
Cash paid for goods and services	(2,700,174)	(2,734,520)
Cash paid to employees for services	(773,937)	-
Customer deposits received	24,260	-
Customer deposits returned	(10,000)	-
Net cash provided (used) by operating activities	<u>(91,858)</u>	<u>1,025,720</u>
Cash flows from noncapital financing activities		
Transfers in	1,372,961	-
Transfer out	(88)	-
Net cash provided by noncapital financing activities	<u>1,372,873</u>	<u>-</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(4,840,172)	-
Principal paid on bonds	(874,790)	-
Issuance of long-term debt	6,500,000	-
Interest paid on bonds	(803,937)	-
Capital contributions - federal grant	1,709,599	-
Net cash provided by capital and related financing activities	<u>1,690,700</u>	<u>-</u>
Cash flows from investing activities		
Interest on investments	<u>25,943</u>	<u>25</u>
Net increase in cash and cash equivalents	2,997,658	1,025,745
Cash and cash equivalents		
Beginning of year, July 1	<u>744,896</u>	<u>-</u>
End of year, June 30	<u>\$ 3,742,554</u>	<u>\$ 1,025,745</u>

(continued)

Franklin County, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2004

	<u>Major</u> <u>Enterprise</u> <u>Fund</u>	<u>Major</u> <u>Internal Service</u> <u>Fund</u>
	<u>Water and</u> <u>Sewer Fund</u>	<u>Insurance Fund</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating income (loss)	\$ (331,642)	\$ 810,891
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	716,007	-
Changes in assets and liabilities:		
Increase in accounts receivable	(178,364)	-
Increase (decrease) in accounts payable and accrued liabilities	(279,878)	214,829
Decrease in accrued payroll	(33,889)	-
Increase in customer deposits	14,260	-
Increase in accrued vacation pay	1,648	-
Total adjustments	<u>239,784</u>	<u>214,829</u>
Net cash provided (used) by operating activities	<u>\$ (91,858)</u>	<u>\$ 1,025,720</u>

Franklin County, North Carolina
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 49,364</u>
Liabilities and Net Assets	
Liabilities:	
Miscellaneous liabilities	<u>49,364</u>
Net Assets	<u><u>\$ -</u></u>

**NOTES TO THE
FINANCIAL STATEMENTS**

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

I. Summary of Significant Accounting Policies

The accounting policies of Franklin County and its component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component unit, a legally separate entity for which the County is financially accountable.

Franklin County Industrial Facility and Pollution Control Financing Authority exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a five-member board of commissioners, all of whom are appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Authority does not issue separate financial statements.

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). 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.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the County and 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. 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.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

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, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Franklin County has one enterprise fund, which is a major fund.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental fund:

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.

The County reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for water and sewer operations within the County.

The County reports the following internal service fund:

Insurance Fund. This fund is used to account for insurance transactions.

The County reports the following fund types:

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 four agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for moneys deposited with the County and then remitted to the Franklin County Board of Education; the City Ad Valorem and Motor Vehicle Tax Fund which accounts for registered motor vehicle property taxes and other property taxes that are billed and collected by the County for various municipalities within the County; and the Jail Fund, which accounts for moneys received from inmates.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

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, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, 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, proprietary fund, 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.

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

The County considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the 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, Franklin 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 2003 through February 2004 apply to the fiscal year ended June 30, 2004. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2004 because they are intended to finance the County's operations during the 2004 fiscal year.

Sales taxes 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 and business-type activities and enterprise funds 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.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

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

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, four of the special revenue funds (Capital Reserve Fund, Fire District Fund, DEA Fund, and the Emergency Telephone System Fund), the Insurance Fund (an internal service fund), and the Water and Sewer Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the capital projects funds, three of the special revenue funds, (the Community Development Fund, the Revaluation Project Fund, and the Golden Leaf Foundation Fund), and the Water and Sewer Capital Project. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for the general fund, at the departmental level for the special revenue and enterprise funds, and at the object level for the capital projects funds. The balances in the Capital Reserve Fund will be appropriated when transferred to a capital projects fund in accordance with the project ordinance adopted for the reserve fund. The County Manager is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$10,000; however any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000 must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material.

D. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the County are made in board-designated official depositories and are secured as required by G.S. 159-31. The County may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County 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 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).

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

The County's investments with maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted marked prices. The securities of the NCCMT Cash Portfolio, and SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

2. Cash and Cash Equivalents

The County pools moneys from several funds, except the Pension Trust Fund and two of the Agency 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.

3. Restricted Assets

The unexpended bond proceeds in the COPS Capital Projects Fund are classified as restricted assets because their use is completely restricted to the purpose for which the bonds were issued.

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, 2003.

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.

6. 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 cost is: \$50,000 for buildings and building improvements; and \$5,000 for equipment, vehicles, and furniture. 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.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

The County holds title to certain Franklin County Board of Education 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 give the Board of Education 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 the Board of Education, 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 Franklin County Board of Education.

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

	<u>Years</u>
Buildings	30-15
Furniture and equipment	5-40
Vehicles	5
Computer equipment & software	3-5
Water lines	15-40

7. Infrastructure

The County has recorded all applicable infrastructures.

8. Long-term Obligations

In the government-wide financial statements and in the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activity, 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 an other financing source.

9. Compensated Absences

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

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

The sick leave policies of the County 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.

10. Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantor, 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, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which are not offset by deferred revenues.

Reserved for Health Department – portion of fund balance, which is available for appropriation under State law only for the Health Department.

Reserved for Debt Service – portion of fund balance, which is restricted to the servicing of long-term debt.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

Unreserved

Designated for subsequent year's expenditures- portion of total fund balance available for appropriation that has been designated for the adopted 2004-2005 budget ordinance.

Board designated for EMS – portion of fund balance designated by the board for emergency medical services.

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

II. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County'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 agents in these unit's 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, these deposits are considered to be held by their agents in the entities' name. 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 Treasury the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County 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.

At June 30, 2004, the County's deposits had a carrying amount of \$16,543,290 and a bank balance of \$11,055,424. Of the bank balance, \$200,000 was covered by federal depository insurance and \$10,855,424 in interest bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2004, Franklin County had \$2,990 cash on hand.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

2. Investments

The County's investments are categorized to give an indication of the level of custodial risk assumed by each of these entities at year-end. The County's investments in the North Carolina Capital Management Trust is exempt from risk categorization because the County does not own any identifiable securities in this mutual fund.

At June 30, 2004, the County's investment balances were as follows:

	<u>Reported Value</u>	<u>Fair Value</u>
NC Capital Management Trust:	\$ 6,254,603	\$ 6,254,603

3. 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.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 1,971,433	\$ 540,420	\$ 2,511,853
2002	2,107,165	331,866	2,439,031
2003	2,117,212	130,216	2,247,428
2004	<u>3,181,699</u>	-	<u>3,181,699</u>
Total	<u>\$ 9,377,509</u>	<u>\$ 1,002,502</u>	<u>\$10,380,011</u>

4. Receivables

Accounts receivable at the government-wide level at June 30, 2004 were as follows:

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Special Assessments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 331,829	\$ 1,912,614	\$ 149,462	\$ 2,393,905
Other Governmental	<u>54,615</u>	<u>196,624</u>	-	<u>251,239</u>
Total receivables	386,444	2,109,238	149,462	2,645,144
Allowance for doubtful accounts	<u>(11,220)</u>	<u>(170,000)</u>	-	<u>(181,220)</u>
Total – governmental activities	<u>\$ 375,224</u>	<u>\$ 1,939,238</u>	<u>\$ 149,462</u>	<u>\$ 2,463,924</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,462</u>	<u>\$ 149,462</u>

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

Business-type Activities:				
Water and Sewer	\$ 515,568	\$ -	\$ -	\$ 515,568
Allowance for doubtful accounts	<u>(19,000)</u>	<u>-</u>	<u>-</u>	<u>(19,000)</u>
Total – business-type activity	<u>\$ 496,568</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 496,568</u>

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

Local option sales tax	1,578,890
State Child Care grant	162,020
State Social Services grants	213,611
Homeland Security	88,373,
State CDBG	69,558
Sales tax refund	145,305
Miscellaneous	<u>161,161</u>
Total	<u>\$ 2,418,918</u>

5. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental-type activities:				
Capital assets not being depreciated:				
Land	\$ 7,536,765	\$ -	\$ 112,763	\$ 7,424,002
Construction in process	<u>873,651</u>	<u>995,186</u>	<u>1,701,707</u>	<u>167,130</u>
Total capital assets not being depreciated	<u>8,410,416</u>	<u>995,186</u>	<u>1,814,470</u>	<u>7,591,132</u>
Capital assets being depreciated:				
Buildings	18,179,059	-	-	18,179,059
Gas lines	411,481	-	-	411,481
Land Improvements	764,428	850,734	-	1,615,162
Equipment	1,752,565	1,044,021	-	2,796,586
Vehicles	<u>3,232,604</u>	<u>421,681</u>	-	<u>3,654,285</u>
Total capital assets being depreciated	<u>24,340,137</u>	<u>2,316,436</u>	<u>-</u>	<u>26,656,573</u>
Less accumulated depreciation for:				
Buildings	5,382,901	409,867	-	5,792,768
Gas lines	118,987	8,230	-	127,217
Land Improvements	-	62,855	-	62,855
Equipment	1,260,194	249,996	-	1,510,190
Vehicles	<u>2,351,408</u>	<u>352,785</u>	-	<u>2,704,193</u>
Total accumulated depreciation	<u>9,113,490</u>	<u>1,083,733</u>	<u>-</u>	<u>10,197,223</u>
Total capital assets being depreciated, net	<u>15,226,647</u>	<u>1,232,703</u>	<u>-</u>	<u>16,459,350</u>
Governmental –type activities capital assets, net	<u>\$ 23,637,063</u>	<u>\$ 2,227,889</u>	<u>\$ 1,814,470</u>	<u>\$ 24,050,482</u>

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Franklin County Water & Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 116,478	\$ -	\$ -	\$ 116,478
Construction in progress	<u>2,231,802</u>	<u>4,639,716</u>	-	<u>6,871,518</u>
Total capital assets not being depreciated	<u>2,348,280</u>	<u>4,639,716</u>	-	<u>6,987,996</u>
Capital assets being depreciated:				
Plant and distribution systems	22,127,644	134,132	-	22,261,776
Furniture and maintenance equipment	503,034	-	-	503,034
Vehicles	<u>179,837</u>	<u>66,324</u>	-	<u>246,161</u>
Total capital assets being depreciated	<u>22,810,515</u>	<u>200,456</u>	-	<u>23,010,971</u>
Less accumulated depreciation for:				
Plant and distribution systems	3,742,077	633,465	-	4,375,542
Furniture and maintenance equipment	256,001	51,546	-	307,547
Vehicles	<u>110,550</u>	<u>30,995</u>	-	<u>141,545</u>
Total accumulated depreciation	<u>4,108,628</u>	<u>716,007</u>	-	<u>4,824,635</u>
Total capital assets being depreciated, net	<u>18,701,887</u>	<u>(515,551)</u>	-	<u>18,186,336</u>
Business-type activities capital assets, net	<u>\$ 21,050,167</u>	<u>\$ 4,124,165</u>	<u>\$ -</u>	<u>\$ 25,174,332</u>

Depreciation Expense

Depreciation expense was charged to functions/programs of governmental activity capital assets as follows:

General Government	\$ 152,384
Public Safety	542,961
Economic and Physical Development	139,163
Human Services	125,199
Cultural and Recreational	<u>124,026</u>
Total depreciation expense	<u>\$ 1,083,733</u>

Construction and Other Commitments

At June 30, 2004, the County was obligated under a construction project and the octennial revaluation as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Water and Sewer Project	\$ 4,806,532	\$ 191,076
Other Water Projects	<u>289,938</u>	<u>207,565</u>
	<u>\$ 5,096,470</u>	<u>\$ 398,641</u>

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2004 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 977,081	\$ 851,067	\$ 1,828,148
Other Governmental	<u>32,606</u>	<u>-</u>	<u>32,606</u>
Total - governmental activities	<u>\$ 1,009,687</u>	<u>\$ 851,067</u>	<u>\$ 1,860,754</u>
Business-type Activity:			
Water and Sewer Fund	<u>\$ 309,813</u>	<u>\$ 42,361</u>	<u>\$ 352,174</u>

2. Pension Plan Obligations

a. Local Governmental Employee's Retirement System

Plan Description. Franklin County contributes to the statewide Local Governmental Employee's 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 Employee's 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.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County is 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 4.91% and 4.78% respectively, of annual covered payroll. The contribution requirements of members and of Franklin County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2004, 2003, and 2002 were \$546,437, \$548,175, and \$654,463, respectively. The contributions made by the County and the equaled the required contributions for each year.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

b. Law Enforcement Officers' Special Separation Allowance

Plan Description

Franklin 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. A separate audited pension plan report is not available.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2002, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>42</u>
Total	<u>45</u>

Summary of Significant Accounting Policies

Basis of Accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. 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.

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 contributions based on actuarial valuations. For the current year, the County contributed \$38,438, or 2.93% 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.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

The annual required contribution for the current year was determined as part of the December 31, 2002 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumption included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.9% – 9.8% per year. 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 unfounded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2002 was 29 years.

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

Employer annual required contribution	\$ 34,445
Interest on net pension obligation	14,919
Adjustment to annual required contribution	<u>(11,200)</u>
Annual pension cost	38,074
Contributions made	<u>(34,171)</u>
Increase (decrease) in net pension obligation	3,903
Net pension obligation beginning of year	<u>205,781</u>
Net pension obligation end of year	<u>\$ 209,684</u>

3 Year Trend Information

For Year Ended <u>June 30</u>	Annual Pension Cost <u>(APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2002	\$ 37,163	0%	\$ 187,829
2003	36,556	50.89%	205,781
2004	38,074	89.75%	209,684

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contributions pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. 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 officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2004 were \$86,873, which consisted of \$71,117 from the County and \$15,756 from the law enforcement officers.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

d. Registers of Deed's Supplemental Pension Fund

Plan Description. Franklin 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 four and one-half percent (4.5%) 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, 2004, the County's required and actual contributions were \$18,747.

e. Other Post-employment Benefits

According to a County resolution, the County provides health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least ten years of creditable service with the County. The County pays the full cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the County's group rates. Currently 15 retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2004, the County made payments for postretirement health benefit premiums of \$39,416. The County obtains health care coverage through private insurers.

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government 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 may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2004, the County made contributions to the State for death benefits of \$29,763. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.10% and 0.14% of covered payroll, respectively. The contributions to the Death Benefit plan cannot be separated between the post employment benefit amount and the other benefit amount.

3. Deferred/Unearned Revenues

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

	Deferred Revenue	Unearned Revenue
Prepaid taxes not yet earned		
General Fund	\$ 412,428	\$ 412,428
Special Revenue Fund	24,362	24,362
Taxes receivable, net		
General Fund	1,742,614	-
Special Revenue Fund	140,906	-
Special assessments receivable		
General Fund	149,462	-
Total	\$ 2,469,772	\$ 436,790

4. 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 a self-funded risk-financing pool administered by the North Carolina Association of County Commissioner for its health insurance benefits for employees. The County obtains property coverage from St. Paul Insurance Company. It is equal to replacement cost values of owned property subject to a limit of \$125.5 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. The County is self-funded for workers' compensation coverage up to the statutory limits. The County contracts with Compensation Claims Solutions to administer the plan. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. The pool is 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, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

physical damage, and crime coverage. The County obtains additional specific stop loss coverage for single occurrence losses of \$350,000 for workers' compensation. For health and dental insurance, the county is reinsured through the Pool for individual losses in excess of \$50,000 and aggregate annual losses in excess of 115% of expected claims.

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.

5. Commitments

At June 30, 2004, the County was obligated under an operating lease for office space as follows:

Beginning January 1, 1999 through December 31, 2005 at the rate of \$3.59 per square foot plus taxes and insurance/month for certain office space for aging services. Rent expense for the year ended June 30, 2004 was \$24,120.

At June 30, 2004, the County was obligated under operating leases for land as follows:

Nine (9) parcels of land were rented for trash dumping and recycling centers ranging from \$300 to \$1,200 per year. All leases expired June 30, 2004 with options to extend for an additional year. Options were exercised on all of the leases at June 30, 2004. Rent expense for the year ended June 30, 2004 was \$6,170.

At June 30, 2004, the County was obligated under various operating leases for vehicles and office equipment as follows:

Various agreements expiring from July 2003 to June 2008. Rent expense for the year ended June 30, 2004 was \$42,122.

Total lease expense for the year ended June 30, 2004 was \$72,412. Future lease payments total:

For Year Ending June 30,	
2005	\$ 79,340
2006	69,455
2007	47,422
2008	1,150
Total	<u>\$ 197,367</u>

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

At June 30, 2004, the County was obligated under a commitment as follows:

The County has made and entered into an agreement on September 19, 1993 and amended November 6, 1995 with Waste Management of Carolinas, Inc. to transport certain solid waste from the transfer station to a permitted landfill. This agreement goes into effect with the opening of the Franklin County transfer station for a minimum period of 60 months whereby mutual consent between the two parties extend the term of this agreement for an additional year. Compensation is paid monthly at the following rates:

Hauling cost \$36.94 per ton (annual increase based on increase in CPI)

At June 30, 2004, the County was obligated to purchase water from three local municipalities as follows:

With the Town of Louisburg to purchase at a minimum 80,000 gallons of water per day. The current rate is \$2.55 per thousand gallons. The obligation ends September 20, 2013.

With the City of Henderson to purchase at a minimum 500,000 gallons of water per day. The current rate is \$5.75 per thousand gallons. The obligation ends July 1, 2036.

With the Town of Franklinton to purchase at a minimum 350,000 gallons of water per day. The current rate is \$4.25 per thousand dollars. The obligation ends March 8, 2022.

6. Contingent Liabilities

At June 30, 2004, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

7. Long-Term Obligations

a. Installment Purchases

In September 1993, the County entered into an agreement to purchase the Seaboard Stores building from Carolina Power and Light. The County issued a promissory note secured by the building. The note is payable over an eight year period in installments of \$29, 127 and has an interest rate of 5.5%. Principal and interest requirements are appropriated when due.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

In October 1996, the County entered into an installment purchase contract in the amount of \$347,000 with a bank with the proceeds to be used for improvement of certain county roads to State standards. The obligation is payable in ten annual installments of principal and interest at 5% in the amount of \$44,938 beginning October 1997. Additional information relating to assessments to fund this debt is seen in Note IV. A.3. Principal and interest payments are appropriated when due.

In January 1997, the County entered an installment purchase contact with CP&L in the amount of \$225,000 to purchase certain real estate. The obligation is payable by a down payment of \$20,000 in July 1997 and fourteen annual installments of principal and interest at 4% in the amount of \$19,407 beginning July 1999. Principal and interest payments are appropriated when due.

On April 30, 2001, the County entered into an installment purchase contract with Branch Banking and Trust in the amount of \$4,000,000 to finance school construction. A principal amount of \$133,333 plus interest at 4.81% is due October 30, 2001, and semiannually after that until a final payment due April 30, 2016. Principal and interest payments are appropriated when due.

In January 2004, the County entered into an installment purchase contract to obtain computer equipment for the Register of Deeds. The obligation is due in 30 annual installments beginning February 2004. Interest is at 1.99%. Principal and interest payments are appropriated when due.

In November 2003, the County entered into an installment contract to finance the construction of a communication tower. The obligation is due in 30 separate annual payments beginning December 2003. Interest is at 1.99%. Principal and interest payments are appropriated when due.

b. Long-term 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. Franklin County Water and Sewer Fund issues certificates of participation. These certificates do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the County's property or revenue.

The County's long-term indebtedness at June 30, 2004 is comprised of the following individual issues:

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

Governmental Activities:

General Obligation Bonds

\$9,500,000 1997 School Bonds with interest semiannually on October 1 and April 1 and principal due on April 1 of \$250,000-\$500,000 through 2018, interest payable at 5.7%-5.4% \$ 6,750,000

\$9,500,000 1998 School Bonds with interest semiannually on August 1 and February 1 and principal due on February 1 of \$475,000 through 2019, interest payable at 4.6% 7,125,000
\$ 13,875,000

Certificates of Participation:

\$10,505,000 1999 Franklin County Jail, School and Courthouse Refunding Certificates of Participation with interest semiannually on December 1 and June 1 principal due on June 1 through 2014, interest at 3.1% to 4.75% \$ 6,408,225

\$9,630,000 1996 Franklin County Jail, School and Courthouse Refunding Certificates of Participation and interest semiannually on December 1 and June 1 and principal due on June 1 through 2014, interest at 5.27% 6,344,733
\$ 12,752,958

Business-type Activity:

Revolving Loans

\$1,500,000 2000 Federal Revolving Loan with interest due semiannually on November 1 and May 1 and principal of \$75,000 due May 1 through 2021, interest at 2.6% \$ 1,275,000

\$2,100,000 2000 State Revolving Loan with interest due semiannually on November 1 and May 1 and principal of \$105,000 due May 1 through 2021, interest at 2.6% 1,785,000
\$ 3,060,000

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

Certificates of Participation:

\$2,040,000 1999 Franklin County Water and Sewer Certificates of Participation with interest semiannually on December 1 and June 1 and principal due on June 1 through 2011, interest at 3.1% to 4.5%.	\$ 1,270,000
\$8,995,000 1999 Franklin County Water and Sewer Certificates of Participation with interest semiannually on December 1 and June 1 and principal due on June 1 through 2025, interest at 3.5% to 5.0%.	8,115,000
\$6,500,000 2003 Franklin County Water and Sewer Certificates of Participation with interest semiannually on December 1 and January 1 and principal due on June 1 through 2018, interest at 3.17% to 4.5%.	<u>6,190,210</u> <u>\$ 15,575,210</u>

On June 30, 2004, Franklin County had a legal debt margin of \$169,885,689.

Debt Related to Capital Assets

Of the total Governmental Activities debt above, \$8,160,973 relates to assets still held by the County.

8. Changes in General Long-Term Debt

The following is a summary of changes in general long-term debt for the year ended June 30, 2004:

Governmental Activities:

	Balance <u>July 1, 2003</u>	Additions	Retirements	Balance <u>June 30, 2004</u>	Current <u>Portion</u>
General obligation bonds	\$ 14,850,000	\$ -	\$ 975,000	\$ 13,875,000	\$ 975,000
Certificates of participation	13,890,843	-	1,137,885	12,752,958	1,023,401
Installment purchases	3,820,256	642,000	525,054	3,937,202	575,485
Compensated absences	789,742	898,989	789,742	898,989	898,989
Net pension obligation	<u>205,781</u>	<u>3,903</u>	<u>-</u>	<u>209,684</u>	<u>209,684</u>
Total	<u>\$ 33,556,622</u>	<u>\$ 1,544,892</u>	<u>\$ 3,427,681</u>	<u>\$ 31,673,833</u>	<u>\$ 3,682,559</u>

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

Business-type Activities:

By purpose:

Revolving loans	\$ 3,240,000	\$ -	\$ 180,000	\$ 3,060,000	\$ 180,000
Certificates of participation	9,770,000	6,500,000	694,790	15,575,210	741,657
Compensated absences	<u>30,013</u>	<u>31,661</u>	<u>30,013</u>	<u>31,661</u>	<u>31,661</u>
 Total	 <u>\$ 13,040,013</u>	 <u>\$ 6,531,661</u>	 <u>\$ 904,803</u>	 <u>\$ 18,666,871</u>	 <u>\$ 953,318</u>

In prior years, the general fund has liquidated compensation absences. The net pension obligation has not been liquidated in prior years.

9. Maturities of Long-term Obligations

The following table summarizes the annual requirements to amortize all long-term debt outstanding (excluding compensated absences and net pension obligation).

Governmental Activities:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>		<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 975,000	\$ 688,250	\$ 1,023,402	\$ 608,781
2006	975,000	639,900	1,075,280	561,103
2007	975,000	591,550	1,118,594	510,989
2008	975,000	543,200	1,183,420	458,203
2009	975,000	494,850	1,234,838	402,242
2010-2014	4,875,000	1,748,500	7,117,424	1,047,502
2015-2019	<u>4,125,000</u>	<u>543,750</u>	<u>-</u>	<u>-</u>
	<u>\$ 13,875,000</u>	<u>\$ 5,250,000</u>	<u>\$ 12,752,958</u>	<u>\$ 3,588,820</u>

<u>Year Ending June 30,</u>	<u>Installment Purchases</u>		<u>Total Debt Due</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 575,484	\$ 169,258	\$ 2,573,886	\$ 1,466,289
2006	550,671	148,813	2,600,951	1,349,816
2007	324,649	131,370	2,418,243	1,233,909
2008	282,617	115,690	2,441,037	1,117,093
2009	283,256	102,225	2,493,094	999,317
2010-2014	1,387,191	308,997	13,379,615	3,104,999
2015-2019	<u>533,334</u>	<u>32,066</u>	<u>4,658,334</u>	<u>575,816</u>
	<u>\$ 3,937,202</u>	<u>\$ 1,008,419</u>	<u>\$ 30,565,160</u>	<u>\$ 9,847,239</u>

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

Business-type Activities:

<u>Year Ending June 30,</u>	<u>Revolving Loans</u>		<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 180,000	\$ 79,560	\$ 744,177	\$ 670,391
2006	180,000	74,880	774,488	639,080
2007	180,000	70,200	804,324	612,644
2008	180,000	65,520	834,673	579,461
2009	180,000	60,840	871,085	544,485
2010-2014	900,000	234,000	4,252,191	2,181,001
2015-2019	900,000	117,000	4,109,272	1,272,399
2020-2024	360,000	14,040	2,585,000	550,250
2025	-	-	600,000	30,000
	<u>\$ 3,060,000</u>	<u>\$ 716,040</u>	<u>\$ 15,575,210</u>	<u>\$ 7,079,711</u>

<u>Year Ending June 30,</u>	<u>Total Debt Due</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 924,177	\$ 749,951
2006	954,488	713,960
2007	984,324	682,844
2008	1,014,673	644,981
2009	1,051,085	605,325
2010-2014	5,152,191	2,415,001
2015-2019	5,009,272	1,389,399
2020-2024	2,945,000	564,290
2025	600,000	30,000
	<u>\$ 18,635,210</u>	<u>\$ 7,795,751</u>

10. Conduit Debt Obligations

Franklin County Industrial Facility and Pollution Control Authority has issues 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, 2004, there was one series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$1,955,000.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

C. Interfund Activity

Transfers to/from other funds:

From the General Fund to the Water and Sewer Fund to supplement other funding sources	\$ 1,372,873
From the General Fund to the Fire District Fund to supplement other funding sources	40,700
From the General fund to the Airport Capital Project Fund to supplement other funding sources	16,667
From the General Fund to the Revaluation Project Fund to accumulate reserves for the octennial revaluation of real property	200,000
From the Capital Reserve Fund to the General Fund for the payment of debt service	1,900,000
From the COPS Capital Project Fund to the General Fund for the payment of debt service	11,011
From the Water and Sewer Fund to the General Fund for the payment of debt service	155
From the Schools Capital Project Fund to the General Fund for the payment of debt service	138,964

III. Joint Ventures

The Area Mental Health District was established to provide mental health services for five counties: Franklin, Warren, Granville, Vance, and Nash. Each county has one board member on the Area Mental Health Board, but none individually has authority to designate management. The County contributed \$144,017 to the Area Mental Health during the fiscal year ended June 30, 2004. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2004. The County has an ongoing financial responsibility to the District because of statutory requirements to provide funding. Complete financial statements for the Area Mental Health can be obtained from their administrative offices at 107 Industrial Drive, Louisburg, N.C. 27549.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

The Kerr Area Rural Transportation Authority (K.A.R.T.S.) is an association of five County governments, including Franklin County. K.A.R.T.S. is a joint venture of the participating counties for the purpose of providing a safe, adequate and convenient transportation system for the jurisdictional area creating the authority and its immediate environs. The counties served by K.A.R.T.S. in addition to Franklin County are Granville, Vance, Warren and Person. General support of K.A.R.T.S. is provided by Federal, State and local grants and users' fees. Each county appoints two members of the Authority management body and this governing body determines the budget and financing requirements of the Authority. The County has an ongoing financial responsibility for the joint venture because K.A.R.T.S. continued existence depends on the participant governments' continued findings. The County contributed \$14,682 to K.A.R.T.S. during the fiscal year ended June 30, 2004. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2004. Complete financial statements for K.A.R.T.S. can be obtained from their administrative offices at 943 W. Andrews Avenue, Henderson, N.C. 27536.

The County, in conjunction with the State of North Carolina, Vance County, Granville County, Warren County, Vance County Board of Education, and Warren County Board of Education, participates in a joint venture to operate the Vance Granville Community College. The State, Vance County, Granville County, Vance County Board of Education, and Granville County Board of Education appoint the twelve voting members of the board of trustees. Franklin County appoints a nonvoting member of the board of trustees. 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. 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 \$207,594 and \$15,000 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2004. 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, 2004. Complete financial statements for the community college may be obtained from the community college's administrative offices at P.O. Box 917, Henderson, N.C. 27536.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

IV. Jointly Governed Organization

The Kerr-Tar Council of Government is a voluntary association of five county governments, including Franklin County, established to coordinate federal and State projects of a planning nature in the five-county area in Central North Carolina. Each county appoints one member to the Council's governing body and this governing body selects the management and determines the budget and financing requirements of the Council. The County contributed \$21,112 to the Council during the fiscal year ended June 30, 2004.

V. Supplemental and Additional Supplemental One-Half of One Percent Local Government Sales and Use Taxes

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2004, the County reported these local option sales taxes within its Special Revenue Fund. The County expended the restricted portion of these taxes for public school capital outlays and retirement of public school debt.

VI. Public School Building Bond Act of 1996

The General Assembly passed the Public School Building Bond Act of 1996 to provide for the issuance of \$1.8 billion in State bonds to be used for making grants to counties for qualified public school capital outlay projects. The Department of Public Instruction is responsible for project approval and the distribution of funds. The principal amounts of bonds or notes issued by the State in any twelve-month period may not exceed \$450 million.

Of the total \$1.8 billion authorized, \$30 million will be allocated as grants to counties that have small county school systems, after considering whether the counties demonstrate both greater than average school construction needs and high property tax rates. The primary allocation of \$1.77 billion will be distributed to all counties based on the average daily membership, the ability to pay, and the growth rate of the school administrative units located within each county.

The distribution of the primary allocation is subject to the satisfaction of certain match requirements by the counties. Match requirements may be satisfied by non-State expenditures for public school facilities made on or after January 1, 1992. Franklin County's matching requirement of \$.50 for each dollar of allocated bond proceeds has been fulfilled.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

Because the County has met its matching requirement, the County recognizes revenues equal to the liabilities incurred for approved project expenditures. Franklin County requests bond funds by project for payment of invoices. To date, the County has expended \$17,445,446 of their total allocation of \$17,445,446.

VII. School Facilities Finance Act of 1987

The General Assembly passed the School Facilities Finance Act of 1987 (Act) to assist county governments in meeting their public school facility capital needs. The Act created two State-funded programs for the construction and renewal of school facilities: the Public School Building Capital Fund administered by the office of State Budget and Management and the Critical School Facilities Needs Fund administered by the State Board of Education. The Public School Building Capital Fund may also be used to finance equipment needs under the local school unit's technology plan.

A. Public School Building Capital Fund

This program is funded using a portion of the corporate income taxes, which are imposed on corporations doing business in the State. Each calendar quarter, the Department of Revenue shall remit to the State Treasurer for credit in the fund, an amount equal to the applicable fraction of the net collections of corporate income taxes received during the previous quarter minus \$2.5 million, which it deposits into the Critical School Facilities Needs Fund. For the period from 10/1/1999 to 9/30/2000, the applicable fraction was one-fourteenth (1/14) of the net collections; for periods after 9/30/2000, the applicable fraction is five sixty-ninths (5/69) of the net collections of corporate taxes.

Monies in the fund are allocated to Franklin County on the basis of the average daily membership (ADM) for Franklin County Board of Education as determined and certified by the State Board of Education. The Office of State Budget and Management establishes and maintains an ADM allocation account for the County. At June 30, 2004, the balance of the County's ADM allocation account was \$341,805. The County must match this balance on the basis of one dollar for every three dollars of State funds for financing the school unit's facilities capital needs. The local school technology plan does not require a county match.

After approving a school capital project authorized by the Act, the Office of State Budget and Management will transfer funds from the County's ADM allocation account to its disbursing account maintained with the State Treasurer. At June 30, 2004, the County's disbursing account had a balance of \$0.

Funds in the allocation and disbursing accounts are considered State moneys until the County issues warrants to disburse them. At that time, they are recognized in the County's General Fund as restricted intergovernmental revenue.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

B. Critical School Facilities Needs Fund

This program is funded by the net collections of State income taxes imposed on corporations and received by the Department of Revenue. Each quarter, the Department of Revenue deposits \$2.5 million into the fund.

The Commission on School Facilities Needs established a priority list of the counties receiving grants. The Commission on School Facilities Needs has since been abolished. Grants are awarded by the State Board of Education based on the grant priority list. A joint application must have been made by the Franklin County Board of Commissioners and the Franklin County Board of Education. The Boards did not submit a grant application.

VIII. 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, that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients, which do not appear in the general purpose financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Temporary Assistance to Needy Families	\$ 484,458	\$ -
Medicaid	29,035,028	12,706,688
Food Stamp Program	4,461,329	-
Energy Assistance	123,159	-
Adoption Assistance	134,838	39,978
State/County Special Assistance for Adults	-	478,102
Title IV – E Foster Care	56,784	10,361
Special Supplemental Nutrition program for Women, Infants, And Children	<u>-</u>	<u>600,720</u>
	<u>\$ 31,298,596</u>	<u>\$ 13,835,849</u>

IX. 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.

Franklin County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2004

X. Significant Effect of Subsequent Event

In August 2004, the County approved a bond referendum in the amount of \$30,000,000. The referendum was approved by the public in November 2004.

In September 2004, the County issued installment debt in the amount of \$1,750,000, for the purpose of renovating a building and construction of a new transfer station. Payments begin September 2005 and continue for ten years. Interest is at 3.85%.

REQUIRED SUPPLEMENTAL INFORMATION

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

Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance

Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance

Franklin County, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/1993	\$ -	\$ 60,813	\$ 60,813	0.00%	\$ 594,940	10.22%
12/31/1995	-	98,806	98,806	0.00%	738,941	13.37%
12/31/1996	-	117,702	117,702	0.00%	812,112	14.49%
12/31/1997	-	137,416	137,416	0.00%	884,420	15.54%
12/31/1998	-	164,981	164,981	0.00%	1,000,145	16.50%
12/31/1999	-	176,025	176,025	0.00%	1,171,956	15.02%
12/31/2000	-	264,180	264,180	0.00%	1,233,208	21.42%
12/31/2001	-	244,371	244,371	0.00%	1,246,941	19.60%
12/31/2002	-	287,065	287,065	0.00%	1,203,218	23.86%
12/31/2003	-	317,852	317,852	0.00%	1,287,731	24.68%

Franklin County, North Carolina
Law Enforcements Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

Year ended June 30	Annual Required Contribution	Percentage Contributed
1997	\$ 17,069	0.00%
1998	19,798	0.00%
1999	22,435	0.00%
2000	26,186	0.00%
2001	29,610	0.00%
2002	33,028	0.00%
2003	33,028	0.00%
2004	34,445	0.00%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Only seven years of actuarial information is available. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2003
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	27 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5.9-9.8%
Includes inflation at	3.75%
Cost-of-living adjustments	n/a

COMBINING AND INDIVIDUAL SCHEDULES – GOVERNMENTAL FUNDS

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

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Capital Reserve Fund - This is the County's Fund to account for money held for future capital purposes.

Fire District Fund - This fund accounts for tax revenues collected by the County on behalf of the various fire districts within the County.

Revaluation Fund - The County uses this fund to set aside money each year to pay for the revaluation for tax purposes of real property every eight years.

Emergency Telephone System Fund - This fund accounts for the 911 revenues collected by the telephone industry to fund the 911 emergency system.

DEA Fund - This fund accounts for money received for drug control purposes.

Solid Waste Capital Reserve Fund - This fund accounts for assets to be used for a future capital project.

Golden Leaf Foundation Fund - This fund accounts for money received from the Golden Leaf Foundation.

Community Development Fund - This fund accounts for Community Development Block Grant funds.

Revaluation Project Fund - This fund accounts for expenditures for the octennial revaluation of real property.

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

COPS Capital Project Fund - This fund accounts for capital projects financed by certificates of participation.

Airport Projects Fund - This fund accounts for the construction at the Franklin County Airport.

School Capital Construction Fund - This fund accounts for the construction of school buildings within the County.

Franklin County, North Carolina
General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2004
 (With Comparative Totals For the Year Ended June 30, 2003)

	2004		Variance Positive (Negative)	2003
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Taxes	\$	\$ 24,553,684	\$	\$ 23,342,966
Penalties and interest		301,596		294,306
Total	<u>24,461,525</u>	<u>24,855,280</u>	<u>393,755</u>	<u>23,637,272</u>
Local option sales taxes:				
Article 39 one percent		2,006,143		1,967,264
Article 40 one-half of one percent		1,645,065		1,520,280
Article 42 one-half of one percent		1,635,926		864,493
Article 44		1,181,395		651,311
Total	<u>5,839,285</u>	<u>6,468,529</u>	<u>629,244</u>	<u>5,003,348</u>
Other taxes and licenses:				
Privilege licenses	500	2,448	1,948	2,533
Unrestricted intergovernmental:				
Gasoline tax refund	25,000	58,677		18,969
State DWI fees	5,250	9,167		12,332
Beer and wine tax	-	186,425		179,305
Tire disposal fees	35,000	55,629		44,563
Total	<u>65,250</u>	<u>309,898</u>	<u>244,648</u>	<u>255,169</u>
Restricted intergovernmental:				
Federal and State grants	5,935,039	5,880,205		5,405,038
Court facility fees	95,000	119,979		88,785
ABC bottles taxes	10,500	10,971		11,403
Total	<u>6,040,539</u>	<u>6,011,155</u>	<u>(29,384)</u>	<u>5,505,226</u>
Permits and fees:				
Building permits	70,000	72,204		80,697
Inspection fees	552,920	624,529		559,649
Register of Deeds fees	535,000	615,380		571,861
Total	<u>1,157,920</u>	<u>1,312,113</u>	<u>154,193</u>	<u>1,212,207</u>
Sales and services:				
Rents, concessions, and fees	128,665	149,675		106,316
Health fees	3,639,900	3,279,069		3,345,824
Social services	317,462	364,112		551,077
Aging services	194,502	159,642		157,174
Sheriff and Jail fees	1,003,175	939,792		683,718
Library fees and donations	21,500	26,408		20,724
Solid waste fees	1,195,235	1,249,511		1,221,965
Ambulance and rescue squad fees	806,000	860,423		823,954
Other	261,519	134,810		158,437
Total	<u>7,567,958</u>	<u>7,163,442</u>	<u>(404,516)</u>	<u>7,069,189</u>
Investment earnings	200,000	249,954	49,954	319,529
Miscellaneous:				
Donations and private grants	599,072	197,608		93,670
Insurance proceeds	40,947	26,066		68,434
Special assessments	44,000	66,963		61,645
Other	193,486	124,999		22,850
Total	<u>877,505</u>	<u>415,636</u>	<u>(461,869)</u>	<u>246,599</u>
Total revenues	<u>46,210,482</u>	<u>46,788,455</u>	<u>577,973</u>	<u>43,251,072</u>

(continued)

Franklin County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004
(With Comparative Totals for the Year Ended June 30, 2003)

	2004		Variance Positive (Negative)	2003
	Budget	Actual		Actual
Expenditures:				
General government:				
Governing body:				
Salaries and employee benefits		71,007		62,506
Other operating expenditures		42,850		38,730
Insurance other than property		3,000		4,534
Total	122,686	116,857	5,829	105,770
Administration:				
Salaries and employee benefits		223,017		229,512
Other operating expenditures		121,658		33,370
Payroll taxes		-		-
Legal and professional		148,171		68,609
Total	555,670	492,846	62,824	331,491
Elections:				
Salaries and employee benefits		140,167		129,978
Other operating expenditures		70,266		111,121
Total	258,317	210,433	47,884	241,099
Finance:				
Salaries and employee benefits		227,775		211,449
Other operating expenditures		56,437		42,332
Total	284,784	284,212	572	253,781
Taxes:				
Salaries and employee benefits		750,343		529,405
Other operating expenditures		165,339		175,003
Total	947,064	915,682	31,382	704,408
Register of Deeds:				
Salaries and employee benefits		211,678		205,456
Other operating expenditures		201,396		78,701
Capital outlay		156,390		-
Total	589,763	569,464	20,299	284,157
Public buildings:				
Salaries and employee benefits		438,969		359,068
Other operating expenditures		274,889		272,008
Land and building purchases		-		53,354
Capital outlay		68,066		57,367
Total	812,150	781,924	30,226	741,797
Court facilities:				
Operating expenditures	80,200	65,765	14,435	57,455
GIS Mapping:				
Salaries and employee benefits		134,954		118,275
Other operating expenditures		45,586		57,390
Total	199,491	180,540	18,951	175,665
Other general government				
	-	-	-	77,318
Total general government	3,850,125	3,617,723	232,402	2,972,941

Franklin County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004
(With Comparative Totals for the Year Ended June 30, 2003)

	2004		Variance Positive (Negative)	2003
	Budget	Actual		Actual
Public safety:				
Sheriff and communications:				
Salaries and employee benefits		2,183,525		1,846,161
Other operating expenditures		604,065		480,807
Capital outlay		159,397		150,605
Total	3,089,573	2,946,987	142,586	2,477,573
Jail:				
Salaries and employee benefits		1,074,353		912,556
Other operating expenditures		548,311		417,833
Capital outlay		20,620		
Total	1,672,293	1,643,284	29,009	1,330,389
Jail nutrition:				
Salaries and employee benefits		160,211		142,157
Other operating expenditures		331,031		289,341
Total	517,593	491,242	26,351	431,498
Medical examiner:				
Contracted services	15,000	8,825	6,175	13,600
Emergency management:				
Salaries and employee benefits		154,040		131,877
Other operating expenditures		208,535		47,253
Total	463,737	362,575	101,162	179,130
Fire:				
Forest fire control service	89,040	78,191	10,849	61,876
Code enforcement:				
Salaries and employee benefits		406,487		377,183
Other operating expenditures		49,255		63,371
Capital outlay		26,736		16,677
Total	552,920	482,478	70,442	457,231
Emergency communications:				
Salaries and employee benefits		489,822		433,942
Other operating expenditures		30,271		54,970
Capital outlay		53,563		-
Total	624,544	573,656	50,888	488,912
Rescue units:				
Salaries and employee benefits		1,354,538		1,241,568
Rescue units		557,347		524,541
Other operating expenditures		186,094		140,936
Capital outlay		-		158,180
Total	2,155,769	2,097,979	57,790	2,065,225
Animal control:				
Salaries and employee benefits		150,130		135,484
Other operating expenditures		9,672		68,742
Capital outlay		28,826		16,695
Total	192,254	188,628	3,626	220,921
Community-based alternatives				
Salaries and employee benefits		41,656		37,460
Other operating expenditures		6,383		7,882
Total	48,902	48,039	863	45,342
Other public safety				143,297
Total public safety	9,421,625	8,921,884	499,741	7,914,994

(continued)

Franklin County, North Carolina
General Fund
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004
(With Comparative Totals for the Year Ended June 30, 2003)

	2004		Variance Positive (Negative)	2003
	Budget	Actual		Actual
Economic and physical development:				
Agricultural extension:				
Salaries and employee benefits		50,684		147,798
Other operating expenditures		242,142		103,323
Total	379,107	292,826	86,281	251,121
Soil and water conservation:				
Salaries and employee benefits		176,167		111,571
Other operating expenditures		16,799		9,653
Total	204,825	192,966	11,859	121,224
Nutrient management:				
Salaries and employee benefits		6,828		34,048
Other operating expenditures		52		3,156
Total	48,946	6,880	42,066	37,204
Industrial development:				
Salaries and employee benefits		121,450		107,523
Other operating expenditures		115,700		58,241
Capital outlay		360,623		-
Total	766,964	597,773	169,191	165,764
Planning:				
Salaries and employee benefits		299,648		229,842
Other operating expenditures		32,486		46,210
Capital outlay		-		16,677
Total	367,601	332,134	35,467	292,729
Airport:				
Operating expenditures		22,330		18,843
Contracted services		20,000		19,700
Total	47,948	42,330	5,618	38,543
Landfill:				
Salaries and employee benefits		529,598		307,284
Other operating expenditures		2,392,638		2,613,173
Capital outlay		350,000		-
Total	4,681,231	3,272,236	1,408,995	2,920,457
Other economic & physical development	-	-	-	64,800
<u>Total economic & physical development</u>	6,496,622	4,737,145	1,759,477	3,891,842
Human services:				
Health:				
Administration:				
Salaries and employee benefits		592,956		565,933
Other operating expenditures		154,005		144,901
Capital outlay		34,366		-
Total	1,024,575	781,327	243,248	710,834
Health clinic:				
Salaries and employee benefits		1,475,155		1,355,624
Contractual services		334,958		274,888
Other operating expenditures		284,551		299,328
Capital outlay		20,051		-
Total	2,320,256	2,114,715	205,541	1,929,840

(continued)

Franklin County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004
 (With Co+A271mparative Totals for the Year Ended June 30, 2003)

	2004		Variance Positive (Negative)	2003
	Budget	Actual		Actual
Home health:				
Salaries and employee benefits		828,521		791,254
Contractual services		165,314		153,328
Other operating expenditures		332,225		319,965
Capital outlay		11,533		-
Total	1,424,379	1,337,593	86,786	1,264,547
Dental health:				
Salaries and employee benefits		176,662		127,438
Other operating expenditures		308,332		339,604
Total	581,814	484,994	96,820	467,042
Total health	5,351,024	4,718,629	632,395	4,372,263
Social services:				
Administration:				
Salaries and employee benefits		3,591,468		3,233,152
Other operating expenditures		532,325		497,906
Professional services		-		54,725
Capital outlay		16,388		17,668
Total	4,406,704	4,140,181	266,523	3,803,451
Medicaid program:				
Assistance payments	2,691,000	2,232,008	458,992	2,405,656
Special assistance program:				
Assistance payments	527,486	478,102	49,384	488,643
Work First:				
Assistance payments	81,040	38,687	42,353	70,456
Foster care:				
Assistance payments	454,011	485,292	(31,281)	441,789
Crisis intervention:				
Assistance payments	143,485	111,769	31,716	159,270
Day Care program:				
Assistance payments	1,810,081	1,767,530	42,551	1,653,738
Other assistance:				
Assistance payments	162,910	128,133	34,777	97,178
Chore services:				
Salaries and employee benefits				5,369
Other operating expenditures		28,314		25,073
Total	51,353	28,314	23,039	30,442
Total social services	10,328,070	9,410,016	918,054	9,150,623
Aging program:				
Salaries and employee benefits		574,188		530,981
Contracted services		170,660		163,905
Other operating expenditures		209,158		182,564
Total	1,038,934	954,006	84,928	877,450

(continued)

Franklin County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004
(With Comparative Totals for the Year Ended June 30, 2003)

	2004		Variance Positive (Negative)	2003
	Budget	Actual		Actual
Mental health administration:				
Contracted services	144,017	144,017	-	144,017
Veterans service office:				
Salaries and employee benefits		54,394		48,609
Other operating expenditures		6,822		4,062
Total	61,228	61,216	12	52,671
Other local organizations:				
Direct payments	17,150	17,150	-	34,300
<u>Total human services</u>	<u>16,940,423</u>	<u>15,305,034</u>	<u>1,635,389</u>	<u>14,631,324</u>
Cultural and recreational:				
Arts and Recreation:				
Salaries and employee benefits		233,323		180,397
Other operating expenditures		248,118		134,075
Capital outlay		21,401		69,561
Total	618,721	502,842	115,879	384,033
Libraries:				
Salaries and employee benefits		444,259		385,825
Other operating expenditures		86,761		119,790
Books, magazines & telecommunications		92,232		111,093
Total	683,721	623,252	60,469	616,708
Other cultural and recreational	-	-	-	14,700
<u>Total culture and recreation</u>	<u>1,302,442</u>	<u>1,126,094</u>	<u>176,348</u>	<u>1,015,441</u>
Education:				
Public schools - current	8,164,500	8,164,500		7,953,910
Public schools - capital outlay	1,200,559	1,200,559		1,059,450
Community colleges - current	207,594	207,594		194,744
Community colleges - capital outlay	15,000	15,000		14,700
<u>Total education</u>	<u>9,587,653</u>	<u>9,587,653</u>	<u>-</u>	<u>9,222,804</u>
Debt service:				
Principal retirement	2,480,750	2,480,253	497	2,591,256
Interest and fees	1,737,374	1,583,813	153,561	1,702,372
<u>Total debt service</u>	<u>4,218,124</u>	<u>4,064,066</u>	<u>154,058</u>	<u>4,293,628</u>
Total expenditures	51,817,014	47,359,599	4,457,415	43,942,974
Revenues under expenditures	(5,606,532)	(571,144)	5,035,388	(691,902)

Franklin County, North Carolina
General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2004
 (With Comparative Totals For the Year Ended June 30, 2003)

	2004		Variance Favorable (Unfavorable)	2003
	Budget	Actual		Actual
Other financing sources (uses)				
Transfers to other funds:				
Fire District Fund	(40,700)	(40,700)		(40,080)
Revaluation Project Fund	(200,000)	(200,000)		(150,000)
Airport Capital Project Fund	(16,667)	(16,667)		(30,000)
Water and Sewer Fund	(1,372,961)	(1,372,961)		(1,000,000)
Total transfers out	<u>(1,630,328)</u>	<u>(1,630,328)</u>	-	<u>(1,220,080)</u>
Transfers from other funds				
Capital Reserve Fund	1,900,000	1,900,000		2,540,000
Solid Waste Capital Reserve Fund	-	-		604,511
COPS Capital Project Fund	20,000	11,078		8,146
Schools Capital Project Fund	-	138,964		-
Water and Sewer Capital Project Fund	-	88		193
Total transfers in	<u>1,920,000</u>	<u>2,050,130</u>	<u>130,130</u>	<u>3,152,850</u>
Loan proceeds	<u>1,467,000</u>	<u>167,000</u>	<u>(1,300,000)</u>	<u>-</u>
Sale of fixed assets	<u>110,000</u>	<u>177,172</u>	<u>67,172</u>	<u>2,397</u>
Total other financing sources (uses) - net	<u>1,866,672</u>	<u>763,974</u>	<u>(1,102,698)</u>	<u>1,935,167</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(3,739,860)</u>	<u>192,830</u>	<u>3,932,690</u>	<u>1,243,265</u>
Appropriated fund balance	<u>3,739,860</u>	<u>-</u>	<u>(3,739,860)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over expenditures and other uses	<u>\$ -</u>	<u>192,830</u>	<u>\$ 192,830</u>	<u>1,243,265</u>
Fund balances				
Beginning of year, July 1		<u>13,505,948</u>		<u>12,262,683</u>
End of year, June 30		<u>\$ 13,698,778</u>		<u>\$ 13,505,948</u>

Franklin County, North Carolina
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2004

	Special Revenue Funds										Capital Projects Funds				Total Nonmajor Governmental Funds
	Capital Reserve Fund	Fire District Fund	Revaluation Fund	Emergency Telephone System Fund	DEA Fund	Solid Waste Capital Reserve Fund	Golden Leaf Foundation Fund	Community Development Fund	Revaluation Project Fund	Total Nonmajor Special Revenue Funds	COPS Capital Projects Fund	Airport Projects Fund	School Capital Construction Fund	Total Capital Projects Funds	
Assets															
Cash and cash equivalents	\$ 582,277	\$ 234,868	\$ 107	\$ 604,942	\$ 15,340	\$ 1,333,803	\$ 78,998	\$ 3,068	\$ 371,454	\$ 3,224,855	\$ -	\$ 236,439	\$ -	\$ 3,481,294	
Accounts receivable, net	-	-	-	54,615	-	-	-	-	-	54,615	-	-	-	54,615	
Texas receivable, net	-	140,828	-	-	36	55,896	-	-	-	198,824	-	-	-	198,824	
Due from other governments	350,361	-	-	-	-	-	-	70,157	-	420,554	-	64,093	-	484,647	
Restricted assets:															
Cash reserved for debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total assets	\$ 932,638	\$ 375,706	\$ 107	\$ 659,557	\$ 15,376	\$ 1,389,699	\$ 78,998	\$ 73,225	\$ 371,454	\$ 3,806,848	\$ 837,452	\$ 300,532	\$ -	\$ 5,034,632	
Liabilities and Fund Balances															
Liabilities:															
Accounts payable and accrued liabilities	\$ -	\$ 3,882	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,351	\$ 20,813	\$ 30,948	\$ -	\$ 1,000	\$ -	\$ 32,806	
Deferred revenue	164,965	-	-	-	305	-	-	-	-	165,268	-	-	-	165,268	
Total liabilities	-	168,845	-	-	-	305	-	6,351	20,813	196,214	-	1,000	-	197,874	
Fund balances:															
Reserved by State statute	350,361	-	-	54,615	36	55,896	-	70,157	-	530,885	-	-	-	530,885	
Reserved for debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unreserved:															
Designated for subsequent year's expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unassigned	582,277	207,151	107	74,101	15,340	1,300,000	78,998	(3,293)	350,541	1,374,101	14,250	14,250	14,250	1,388,351	
Total fund balances	932,638	207,151	107	659,557	15,376	1,389,104	78,998	68,874	350,541	3,700,034	837,452	284,622	-	2,060,096	
Total liabilities and fund balances	\$ 932,638	\$ 375,706	\$ 107	\$ 659,557	\$ 15,376	\$ 1,389,699	\$ 78,998	\$ 73,225	\$ 371,454	\$ 3,806,848	\$ 837,452	\$ 300,532	\$ -	\$ 5,034,632	

Franklin County, North Carolina
 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 June 30, 2004

	Special Revenue Funds										Capital Projects Funds				Total Nonmajor Governmental Funds
	Capital Reserve Fund	Fire District Fund	Revaluation Fund	Emergency Telephone System Fund	DEA Fund	Solid Waste Capital Reserve Fund	Golden Leaf Foundation Fund	Community Development Fund	Revaluation Project Fund	Nonmajor Special Revenue Funds	Total Nonmajor Special Revenue Funds	COPS Capital Projects Fund	Airport Projects Fund	School Capital Construction Fund	
Revenues															
Ad valorem taxes		\$ 1,559,270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local option sales taxes	1,910,815														
Other taxes and licenses				270,618											
Restricted intergovernmental				96,799	17,575		211,860	545,874		270,819				464,492	
Miscellaneous									55	872,108					
Investment earnings										55					
Total revenues	1,910,815	1,559,270		367,418	17,575		211,860	545,874	55	4,612,667	7,520	464,492		7,520	5,084,878
Expenditures															
Current:															
General government										318,456					318,456
Public safety		1,589,760		550,383						2,140,163					2,140,163
Economic and physical development								558,476		558,476					558,476
Education							416,873			416,873					416,873
Capital outlay					2,711					2,711					2,711
Total expenditures		1,589,760		550,383	2,711		416,873	558,476		3,438,479	7,520	579,917		579,917	4,018,396
Revenue over (under) expenditures	1,910,815	(30,510)		(182,965)	14,864		(204,813)	(12,602)	(318,401)	1,176,388	7,520	(115,425)		(107,695)	1,069,483
Other financing sources (uses)															
Proceeds from long-term debt				475,000						475,000					475,000
Transfers from other funds		40,700							200,000	240,700		16,667		16,667	475,000
Transfers to other funds	(1,900,000)									(1,900,000)		(11,078)		(139,964)	257,367
Total other financing sources (uses)		40,700		475,000					200,000	(1,184,300)		19,667		(139,964)	(2,050,042)
net	10,815	10,190		292,035	14,864		(204,813)	(12,602)	(118,401)	(7,912)	(3,559)	(98,759)		(133,375)	(1,317,675)
Net changes in fund balances															
Fund balances															
Beginning of year, July 1	921,823	196,961		367,522	512	1,389,194	283,609	79,476	469,842	3,706,346	841,010	397,630	139,964	1,377,604	5,965,950
End of year, June 30	932,638	207,151		659,657	15,376	1,389,194	78,996	66,874	350,541	3,700,434	837,452	298,872		\$ 1,136,324	\$ 4,836,758

Franklin County, North Carolina
Capital Reserve Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004

	2004		Variance Positive (Negative)	2003
	Budget	Actual		Actual
Revenues				
Local option sales tax	\$ 1,900,000	\$ 1,910,815	\$ 10,815	\$ 1,950,726
Interest earnings	-	-	-	26,008
Total revenues	<u>1,900,000</u>	<u>1,910,815</u>	<u>10,815</u>	<u>1,976,734</u>
Other financing uses				
Transfer to General Fund	<u>(1,900,000)</u>	<u>(1,900,000)</u>	-	<u>(2,540,000)</u>
Revenues over (under) other financing uses	<u>\$ -</u>	10,815	<u>\$ 10,815</u>	(563,266)
Fund balances				
Beginning of year, July 1		<u>921,823</u>		<u>1,485,089</u>
End of year, June 30		<u>\$ 932,638</u>		<u>\$ 921,823</u>

Franklin County, North Carolina
Fire District Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004

	2004		Variance Positive (Negative)	2003
	Budget	Actual		Actual
Revenues				
Ad valorem taxes	\$ 1,559,390	\$ 1,559,270	\$ (120)	\$ 1,471,636
Expenditures				
Public safety - E911				
Central Franklin Fire District	152,000	152,000	-	152,000
Epsom Fire District	61,000	61,000	-	60,000
Gold Sand Fire District	45,000	45,000	-	40,000
Justice Fire District	65,075	65,075	-	50,000
Kittrell Fire District	1,000	1,000	-	380
Pilot Fire District	119,000	119,000	-	105,000
White Level Fire District	60,000	60,000	-	50,916
Brassfield Fire District	6,700	6,700	-	6,200
Mitchiners Crossroads Fire District	94,900	94,900	-	92,900
Hopkins Fire District	6,780	6,780	-	5,700
Franklinton Fire District	170,000	163,370	6,630	156,602
Youngsville Fire District	508,000	508,000	-	443,700
Bunn Fire District	263,935	263,935	-	251,750
Castalia Fire District	1,200	1,200	-	1,200
Centerville Fire District	45,500	41,820	3,680	39,187
Total expenditures	<u>1,600,090</u>	<u>1,589,780</u>	<u>10,310</u>	<u>1,455,535</u>
Revenues over (under) expenditures	<u>(40,700)</u>	<u>(30,510)</u>	<u>(10,430)</u>	<u>16,101</u>
Other financing sources				
Transfer from General Fund	40,700	40,700	-	40,080
Revenues and other sources over expenditures	<u>\$ -</u>	<u>10,190</u>	<u>\$ (10,430)</u>	<u>56,181</u>
Fund balances				
Beginning of year, July 1		196,961		140,780
End of year, June 30		<u>\$ 207,151</u>		<u>\$ 196,961</u>

Franklin County, North Carolina
Revaluation Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2004

	2004		Variance Positive (Negative)	2003
	Budget	Actual		Actual
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-
Excess of revenues over expenditures	\$ -	-	\$ -	-
Fund balances				
Beginning of year, July 1		107		107
End of year, June 30		\$ 107		\$ 107

Franklin County, North Carolina
Emergency Telephone System Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004

	2004		Variance Positive (Negative)	2003
	Budget	Actual		Actual
Revenues				
Other taxes and licenses				
E911 fees	\$ 240,000	\$ 270,619	\$ 30,619	\$ 258,691
Restricted intergovernmental				
Wireless communications	85,000	96,799	11,799	99,921
Interest earnings	2,000	-	(2,000)	-
Total revenues	327,000	367,418	40,418	358,612
Expenditures				
Public safety - E911				
Operating expenses	149,000	118,120	30,880	145,450
Debt service:				
Interest	4,975	4,985	(10)	-
Principal	124,760	124,947	(187)	-
Capital outlay	486,265	275,498	210,767	515,114
Total	765,000	523,550	30,683	660,564
Public safety - wireless communications				
Operating expenses	37,000	26,833	10,167	11,477
Total expenditures	802,000	550,383	40,850	672,041
Revenues under expenditures	(475,000)	(182,965)	81,268	(313,429)
Other financing sources				
Proceeds from long term debt	475,000	475,000	-	-
Revenues and other sources over (under) expenditures	\$ -	292,035	\$ 81,268	(313,429)
Fund balances				
Beginning of year, July 1		367,522		680,951
End of year, June 30		\$ 659,557		\$ 367,522

Franklin County, North Carolina
 DEA Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2004

	2004		Variance Positive (Negative)	2003
	Budget	Actual		Actual
Revenues				
Restricted intergovernmental	\$ 7,500	\$ 17,575	\$ 10,075	\$ 4,634
Expenditures				
Public safety				
Operating expenses	7,500	2,711	-	17,844
Revenues over (under) expenditures	<u>\$ -</u>	14,864	<u>\$ 10,075</u>	(13,210)
Fund balances				
Beginning of year, July 1		512		13,722
End of year, June 30		<u>\$ 15,376</u>		<u>\$ 512</u>

Franklin County, North Carolina
Solid Waste Capital Reserve Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004

	2004		Variance Positive (Negative)	2003
	Budget	Actual		Actual
Revenues	\$ -	\$ -	\$ -	\$ 157,766
Other financing uses	-	-	-	(604,511)
Excess of revenues over uses	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	(446,745)
Fund balances				
Beginning of year, July 1		<u>1,389,194</u>		<u>1,835,939</u>
End of year, June 30		<u>\$ 1,389,194</u>		<u>\$ 1,389,194</u>

Franklin County, North Carolina
Golden Leaf Foundation Project
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 From Inception and for the Year Ended June 30, 2004

	Project Author- ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental					
Golden Leaf Foundation	\$ 1,975,000	\$ 597,833	\$ 211,860	\$ 809,693	\$ (1,165,307)
State grants	75,000	21,251	-	21,251	(53,749)
Contributions	151,943	-	-	-	(151,943)
Federal grants	97,447	-	-	-	(97,447)
Interest earnings	8,670	-	-	-	(8,670)
Total	<u>2,308,060</u>	<u>619,084</u>	<u>211,860</u>	<u>830,944</u>	<u>(1,477,116)</u>
Expenditures					
Education	<u>2,442,006</u>	<u>335,275</u>	<u>416,673</u>	<u>751,948</u>	<u>1,690,058</u>
Revenues over (under) expenditures	<u>(133,946)</u>	<u>283,809</u>	<u>(204,813)</u>	<u>78,996</u>	<u>212,942</u>
Other financing sources					
Transfers from other funds	<u>133,946</u>	<u>133,946</u>	<u>-</u>	<u>133,946</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 417,755</u>	<u>(204,813)</u>	<u>\$ 212,942</u>	<u>\$ 212,942</u>
Fund balance					
Beginning of year, July 1			<u>283,809</u>		
End of year, June 30			<u>\$ 78,996</u>		

Franklin County, North Carolina
Community Development Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2004

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental					
CDBG 01-C-0951	\$ -	\$ 1,500	\$ -	\$ 1,500	\$ 1,500
CDBG 02-C-0951	516,250	56,060	342,384	398,444	(117,806)
CDBG 03-C-0951	700,000	7,388	203,490	210,878	(489,122)
Crisis Housing Assistance	1,968,220	1,298,635	-	1,298,635	(669,585)
Other grants	1,235,600	258,252	-	258,252	(977,348)
Total revenues	<u>4,420,070</u>	<u>1,621,835</u>	<u>545,874</u>	<u>2,167,709</u>	<u>(2,252,361)</u>
Expenditures					
Economic and physical development					
CDBG 02-C-0951	400,000	50,961	334,259	385,220	14,780
CDBG 03-C-0951	700,000	7,516	204,507	212,023	487,977
CDBG Scattered Site	505,600	-	-	-	505,600
Crisis Housing Assistance	2,555,720	1,274,843	16,107	1,290,950	1,264,770
NC Housing Finance	315,000	206,880	3,603	210,483	104,517
Total expenditures	<u>4,476,320</u>	<u>1,540,200</u>	<u>558,476</u>	<u>2,098,676</u>	<u>2,377,644</u>
Revenues over (under) expenditures	<u>(56,250)</u>	<u>81,635</u>	<u>(12,602)</u>	<u>69,033</u>	<u>125,283</u>
Other financing sources					
Transfer from General Fund	<u>56,250</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>(26,250)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 111,635</u>	<u>(12,602)</u>	<u>\$ 99,033</u>	<u>\$ 99,033</u>
Fund balance					
Beginning of year, July 1			<u>79,476</u>		
End of year, June 30			<u>\$ 66,874</u>		

Franklin County, North Carolina
 Revaluation Project Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 From Inception and for the Year Ended June 30, 2004

	Project Author- ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Miscellaneous revenues	\$ -	\$ 342	\$ 55	\$ 397	\$ 397
Expenditures					
Appraisal services	836,500	452,854	318,456	771,310	65,190
Revenues under expenditures	<u>(836,500)</u>	<u>(452,512)</u>	<u>(318,401)</u>	<u>(770,913)</u>	<u>65,587</u>
Other financing sources					
Transfer from General Fund	422,500	150,000	200,000	350,000	(72,500)
Transfer from Special Revenue Fund	414,000	-	-	-	(414,000)
Total other financing sources	<u>836,500</u>	<u>150,000</u>	<u>200,000</u>	<u>350,000</u>	<u>(486,500)</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (302,512)</u>	(118,401)	<u>\$ (420,913)</u>	<u>\$ (420,913)</u>
Fund balance					
Beginning of year, July 1			468,942		
End of year, June 30			<u>\$ 350,541</u>		

Franklin County, North Carolina
COPS Capital Project Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 From Inception and for the Year Ended June 30, 2004

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Investment earnings	\$ -	\$ 11,679	\$ 7,520	\$ 19,199	\$ 19,199
Other financing uses					
Transfer to General Fund	(30,000)	(8,146)	(11,078)	(19,224)	10,776
Revenues over uses	(30,000)	3,533	(3,558)	(25)	29,975
Appropriated fund balance	30,000	-	-	-	(30,000)
Revenues and appropriated fund balance over uses	<u>\$ -</u>	<u>\$ (3,533)</u>	(3,558)	<u>\$ 25</u>	<u>\$ (25)</u>
Fund balance					
Beginning of year, July 1			841,010		
End of year, June 30			<u>\$ 837,452</u>		

Franklin County, North Carolina
Airport Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2004

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental:					
Federal grant	\$ 450,000	\$ 115,202	\$ 184,798	\$ 300,000	\$ (150,000)
State grant	770,000	144,391	279,694	424,085	(345,915)
Total revenues	<u>1,220,000</u>	<u>259,593</u>	<u>464,492</u>	<u>724,085</u>	<u>(495,915)</u>
Expenditures					
Capital outlay:					
Project No. 36244.43.6.1	300,000	-	15,988	15,988	284,012
Project No. 36237.31.5.1	166,667	-	5,636	5,636	161,031
Project No. 36237.31.3.1	166,667	49,918	100,586	150,504	16,163
Project No. 9-9236021	166,667	-	104,745	104,745	61,922
Project No. 36244.43.5.2	300,000	-	300,000	300,000	-
Project No. 36244.43.5.1	255,555	118,243	52,962	171,205	84,350
Total expenditures	<u>1,355,556</u>	<u>168,161</u>	<u>579,917</u>	<u>748,078</u>	<u>607,478</u>
Revenues over (under) expenditures	<u>(135,556)</u>	<u>91,432</u>	<u>(115,425)</u>	<u>(23,993)</u>	<u>111,563</u>
Other financing sources					
Transfer from General Fund	<u>135,556</u>	<u>454,231</u>	<u>16,667</u>	<u>470,898</u>	<u>335,342</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 545,663</u>	<u>(98,758)</u>	<u>\$ 446,905</u>	<u>\$ 446,905</u>
Fund balance					
Beginning of year, July 1			<u>397,630</u>		
End of year, June 30			<u>\$ 298,872</u>		

Franklin County, North Carolina
School Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Year Ended June 30, 2004

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Other financing uses					
Transfers to General Fund	\$ (773,964)	\$ (635,000)	\$ (138,964)	\$ (773,964)	\$ -
Appropriated fund balance	773,964	-	-	-	(773,964)
Revenues and appropriated fund balance under expenditures and uses	\$ -	\$ (635,000)	(138,964)	\$ (773,964)	\$ (773,964)
Fund balance					
Beginning of year, July 1			138,964		
End of year, June 30			\$ -		

ENTERPRISE FUNDS

Water and Sewer Fund - This fund accounts for operation of the County's water and sewer operations.

Water and Sewer Capital Projects Fund - This fund accounts for construction of water and sewer capital assets within the County.

These two funds are combined in the full accrual exhibits.

Franklin County, North Carolina
Water and Sewer Fund
 Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
 For the Year Ended June 30, 2004

	2004		Variance Positive (Negative)	2003
	Budget	Actual		Actual
Revenues				
Operating revenues				
Water and sewer charges	\$ 3,231,103	\$ 3,281,939	\$ 50,836	\$ 3,016,068
Other charges for services	138,375	264,418	126,043	160,300
	<u>3,369,478</u>	<u>3,546,357</u>	<u>176,879</u>	<u>3,176,368</u>
Nonoperating revenues:				
Interest earnings	-	-	-	-
Total revenues	<u>3,369,478</u>	<u>3,546,357</u>	<u>176,879</u>	<u>3,176,368</u>
Other financing sources				
Transfers from other funds:				
Water & Sewer Construction Fund	-	-	-	-
General Fund	1,372,961	1,372,961	-	1,000,000
Appropriated fund balance	600,000	-	(600,000)	-
Total other financing sources	<u>1,972,961</u>	<u>1,372,961</u>	<u>(600,000)</u>	<u>1,000,000</u>
Expenditures				
Salaries and employee benefits	732,469	740,048	(7,579)	628,962
Water purchases	2,271,100	1,979,004	292,096	2,015,861
Other operating expenditures	460,515	441,293	19,222	446,896
Capital outlay	154,885	200,456	(45,571)	-
Debt service:				
Interest and other charges	805,470	803,937	1,533	559,039
Debt principal	918,000	874,790	43,210	555,000
Total expenditures	<u>5,342,439</u>	<u>5,039,528</u>	<u>302,911</u>	<u>4,205,758</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (120,210)</u>	<u>\$ (120,210)</u>	<u>\$ (29,390)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual				
Revenues and other financing sources under expenditures		\$ (120,210)		
Debt service payment		874,790		
Depreciation		(716,007)		
Capital outlay		200,456		
Increase in vacation pay		(1,648)		
		<u>237,381</u>		
Water and Sewer Capital Project Fund full accrual		<u>1,735,455</u>		
Change in net assets		<u>\$ 1,972,836</u>		

Franklin County, North Carolina
Water and Sewer Capital Projects Fund
 Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
 From Inception and for the Year Ended June 30, 2004

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
Restricted intergovernmental:					
Federal grants	\$ 3,750,000	\$ 2,057,245	\$ 959,599	\$ 3,016,844	\$ 733,156
State grants	475,000	75,000	750,000	825,000	(350,000)
Contributions	-	25,000	-	25,000	(25,000)
Investment earnings	-	196,472	25,944	222,416	(222,416)
Total revenues	<u>4,225,000</u>	<u>2,353,717</u>	<u>1,735,543</u>	<u>4,089,260</u>	<u>135,740</u>
Expenditures					
Construction	<u>20,604,808</u>	<u>15,689,922</u>	<u>4,660,414</u>	<u>20,350,336</u>	<u>254,472</u>
Revenues under expenditures	<u>(16,379,808)</u>	<u>(13,336,205)</u>	<u>(2,924,871)</u>	<u>(16,261,076)</u>	<u>(118,732)</u>
Other financing sources (uses)					
Proceeds from debt	16,379,808	12,595,000	6,500,000	19,095,000	(2,715,192)
Transfer from General Fund	-	222,495	-	222,495	(222,495)
Transfer to General Fund	-	(425,223)	(88)	(425,311)	425,311
Total other financing sources (uses) - net	<u>16,379,808</u>	<u>12,392,272</u>	<u>6,499,912</u>	<u>18,892,184</u>	<u>(2,512,376)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (943,933)</u>	<u>\$ 3,575,041</u>	<u>\$ 2,631,108</u>	<u>\$(2,631,108)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual					
Revenues under expenditures and other uses			\$ 3,575,041		
Issuance of long-term debt			(6,500,000)		
Capital outlay			4,660,414		
			<u>\$ 1,735,455</u>		

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis.

Insurance Fund - This fund is used to account for the County's insurance transactions.

Franklin County, North Carolina
Insurance Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2004

	2004		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Contributions from employees	\$ 3,057,048	\$ 3,760,240	\$ 703,192
Interest earnings	-	25	25
Total revenues	<u>3,057,048</u>	<u>3,760,265</u>	<u>703,217</u>
Expenditures			
Health insurance	2,321,603	2,352,570	(30,967)
Property and liability insurance	362,500	357,022	5,478
Worker's compensation insurance	372,945	239,757	133,188
Total expenditures	<u>3,057,048</u>	<u>2,949,349</u>	<u>107,699</u>
Revenues over expenditures	<u>\$ -</u>	810,916	<u>\$ 810,916</u>
Fund balances			
Beginning of year, July 1		-	
End of year, June 30		<u>\$ 810,916</u>	
Reconciliation from financial plan basis (modified accrual) to full accrual:			
Total revenues		\$ 3,760,265	
Total expenditures		<u>2,949,349</u>	
Change in net assets		<u>\$ 810,916</u>	

AGENCY FUNDS

Agency Funds are used to account for assets held by the County for individuals and local governments.

Social Services Fund – This fund accounts for funds held by the County Department of Social Services for the benefit of certain individuals in the County.

Fines and Forfeitures Fund - This fund accounts for fines and forfeitures collected by the County that are required to be turned over to the Franklin County Board of Education.

City Ad Valorem and Motor Vehicle Tax Fund - This fund accounts for the proceeds of the Ad Valorem taxes that are collected by the County on behalf of municipalities within the County.

Jail Fund - This fund accounts for funds held by the jail for its prisoners.

Franklin County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Social Services				
Assets				
Cash and cash equivalents	\$ 58,764	\$ 191,052	\$ 205,302	\$ 44,514
Liabilities				
Miscellaneous liabilities	\$ 58,764	\$ 191,052	\$ 205,302	\$ 44,514
Fines and Forfeitures				
Assets				
Cash and cash equivalents	\$ -	\$ 337,730	\$ 337,730	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 337,730 ⁰	\$ 337,730	\$ -
Motor Vehicle Tax				
Assets				
Cash and cash equivalents	\$ -	\$ 1,448,851	\$ 1,448,851	\$ -
Liabilities				
Miscellaneous liabilities	\$ -	\$ 1,448,851	\$ 1,448,851	\$ -
Jail Fund				
Assets				
Cash and cash equivalents	\$ 4,361	\$ 128,717	\$ 128,228	\$ 4,850
Liabilities				
Miscellaneous liabilities	\$ 4,361	\$ 128,717	\$ 128,228	\$ 4,850
Totals - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 93,483	\$ 2,106,350	\$ 2,120,111	\$ 49,364
Liabilities				
Miscellaneous liabilities	\$ 93,483	\$ 319,769	\$ 333,530	\$ 49,364
Intergovernmental payable	-	1,786,581	1,786,581	-
Total liabilities	\$ 93,483	\$ 2,106,350	\$ 2,120,111	\$ 49,364

OTHER SCHEDULES

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy - County-Wide Levy

Secondary Market Disclosures

Ten Largest Taxpayers

Franklin County, North Carolina
General Fund
 Schedule of Ad Valorem Taxes Receivable
 June 30, 2004

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2003</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2004</u>
2003-2004	\$ -	\$ 25,044,383	\$ 24,056,413	\$ 987,970
2002-2003	1,034,242.00	-	703,509	330,733
2001-2002	280,326	-	95,274	185,052
2000-2001	144,210	-	28,817	115,393
1999-2000	91,265	-	19,701	71,564
1998-1999	71,222	-	9,150	62,072
1997-1998	64,160	-	5,421	58,739
1996-1997	32,827	-	1,504	31,323
1995-1996	17,786	-	738	17,048
1994-1995	18,462	-	391	18,071
1993-1994	13,738	-	13,738	-
	<u>\$ 1,768,238</u>	<u>\$ 25,044,383</u>	<u>\$ 24,934,656</u>	<u>1,877,965</u>
				Plus: uncollected 2002-2003 ad valorem taxes receivable on annually registered vehicles
				34,649
				Less: allowance for uncollectible accounts:
				<u>(170,000)</u>
				Ad valorem taxes receivable - net:
				<u>\$ 1,742,614</u>
				Reconciliation with revenues
				Ad valorem taxes - General Fund
				<u>\$ 24,855,280</u>
				Reconciling items:
				Amounts written off for 1993-1994 levy
				13,484
				Interest collected
				(246,272)
				Discounts and adjustments
				<u>312,164</u>
				Total reconciling items
				<u>79,376</u>
				Total collections and credits
				<u>\$ 24,934,656</u>

Franklin County, North Carolina
 Analysis of Current Tax Levy
 County - wide Levy
 For the Year Ended June 30, 2004

	Property Valuation	County - wide		Total Levy	
		Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 2,076,327,564	0.999500%	\$ 20,752,894	\$ 20,752,894	\$ -
Motor vehicles taxed at current year's rate	200,462,531	0.999500%	2,003,623	-	2,003,623
Motor vehicles taxed at prior year's rate	142,981,091	0.999500%	1,429,096	-	1,429,096
Penalties	-		30,136	30,136	-
Total	<u>2,419,771,186</u>		<u>24,215,749</u>	<u>20,783,030</u>	<u>3,432,719</u>
Discoveries					
Current year taxes	85,864,432	0.999500%	858,215	818,167	40,048
Prior year taxes	-		53,255	53,255	-
Penalties	-		10,377	10,377	-
Abatements and releases	-		(93,213)	(73,213)	(20,000)
Total	<u>\$ 2,505,635,618</u>		<u>25,044,383</u>	<u>21,591,616</u>	<u>3,452,767</u>
Uncollected taxes at June 30, 2004			<u>987,970</u>	<u>488,703</u>	<u>499,267</u>
Current year's taxes collected			<u>\$ 24,056,413</u>	<u>\$ 21,102,913</u>	<u>\$ 2,953,500</u>
Current levy collection percentage			<u>96.06%</u>	<u>97.74%</u>	<u>85.54%</u>

Franklin County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Year Ended June 30, 2004

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio ¹		100 %
Real Property	\$	1,924,008,866
Personal Property		508,064,402
Public Service Companies ²		73,562,350
Total Assessed Valuation	\$	<u>2,505,635,618</u>
Tax Rate per \$100		0.9995
Levy (includes discoveries, releases and abatements) ³	\$	24,695,363

In addition to the County-wide rate, the following table lists the levy by the County on behalf of fire protection districts for the fiscal year ended June 30, 2004:

Fire Protection Districts	\$	1,496,985
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¹ Percentage of appraised value has been established by statute.

² Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

³ The levy includes interest and penalties.

Franklin County, North Carolina
 Ten Largest Taxpayers
 For the Year Ended June 30, 2004

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Novo Nordisk	Manufacturing	\$ 82,751,859	3.30 %
Carolina Telephone	Utility	29,479,061	1.18
Progress Energy	Utility	18,614,056	0.74
Wake Electric Membership Corporation	Utility	17,991,097	0.72
Flextronics	Manufacturing	15,091,372	0.60
Louisburg HMA	Hospital	10,645,028	0.42
Wheaton USA, Inc.	Manufacturing	8,167,915	0.33
Harold G. Bagwell	Manufacturing	7,588,407	0.30
Hibert	Manufacturing	7,460,687	0.30
NDOA LLC	Manufacturing	6,383,996	0.25
Total		<u>\$ 204,173,478</u>	<u>8.15 %</u>

CAPITAL ASSETS USED
IN THE OPERATION OF
GOVERNMENTAL FUNDS

Franklin County, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule by Source
June 30, 2004 and 2003

	Balance June 30, 2004	Balance June 30, 2003
Governmental funds capital assets		
Land	\$ 9,039,164	\$ 8,301,193
Buildings	18,179,059	18,179,059
Equipment	2,796,586	1,752,565
Vehicles	3,654,285	3,232,604
Gaslines	411,481	411,481
Construction in Progress	167,130	873,651
	<u>\$ 34,247,705</u>	<u>\$ 32,750,553</u>
Investments in governmental funds capital assets by source		
General fund	\$ 5,462,750	\$ 6,735,586
Special revenue funds	2,488,828	63,592
Capital projects funds	15,891,854	25,408,098
Donations	572,486	543,277
	<u>\$ 34,247,705</u>	<u>\$ 32,750,553</u>

Franklin County, North Carolina
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function
 For the Year ended June 30, 2004

	Land	Buildings & Improvements	Equipment	Vehicles	Gas Lines	Construction In Progress	Total
General Government	\$ 556,634	\$ 4,127,511	\$ 617,061	\$ 161,544	\$ -	\$ -	\$ 5,462,750
Public Safety	263,664	7,699,642	1,097,206	2,602,400	-	-	11,662,912
Economic and Physical Development	6,974,370	2,274,884	600,097	121,782	411,481	167,130	10,549,744
Human Services	124,443	2,217,042	284,468	685,639	-	-	3,311,592
Cultural and Recreational	1,120,053	1,859,980	197,754	82,920	-	-	3,260,707
	<u>\$ 9,039,164</u>	<u>\$ 18,179,059</u>	<u>\$ 2,796,586</u>	<u>\$ 3,654,285</u>	<u>\$ 411,481</u>	<u>\$ 167,130</u>	<u>\$ 34,247,705</u>

Franklin County, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Year ended June 30, 2004

Function and Activity	Governmental Funds Capital Assets June 30, 2003	Additions	Deletions	Governmental Funds Capital Assets June 30, 2004
General Government				
County manager	\$ 16,222	\$ -	\$ -	\$ 16,222
Elections	143,515	-	-	143,515
Finance	37,857	-	-	37,857
Mapping	182,507	-	-	182,507
Register of Deeds	5,000	156,390	-	161,390
Tax	12,608	-	(113,400)	126,008
Other - unclassified	5,021,414	-	226,163	4,795,251
	<u>5,419,123</u>	<u>156,390</u>	<u>112,763</u>	<u>5,462,750</u>
Public Safety				
Sheriff	9,621,852	970,629	515,114	10,077,367
Emergency medical services	1,231,737	162,894	-	1,394,631
Animal Control	16,695	-	-	16,695
Code enforcement	147,481	-	-	147,481
	<u>11,017,765</u>	<u>1,133,523</u>	<u>515,114</u>	<u>11,636,174</u>
Economic and Physical Development				
Airport	8,191,936	911,095	331,177	8,771,854
Soil and conservation	46,838	-	-	46,838
Industrial development	421,746	-	-	421,746
Planning	34,619	26,738	-	61,357
Solid waste	1,134,917	167,130	27,360	1,274,687
	<u>9,830,056</u>	<u>1,104,963</u>	<u>358,537</u>	<u>10,576,482</u>
Human Services				
Social services	2,607,783	-	-	2,607,783
Health	603,530	67,289	11,213	659,606
Planning	32,990	-	(11,213)	44,203
	<u>3,244,303</u>	<u>67,289</u>	<u>-</u>	<u>3,311,592</u>
Cultural and Recreational				
Library	1,323,361	-	-	1,323,361
Recreational	1,915,946	22,108	707	1,937,347
	<u>3,239,307</u>	<u>22,108</u>	<u>707</u>	<u>3,260,708</u>
	<u>\$ 32,750,553</u>	<u>\$ 2,484,273</u>	<u>\$ 987,121</u>	<u>\$ 34,247,705</u>

STATISTICAL SECTION

Franklin County, North Carolina
General Governmental Expenditures by Function
 Last Ten Years

Fiscal Year Ended June 30	General Government	Public Safety	Environmental Protection	Transportation	Economic and Physical Development	Human Services	Cultural & Recreation	Education	Capital Outlay	Debt Service	Total
1995	1,880,851	4,839,757	3,309,627	22,611	994,167	9,944,109	413,660	5,849,205	9,389,455	853,770	\$37,497,212
1996	1,810,733	4,959,220	2,026,504	31,503	482,604	10,327,295	460,610	5,280,245	9,922,360	2,005,780	\$37,306,854
1997	2,723,058	5,690,509	0	41,166	805,096	10,912,213	498,712	5,320,008	5,281,581	2,468,316	\$33,740,659
1998	2,682,576	6,424,265	0	41,110	741,323	11,546,626	592,805	5,737,593	15,841,767	2,989,759	\$46,597,824
1999	2,878,341	7,490,674	0	58,519	705,727	12,146,999	839,195	7,493,681	6,658,095	3,790,725	\$42,061,956
2000	3,486,849	8,226,707	0	53,668	804,719	13,168,414	964,865	7,477,175	7,039,483	4,100,825	\$45,322,705
2001	2,892,083	9,101,312	0	61,446	761,049	13,973,949	973,244	6,948,736	6,620,167	4,014,625	\$45,346,611
2002	2,661,002	9,027,151	0	44,812	1,746,182	14,454,618	1,724,629	7,381,815	9,890,303	4,388,355	\$51,318,867
2003	3,425,795	10,042,570	0	0	4,297,477	14,631,324	1,015,441	11,305,139	349,022	4,293,628	\$49,360,396
2004	3,936,179	10,932,115	0	0	5,295,621	15,305,034	1,126,094	10,004,326	582,628	4,193,998	\$51,375,995

Notes: Includes General, Special Revenue, and Capital Projects Fund.

In FY 2003, GASB 34 was implemented which changed the way some expenditures are reported.

In FY Environmental Protection and Transportation is combined with Economic&Physical Dev.

Franklin County, North Carolina
General Governmental Revenues by Source
 Last Ten Years

Fiscal Year Ended June 30	Ad Valorem Taxes	Sales Tax	Other Taxes and Licenses	Intergovernmental Revenues	Permit and Fees	Sales and Services	Investment Earnings	Miscellaneous Revenues	Total
1995	10,470,896	2,727,324	64,910	7,726,176	475,688	1,407,732	278,957	747,685	\$23,899,368
1996	12,144,952	3,218,962	68,216	6,847,779	531,477	2,067,166	246,404	142,989	\$25,267,945
1997	12,779,736	3,439,062	3,005	8,290,803	578,296	1,320,270	558,764	349,943	\$27,319,879
1998	14,997,225	5,413,717	218,623	8,330,966	805,346	4,294,777	1,429,252	279,648	\$35,769,554
1999	17,239,195	5,824,348	230,419	6,649,771	1,041,850	4,826,699	1,047,117	349,061	\$37,208,460
2000	18,913,984	6,217,906	330,081	13,686,342	1,034,661	4,617,772	1,144,743	114,754	\$46,060,243
2001	20,097,374	6,311,134	250,749	11,106,521	980,898	5,233,026	1,209,803	486,074	\$45,675,579
2002	22,964,733	6,345,460	269,212	12,058,627	1,026,251	6,200,518	569,923	260,530	\$49,695,254
2003	25,266,653	6,954,074	261,224	9,130,796	1,212,207	7,069,189	357,237	246,941	\$50,498,321
2004	26,414,550	8,379,344	273,067	7,657,653	1,312,113	7,163,442	257,474	415,691	\$51,873,334

Notes: Includes General, Special Revenue, and Capital Projects Fund.
 In January 2003, The county implemented an additional 1/2 cent sales tax.

Franklin County, North Carolina
General Governmental Tax Revenues By Source
 Last Ten Years

Fiscal Year Ended June 30	Property Tax	Sales Tax	Franchise Tax	Motor Fuel Tax	ABC Tax	Total
1995	13,364,642	4,211,005	-	-	-	17,575,647
1996	15,827,132	4,648,947	-	-	9,622.00	20,485,701
1997	15,171,985	4,987,479	-	-	8,848.00	20,168,312
1998	16,607,214	5,413,717	-	-	6,886.00	22,027,817
1999	17,239,195	5,824,348	-	-	10,098.00	23,073,641
2000	18,913,984	6,217,906	-	-	9,706.00	25,141,596
2001	20,097,374	6,311,134	-	-	9,690.00	26,418,198
2002	22,964,733	6,345,460	-	-	13,509.00	29,323,702
2003	25,108,908	6,954,074	55,839	18,969	11,395.00	32,149,185
2004	26,414,550	8,379,334	101,712	58,677	10,971.00	34,965,244

Franklin County, North Carolina
 Property Tax Levies and Collections - General Fund
 Last Ten Years

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Levy	% of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections To Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Tax Levy
1995	10,190,244	9,989,408	98.03%	400,358	10,389,766	101.96%	512,688	5.03%
1996	12,010,463	11,782,321	98.10%	261,290	12,043,611	100.28%	479,540	3.99%
1997	12,757,973	12,451,931	97.60%	327,805	12,779,736	100.17%	512,835	4.02%
1998	14,265,404	13,709,893	96.11%	407,065	14,116,958	98.96%	805,587	5.65%
1999	16,207,615	15,552,313	95.96%	417,370	15,969,683	98.53%	1,043,519	6.44%
2000	18,779,088	17,735,569	95.90%	587,486	17,600,823	93.73%	1,178,265	6.27%
2001	20,099,929	18,921,664	95.10%	633,257	17,992,337	89.51%	1,474,335	7.34%
2002	23,041,108	21,566,773	95.70%	823,596	21,472,363	93.19%	1,568,745	6.81%
2003	25,294,585	23,725,840	95.70%	834,749	23,526,347	93.01%	1,768,238	6.99%
2004	26,812,621	25,044,383	96.06%	878,243	24,934,656	93.00%	1,877,965	7.00%

Franklin County, North Carolina
Assessed Value of Taxable Property
 Last Ten Years

Fiscal Year Ended June 30	Real Property	Personal Property	Public Service Company Property	Total Assessed Value
1995	905,786,183	344,731,168	66,020,178	\$1,316,537,529
1996	939,822,445	364,692,745	66,864,851	\$1,371,380,041
1997	1,130,800,603	219,054,689	66,864,851	\$1,416,720,143
1998	1,206,200,391	261,511,730	58,305,361	\$1,526,017,482
1999	1,606,027,317	288,749,950	76,441,048	\$1,971,218,315
2000	1,710,691,564	340,301,621	77,012,395	\$2,128,005,580
2001	1,670,944,146	402,272,197	80,161,011	\$2,153,377,354
2002	1,737,762,751	451,096,588	90,191,159	\$2,279,050,498
2003	1,840,115,056	458,722,309	73,785,425	\$2,372,622,790
2004	1,924,008,866	508,064,402	73,562,350	\$2,505,635,618

Franklin County, North Carolina
Property Tax Rates - Direct and All Overlapping Governments
(Per \$100 of Assessed Value)
 Last Ten Years

Fiscal Year Ended June 30	Town of Bunn	Town of Franklinton	Town of Louisburg	Town of Youngsville	Franklin County	Wake Forest	Total
1995	0.8100	0.7500	0.5450	0.7600	0.8200	NA	3.6850
1996	0.8100	0.7500	0.5450	0.7600	0.9000	NA	3.7650
1997	0.8100	0.7500	0.5750	0.7600	0.9000	NA	3.7950
1998	0.8100	0.7500	0.5850	0.7600	0.9350	NA	3.8400
1999	0.7600	0.6000	0.4950	0.7100	0.8200	NA	3.3850
2000	0.7600	0.6200	0.4950	0.6600	0.8300	NA	3.3650
2001	0.7600	0.6400	0.5150	0.6600	0.8800	NA	3.4550
2002	0.7600	0.6800	0.5250	0.6600	0.9450	NA	3.5700
2003	0.7600	0.6800	0.5250	0.6600	0.9995	NA	3.6245
2004	0.6900	0.6800	0.4850	0.5600	0.9995	0.5400	3.4145

Note: All tax rates are expressed in dollars of tax per \$100 of assessed valuation. The tax rate was adjusted in 1999 due to revaluation.

The Town of Wake Forest annexed part of Franklin County in 2003.

Franklin County, North Carolina
 Ten Largest Tax Payers
 June 30 2004

Taxpayer	Type of Business	2003 Assessed Valuation	Percentage of Total Assessed Valuation
NOVO NORDISK	MANUFACTURER	\$82,751,859	3.30%
CAROLINA TELEPHONE	UTILITY	29,479,061	1.18%
PROGRESS ENERGY	UTILITY	18,614,056	0.74%
W. KE ELECTRIC	UTILITY	17,991,097	0.72%
ELXTRONICS INTERNATIONAL	MANUFACTURER	15,091,372	0.60%
FRANKLIN REGIONAL	HOSPITAL	10,645,028	0.42%
W. EATON USA	MANUFACTURER	8,167,915	0.33%
HAROLD G. BAGWELL	MANUFACTURER	7,588,407	0.30%
PIPERT INC	MANUFACTURER	7,460,687	0.30%
... DA LLC	MANUFACTURER	6,383,996	0.25%
	Totals	<u><u>\$204,173,478</u></u>	<u><u>8.15%</u></u>

Franklin County, North Carolina
Special Assessment Billing and Collections
General fund
 Last Ten Years

Fiscal Year Ended June 30	Special Assessment Billings	Special Assessment Collections
1995	-	-
1996	-	-
1997	-	-
1998	406,220	54,876
1999	-	23,043
2000	-	25,145
2001	88,257	38,725
2002	-	54,558
2003	-	55,543
2004	-	66,963

Note: Franklin County completed paving of streets for the North Raleigh Farms and Inglewood subdivisions.

Franklin County, North Carolina
Computation of Legal Debt Margin
June 30th, 2004

Assessed Value of Taxable Property	\$2,505,635,618
	8.00%
Debt Limit - 8 Percent of Assessed Value	<u>\$200,450,849</u>
Gross debt	
Total bonded debt	\$13,875,000
Authorized and unissued bonds	-
Lease financing agreements	16,690,160
Gross Debt	<u>\$30,565,160</u>
Total Amount of Applicable debt	<u>\$30,565,160</u>
Legal Debt Margin	<u><u>\$169,885,689</u></u>

Franklin County, North Carolina

Ratio of Net General Obligation Bonded Debt to Assessed Value and
Net General Obligation Bonded Debt per Capita

Last Ten Years

Fiscal Year Ended June 30	Assessed Value	Net General Obligation Bonded Debt	Ratio of Net General Obligation Bonded Debt to Assessed Value	Population	Net General Obligation Bonded Debt Per Capita
1995	1,316,537,529	550,000	0.0418%	41,649	13.21
1996	1,371,380,041	450,000	0.0328%	42,738	10.53
1997	1,416,720,183	9,850,000	0.6953%	43,542	226.22
1998	1,526,017,482	19,250,000	1.2615%	44,440	433.17
1999	1,971,218,315	18,750,000	0.9512%	45,288	414.02
2000	2,128,005,580	17,813,000	0.8371%	45,332	392.95
2001	2,153,377,354	16,800,000	0.7802%	47,545	353.35
2002	2,372,622,790	15,825,000	0.6670%	48,818	324.16
2003	2,505,635,618	14,850,000	0.5927%	51,079	290.73
2004	2,505,635,618	13,875,000	0.5538%	52,855	262.51

Source: NC Office of State Planning.

Franklin County Tax Assesor's Office

Franklin County, North Carolina

**Ratio of Annual Debt Service Expenditures for General
Obligation Bonded Debt to Total General Governmental Expenditures
Last Ten Years**

Fiscal Year Ended June 30	Principal	Interest on Bonds	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Debt Service to Total General Governmental Expenditures
1995	100,000	59,475	\$159,475	37,497,212	0.43%
1996	100,000	50,600	\$150,600	37,306,854	0.40%
1997	100,000	41,725	\$141,725	33,740,659	0.42%
1998	100,000	537,575	\$637,575	46,597,824	1.37%
1999	500,000	965,625	\$1,465,625	42,061,956	3.48%
2000	937,000	935,875	\$1,872,875	45,322,705	4.13%
2001	925,000	878,275	\$1,803,275	45,346,611	3.98%
2002	975,000	832,800	\$1,807,800	51,318,867	3.52%
2003	975,000	784,700	\$1,759,700	49,360,396	3.57%
2004	975,000	736,600	\$1,711,600	51,375,995	3.33%

Note: Includes General, Special Revenue and Capital Projects.
Does not include COP Debt.

Franklin County, North Carolina
Computation of Direct and Underlying Debt
General Obligation Bonds
Fiscal Year ended June 30, 2004

	Net General Obligation Bonded debt	Percent Applicable To County	Amount Applicable To County
	-----	-----	-----
Direct:			
Franklin County	\$13,875,000	100.00%	\$13,875,000
Underlying:			
Town of Louisburg	-	100.00%	-
Town of Bunn	-	100.00%	-
Town of Youngsville	-	100.00%	-
Town of Franklinton	-	100.00%	-
Totals	\$13,875,000 =====		\$13,875,000 =====

Note: There is no general obligation debt in any other fund.

Franklin County, North Carolina
Demographic Statistics
 Last Ten Years

Fiscal Year Ended June 30	Population	Per Capita Income	School Enrollment	Unemployment Rate
1995	42,119	16,928	6,443	3.30%
1996	43,280	17,186	6,593	4.20%
1997	44,323	17,708	6,825	4.40%
1998	45,315	18,290	6,965	2.30%
1999	46,382	18,839	7,213	2.60%
2000	47,260	19,003	7,425	2.20%
2001	48,522	20,932	7,623	3.80%
2002	48,818	23,276	7,685	6.60%
2003	51,079	23,276	7,943	5.90%
2004	52,855	24,043	7,914	3.80%

SOURCE: 1) Office of State Planning
 2) US Department of Commerce, Bureau of Economic Analysis

Franklin County, North Carolina
Construction
 Last Ten Years

Fiscal Year Ended June 30	Residential		Commerical		OTHER		Total Value
	Number of Permits	Value	Number of Permits	Value	PERMITS	VALUE	
1995	877	38,194,211	10	1,001,457	606	16,866,248	\$56,061,916
1996	958	46,608,165	18	3,255,144	668	9,153,536	\$59,016,845
1997	1,016	52,750,634	9	1,655,240	769	32,122,387	\$86,528,261
1998	1,048	59,048,250	17	3,469,026	697	7,064,744	\$69,582,020
1999	1,018	68,499,027	10	1,415,458	688	19,086,474	\$89,000,959
2000	968	62,885,797	44	14,881,319	742	6,744,341	\$84,511,457
2001	1,179	50,293,710	63	14,549,655	372	2,129,807	\$66,973,172
2002	936	69,326,133	58	9,058,159	466	5,338,028	\$83,722,320
2003	821	65,037,663	79	7,113,535	616	1,701,946	\$73,853,144
2004	681	67,272,867	42	16,454,470	914	5,566,305	\$89,293,642

SOURCE: Franklin County Planning Department
 NOTE: Change in way of reporting effective 1995

Franklin County, North Carolina
Miscellaneous Statistics
 June 30, 2004

Rate of establishment		1779
Form of government	Commissioner/Manager	
Employees:		
Full-time, regular		408
Part-time, regular		39
Franklin County facilities and services		
Sheriff protection		
Number of stations		1
Number of deputies and officers		40
Number of patrol units		5
Inspections		
Residential Building permits issued		681
Cultural and recreational		
Number of libraries		4
Number of volumes		99,070
Water and Sewer		
Number of customers		1,554
Average daily consumption (in gallons)		1,613,562
Miles of water mains		128
Miles of sanitary sewers		29
Facilities and services not included in the primary government		
Hospitals		
Number of hospitals		1
Number of patient beds		85
Facilities and services not included in the reporting entity		
Education		
Number of school systems		2
Number of community colleges		1
Number of junior colleges		1
Recreation		
Golf Courses		3
Swimming Pools - All Private		5

COMPLIANCE SECTION

**Report On Internal Control Over Financial Reporting And On Compliance and Other
Matters Based On An Audit Of Financial Statements Performed In Accordance With
Government Auditing Standards**

To the County Manager and
Members of the County Board
Franklin County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregated remaining fund information of Franklin County, North Carolina, as of and for the year ended June 30, 2004 which collectively comprises Franklin County's basic financial statements, and have issued our report thereon dated November 15, 2004. 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.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, members of County Commissioners, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hidden Moss Keatt Oak Copy Hope, PA
Certified Public Accountants and Consultants

November 15, 2004
Henderson, North Carolina

**Report On Compliance With Requirements Applicable To Each Major Federal Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the
State Single Audit Implementation Act**

To the County Manager and
Members of the County Board
Franklin County, North Carolina

Compliance

We have audited the compliance of Franklin County, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2004. Franklin County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Franklin County's management. Our responsibility is to express an opinion on Franklin County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Franklin County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Franklin County's compliance with those requirements.

In our opinion, Franklin County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Franklin County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Franklin

County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of County Commissioners, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants and Consultants

November 15, 2004
Henderson, North Carolina

**Report On Compliance With Requirements Applicable To Each Major State Program And
Internal Control Over Compliance In Accordance With Applicable Sections of OMB
Circular A-133 and the State Single Audit Implementation Act**

To the County Manager and
Members of the County Board
Franklin County, North Carolina

Compliance

We have audited the compliance of Franklin County, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2004. Franklin County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Franklin County's management. Our responsibility is to express an opinion on Franklin County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Franklin County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Franklin County's compliance with those requirements.

In our opinion, Franklin County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Franklin County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Franklin County's internal control over compliance with requirements that could have a direct and material

effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, members of County Commissioners, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants and Consultants

November 15, 2004
Henderson, North Carolina

Franklin County, North Carolina
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2004

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes X no
- Reportable condition(s) identified
that are not considered to be
material weaknesses ___yes X none reported

Noncompliance material to financial
statements noted ___yes X no

Federal Awards

Internal control over federal program:

- Material weakness(es) identified? ___yes X no
- Reportable condition(s) identified
that are not considered to be
material weaknesses ___yes X none reported

Type of auditor's report issued on compliance for federal program: Unqualified.

Any audit findings disclosed that are
required to be reported in accordance
with Section 510(a) of Circular A-133 ___yes X no

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
14.228	Community Development Block Grant
10.551	Food Stamp Cluster
10.561	
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
93.558	Temporary Assistance for Needy Families (TANF)
93.568	Low Income Home Energy Assistance
93.575	Subsidized Child Care Cluster
93.596	
93.667	
93.658	Foster Care and Adoption Assistance
93.767	State Children's Insurance Program
93.778	Title XIX – Medicaid

Franklin County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2004

I. Summary of Auditor's Results (Continued)

Dollar threshold used to distinguish between type A and type B programs: \$1,260,866

Auditee qualified as low-risk auditee? yes no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? yes no

- Reportable condition(s) identified
that are not considered to be
material weaknesses yes none reported

Type of auditor's report issued on compliance for major State programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with the State
single Audit Implementation Act yes no

Identification of major State programs:

Program Name
State/County Special Assistance for Adults

II. Financial Statement Findings

There were no current year findings.

III. Federal Award Findings and Questioned Costs

There were no current year findings.

IV. State Award Findings and Questioned Costs

There were no current year findings.

Franklin County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2004

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Franklin County, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2004

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Franklin County, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2004

None.

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2004

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Fed. (Direct &</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Local</u> <u>Expenditures</u>
Federal Awards:					
<u>U.S. Dept. of Agriculture</u>					
<u>Food and Nutrition Service</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
Food Stamp Cluster:					
Food Stamp Program - Noncash	10.551		\$ 4,461,329	\$ -	\$ -
State Administrative Matching Grants for the Food Stamp Program	10.561		398,002	-	398,002
Total Food Stamp Cluster			4,859,331	-	398,002
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Administration:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		162,910	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		600,720	-	-
Passed-through the Kerr-Tar Council of Governments:					
Nutrition Program for the Elderly	10.570		31,616	-	-
Total U.S. Dept. of Agriculture			5,654,577	-	398,002
<u>U.S. Dept. of Commerce</u>					
Direct Program:					
Grants for Public Works & Economic Development	11.300		959,598	-	-
<u>U.S. Dept. of Housing and Urban Development</u>					
Passed-through N.C. Housing Finance Agency					
HOME Partnership Program	14.239		19,710	-	-
Passed-through the N.C. Dept. of Commerce:					
Community Development Block Grant, Small Cities	14.228	02-C-0951	334,259	-	-
Community Development Block Grant, Small Cities	14.228	03-C-0951	204,507	-	-
Community Development Block Grant, Small Cities	14.228	00-E-0757	750,000	-	-
Total U.S. Dept. of Housing and Urban Development			1,308,476	-	-
<u>U.S. Dept. of Justice</u>					
<u>Bureau of Justice Administration</u>					
Direct Program:					
Local Law Enforcement Block Grant	15.592	2003-LB-BX-2468	10,807	-	-
<u>U.S. Dept. of Transportation</u>					
<u>Federal Aviation Administration</u>					
Passed-through the N.C. Dept. of Transportation:					
State Block Grant Program	20.106		404,099	-	44,900
<u>U.S. Dept. of Health and Human Services</u>					
<u>Administration on Aging</u>					
<u>Division of Social Services</u>					
Passed-through the Kerr-Tar Council of Governments:					
Aging Cluster:					
Special Programs for the Aging - Title III F Health Promotion	93.043		7,536	481	-
Special Programs for the Aging - Title III B Grants for Supportative Services	93.044		54,094	206,571	-
Special Programs for the Aging - Title III C Nutrition Services	93.045		56,103	24,394	-
Senior Medicare Patrol	93.048		200	-	-
Family Caregiver Support	93.052		3,290	-	-
Total Aging Cluster			121,223	231,446	-

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2004

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>Administration for Children and Families</u>					
Passed-through the N.C. Dept. Of Health and Human Services					
Division of Social Services:					
Foster Care and Adoption Cluster:					
Title IV-E Foster Care	93.658		112,238	24,730	87,208
Foster Care - Direct Benefits Payments	93.658		56,784	10,361	23,294
Adoption Assistance - Direct Benefits Payments	93.659		134,838	39,978	39,978
Total Foster Care and Adoption Cluster			303,860	75,069	150,480
Temporary Assistance for Needy Families:					
Administration	93.558		622,664	-	418,641
Direct Benefits Payments	93.558		487,458	-	-
Low-income Home Energy Assistance Block Grant:					
Administration	93.568		123,204	-	-
Direct Benefits Payments	93.568		123,159	-	-
Childcare Development Fund - Administration	93.596		74,991	-	-
Child Welfare Services	93.645		23,553	5,652	2,199
Social Services Block Grant	93.667		226,910	33,406	73,254
Independent Living Grant	93.674		18,670	4,667	-
Division of Child Development:					
Subsidized Child Care Cluster:					
Child Care and Development Fund - Discretionary	93.575		668,212	-	-
Child Care and Development Fund - Mandatory	93.596		266,921	-	-
Child Care and Development Fund - Match	93.596		174,960	103,790	-
Social Services Block Grant	93.667		7,487	-	-
Temporary Assistance for Needy Families	93.558		134,665	-	-
Smart Start			-	3,725	-
State Appropriations			-	50,768	-
TANF-MOE			-	280,211	-
Total Subsidized Child Care Cluster			1,252,245	438,494	-
<u>Health Care Financing Administration</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Medical Assistance Program - Direct Benefits Payments	93.778		29,035,028	12,706,688	2,154,897
Division of Social Services:					
Medical Assistance Program - Administration	93.778		740,154	34,264	646,626
Health Choice - Administration	93.767		33,298	6,179	5,549
<u>Centers for Disease Control</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Harmful Algal Blooms Program	93.283		99,387	-	-
Cooperative Agreements for State-Based Comprehensive Breast & Cervical Cancer Early Detection Programs	93.919		10,000	-	-
Preventive Health and Health Services Block Grant	93.991		15,366	-	-
<u>Health Resources and Services Administration</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Immunization Grants	93.268		15,749	-	-
Temporary Assistance for Needy Families	93.558		5,989	-	-
Maternal and Child Health Services Block Grant	93.994		185,297	-	-
Total U.S. Dept. of Health and Human Services			33,518,205	13,703,855	2,957,552
<u>U.S. Dept. of Homeland Security</u>					
Passed-through the N.C. Department of Crime Control and Public Safety:					
Public Assistance Grants	97.004	HS-TE-03-1035	43,690	-	-
	97.004	HS-MU-03-2035	67,731	-	-
	97..051	SP-02-028	30,975	-	-
Direct Program:					
Emergency Food And Shelter	97.024		30,696	-	-
			142,396	-	-
Total federal awards			42,028,854	13,703,855	3,798,456

Franklin County, North Carolina
 Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2004

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
State Awards:					
<u>N.C. Dept. of Cultural Resources</u>					
State Library of North Carolina:					
State Aid to Public Libraries					
			-	112,227	-
<u>N.C. Dept. of Health and Human Services</u>					
Division of Social Services:					
State/County Special Assistance for Adults:					
Direct Benefit Payments					
State Foster Care - Direct Benefits Program			-	478,102	478,102
Adoption Subsidy - Direct Benefit Payments			-	50,468	50,468
At Risk Maximization - Direct Benefits Payments			-	77,765	30,611
State Aid to Counties			-	10,665	6,323
Smart Start			-	41,656	-
			-	30,951	-
Total Division of Social Service					
			-	689,607	565,504
Division of Public Health:					
General					
Communicable Disease			-	24,775	-
Tuberculosis			-	4,450	-
AIDS			-	14,427	-
TB Medical Services			-	500	-
Maternal Care Coordinator			-	1,150	-
Women's Preventive Health			-	7,500	-
Epilepsy			-	2,000	-
Immunization			-	6,460	-
			-	3,233	-
Total Division of Public Health					
			-	64,495	-
Division of Aging:					
Passed-through the Kerr-Tar Council of Governments					
Senior Center Outreach			-	1,353	-
Senior Center Development			-	17,422	-
Total Division of Aging					
			-	18,775	-
Total N. C. Department of Health and Human Services					
			-	772,877	565,504
<u>N.C. Dept. of Administration</u>					
Veteran Services Officer					
			-	2,000	-
<u>N.C. Dept. of Transportation</u>					
State Airport Grant					
Elderly and Disabled Transportation Assistance Program		36244.43.5.1	-	130,918	-
Work First			-	47,103	-
Rural General Public Program			-	6,040	-
Total N.C. Dept. of Transportation			-	34,637	-
			-	87,780	-
<u>N.C. Dept. of Crime Control and Public Safety</u>					
Crisis Housing Assistance					
EM Performance Grant			-	16,107	-
			-	24,007	-
Total N.C. Dept. of Crime Control and Public Safety					
			-	40,114	-
<u>N.C. Dept. of Juvenile Justice and Delinquency</u>					
Juvenile Crime Council Program					
			-	143,248	-
<u>N.C. Dept. of Insurance</u>					
Car Seat Grant					
			-	2,500	-
Total State awards					
			-	1,144,639	565,504
Total federal and State awards					
			\$ 42,028,854	\$ 14,848,494	\$ 4,363,960

Franklin County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2004

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Franklin County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the county's basic financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.